

Introduced by Senator Wyland

February 21, 2014

An act to amend Section 1748.13 of the Civil Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

SB 1338, as introduced, Wyland. Credit cards: disclosures.

Existing law, the Areias Credit Card Full Disclosure Act of 1986, requires a credit card issuer, with each billing statement provided to a cardholder in this state, to provide certain information on the front of the first page of the billing statement. Existing law defines various terms for purposes of carrying out that requirement.

This bill would make nonsubstantive changes to that definition provision.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1748.13 of the Civil Code is amended
- 2 to read:
- 3 1748.13. (a) A credit card issuer shall, with each billing
- 4 statement provided to a cardholder in this state, provide the
- 5 following on the front of the first page of the billing statement in
- 6 type no smaller than that required for any other required disclosure,
- 7 but in no case in less than 8-point capitalized type:
- 8 (1) A written statement in the following form: "Minimum
- 9 Payment Warning: Making only the minimum payment will

1 increase the interest you pay and the time it takes to repay your
2 balance.”

3 (2) Either of the following:

4 (A) A written statement in the form of and containing the
5 information described in clause (i) or (ii), as applicable, as follows:

6 (i) A written three-line statement, as follows:

7 “A one thousand dollar (\$1,000) balance will take 17 years and
8 three months to pay off at a total cost of two thousand five hundred
9 ninety dollars and thirty-five cents (\$2,590.35).

10 A two thousand five hundred dollar (\$2,500) balance will take 30
11 years and three months to pay off at a total cost of seven thousand
12 seven hundred thirty-three dollars and forty-nine cents (\$7,733.49).

13 A five thousand dollar (\$5,000) balance will take 40 years and two
14 months to pay off at a total cost of sixteen thousand three hundred
15 five dollars and thirty-four cents (\$16,305.34).

16 This information is based on an annual percentage rate of 17
17 percent and a minimum payment of 2 percent or ten dollars (\$10),
18 whichever is greater.”

19 In the alternative, a credit card issuer may provide this
20 information for the three specified amounts at the annual percentage
21 rate and required minimum payment which are applicable to the
22 cardholder’s account. The statement provided shall be immediately
23 preceded by the statement required by paragraph (1).

24 (ii) Instead of the information required by clause (i), retail credit
25 card issuers shall provide a written three-line statement to read, as
26 follows:

27 “A two hundred fifty dollar (\$250) balance will take two years
28 and eight months to pay off a total cost of three hundred
29 twenty-five dollars and twenty-four cents (\$325.24).

30 A five hundred dollar (\$500) balance will take four years and five
31 months to pay off at a total cost of seven hundred nine dollars and
32 ninety cents (\$709.90).

33 A seven hundred fifty dollar (\$750) balance will take five years
34 and five months to pay off at a total cost of one thousand
35 ninety-four dollars and forty-nine cents (\$1,094.49).

36 This information is based on an annual percentage rate of 21
37 percent and a minimum payment of 5 percent or ten dollars (\$10),
38 whichever is greater.”

39 In the alternative, a retail credit card issuer may provide this
40 information for the three specified amounts at the annual percentage

1 rate and required minimum payment which are applicable to the
2 cardholder's account. The statement provided shall be immediately
3 preceded by the statement required by paragraph (1). A retail credit
4 card issuer is not required to provide this statement if the
5 cardholder has a balance of less than five hundred dollars (\$500).

6 (B) A written statement providing individualized information
7 indicating an estimate of the number of years and months and the
8 approximate total cost to pay off the entire balance due on an
9 open-end credit card account if the cardholder were to pay only
10 the minimum amount due on the open-ended account based upon
11 the terms of the credit agreement. For purposes of this
12 subparagraph only, if the account is subject to a variable rate, the
13 creditor may make disclosures based on the rate for the entire
14 balance as of the date of the disclosure and indicate that the rate
15 may vary. In addition, the cardholder shall be provided with
16 referrals or, in the alternative, with the "800" telephone number
17 of the National Foundation for Credit Counseling through which
18 the cardholder can be referred, to credit counseling services in, or
19 closest to, the cardholder's county of residence. The credit
20 counseling service shall be in good standing with the National
21 Foundation for Credit Counseling or accredited by the Council on
22 Accreditation for Children and Family Services. The creditor is
23 required to provide, or continue to provide, the information
24 required by this paragraph only if the cardholder has not paid more
25 than the minimum payment for six consecutive months, after July
26 1, 2002.

27 (3) (A) A written statement in the following form: "For an
28 estimate of the time it would take to repay your balance, making
29 only minimum payments, and the total amount of those payments,
30 call this toll-free telephone number: (Insert toll-free telephone
31 number)." This statement shall be provided immediately following
32 the statement required by subparagraph (A) of paragraph (2). A
33 credit card issuer is not required to provide this statement if the
34 disclosure required by subparagraph (B) of paragraph (2) has been
35 provided.

36 (B) The toll-free telephone number shall be available between
37 the hours of 8 a.m. and 9 p.m., Pacific standard time, seven days
38 a week, and shall provide consumers with the opportunity to speak
39 with a person, rather than a recording, from whom the information
40 described in subparagraph (A) may be obtained.

1 (C) The Department of Financial Institutions shall establish a
2 detailed table illustrating the approximate number of months that
3 it would take and the approximate total cost to repay an outstanding
4 balance if the consumer pays only the required minimum monthly
5 payments and if no other additional charges or fees are incurred
6 on the account, such as additional extension of credit, voluntary
7 credit insurance, late fees, or dishonored check fees by assuming
8 all of the following:

9 (i) A significant number of different annual percentage rates.

10 (ii) A significant number of different account balances, with
11 the difference between sequential examples of balances being no
12 greater than one hundred dollars (\$100).

13 (iii) A significant number of different minimum payment
14 amounts.

15 (iv) That only minimum monthly payments are made and no
16 additional charges or fees are incurred on the account, such as
17 additional extensions of credit, voluntary credit insurance, late
18 fees, or dishonored check fees.

19 (D) A creditor that receives a request for information described
20 in subparagraph (A) from a cardholder through the toll-free
21 telephone number disclosed under subparagraph (A), or who is
22 required to provide the information required by subparagraph (B)
23 of paragraph (2), may satisfy its obligation to disclose an estimate
24 of the time it would take and the approximate total cost to repay
25 the cardholder's balance by disclosing only the information set
26 forth in the table described in subparagraph (C). Including the full
27 chart along with a billing statement does not satisfy the obligation
28 under this section.

29 (b) For *the* purposes of this section, *the following definitions*
30 *apply*:

31 (1) "Credit card" has the same meaning as in paragraph (2) of
32 subdivision (a) of Section 1748.12.

33 (2) "Open-end credit card account" means an account in which
34 consumer credit is granted by a creditor under a plan in which the
35 creditor reasonably contemplates repeated transactions, the creditor
36 may impose a finance charge from time to time on an unpaid
37 balance, and the amount of credit that may be extended to the
38 consumer during the term of the plan is generally made available
39 to the extent that any outstanding balance is repaid and up to any
40 limit set by the creditor.

1 (3) “Retail credit card” means a credit card is issued by or on
2 behalf of a retailer, or a private label credit card that is limited to
3 customers of a specific retailer.

4 (c) (1) This section shall not apply in any billing cycle in which
5 the account agreement requires a minimum payment of at least 10
6 percent of the outstanding balance.

7 (2) This section shall not apply in any billing cycle in which
8 finance charges are not imposed.

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