# Office of Thrift Supervision
# NEWS

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## Summary of Practices Addressed in Proposed Rule on Unfair or Deceptive Acts or Practices

**For Credit Cards:**

1. **Reasonable Time to Make Payments** – Institutions would be prohibited from treating a payment as late unless consumers have been provided with a reasonable amount of time to make payment. The proposed rule would create a safe harbor for institutions that adopt reasonable procedures to ensure that periodic statements are mailed or delivered at least 21 days before the payment due date.

2. **Payment Allocation –** When different annual percentage rates apply to different balances, institutions would be prohibited from allocating any amounts paid in excess of the minimum payment in a manner that is less beneficial to consumers than one of three methods. For example, institutions could apply the entire amount first to the balance with the highest annual percentage rate or split the amount equally among the balances. When an account has a discounted promotional rate balance or a balance on which interest is deferred, institutions would be required to use payment allocation practices that give consumers the full benefit of the discounted rate or deferred interest plan.

3. **Interest Rate Increases on Outstanding Balances –** Institutions would be prohibited from increasing the annual percentage rate on an outstanding balance unless certain exceptions apply. For example, an institution could increase the variable rate if a promotional rate has expired or if the cardholder's payment is delinquent (e.g., the minimum payment has not been received within 30 days of the due date).

4. **Fees from Credit Holds** – Institutions would be prohibited from assessing a fee if a consumer exceeds the credit limit on an account solely due to a hold placed on the available credit – unless the amount of the transaction would also have exceeded the credit limit.

5. **Balance Computation Methods ("Double Cycle Billing") –** Institutions would be prohibited from computing finance charges on outstanding balances based on balances in billing cycles preceding the most recent billing cycle. The proposed rule would prohibit institutions from reaching back to prior billing cycles when calculating the amount of interest charged in the current cycle, a practice that is sometimes referred to as two- or double-cycle billing.

6. **Fees/Deposits Charged to the Account for the Issuance of Credit –** Institutions would be prohibited from charging to the credit card account fees or security deposits for the issuance or availability of credit (such as account-opening fees or membership fees) if those fees or deposits utilize the majority of the available credit on the account. In addition, the proposal would require that fees or deposits that exceed 25% of the credit limit be spread over the first year, rather than charged as a lump sum at account opening. Institutions would not be prohibited from issuing credit cards that require a consumer to pay a security deposit if that deposit is not charged to the account. Such an approach can be a means of repairing or building credit.

7. **Firm Offers of Credit –** Institutions making firm offers of credit that advertise multiple annual percentage rates or credit limit ranges would be required to disclose in the solicitation the factors that determine whether a consumer will qualify for the lowest annual percentage rate and highest credit limit advertised.

**For Overdraft Programs:**

1. **Opt Out –** Institutions would be prohibited from assessing a fee for paying an overdraft unless they provide a consumer with: the right to opt out of payment of overdrafts; a reasonable opportunity to exercise the opt-out; and the consumer does not opt out. The proposed opt-out right would apply to all transactions that overdraw an account regardless of the whether the transaction is, for example, a check, an automated clearinghouse (ACH) transaction, an ATM withdrawal, a recurring payment, or a debit card purchase at a point of sale.

2. **Fees from Debit Holds –** Institutions would be prohibited from assessing an overdraft fee if the overdraft is caused solely by a hold on funds that exceeds the actual purchase amount of the transaction, unless this purchase amount would have also caused the overdraft.

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