

1 S.138

2 Introduced by Senators Sears and Campbell

3 Referred to Committee on

4 Date:

5 Subject: Banking and insurance; financial institution; credit card

6 Statement of purpose: This bill proposes to prohibit a credit card company
7 from contacting a credit card holder who is disputing a debt or late fee and has
8 retained legal counsel. The bill also requires credit card companies to give a
9 card holder written notice when it modifies a credit term; sets a cap on late
10 charges that can be assessed by the credit card company; and prohibits the
11 inclusion of universal default clauses in a credit card agreement.

12 An act relating to credit card fees

13 It is hereby enacted by the General Assembly of the State of Vermont:

14 Sec. 1. 8 V.S.A. § 14304 is added to read:

15 § 14304. CARD HOLDER REPRESENTED BY LEGAL COUNSEL

16 (a) A credit card company or its creditor shall not contact a card holder
17 regarding a debt, late fee, or other charge once informed that the card holder is
18 disputing the debt, late fee, or other charge and is represented by legal counsel
19 in the dispute.

1 (b) A credit card company or its creditor that violates subsection (a) of this
2 section shall be fined not more than \$10,000.00.

3 (c) Each violation of subsection (a) of this section shall be considered a
4 separate offense.

5 Sec. 2. 8 V.S.A. § 14305 is added to read:

6 § 14305. DISCLOSURE OF MODIFICATION OF CREDIT TERMS

7 (a) For purposes of this section:

8 (1) “Annual percentage rate” means each periodic rate that may be used
9 to compute the finance charge on an outstanding balance for purchases,
10 expressed as an annual percentage rate.

11 (2) “Balance computation method” means the method used to determine
12 the balance for purchases on which the finance charge is computed.

13 (3) “Cash advance fee” means any fee imposed for an extension of
14 credit in the form of cash.

15 (4) “Charge card” means a credit card on an account for which no
16 periodic rate is used to compute the finance charge.

17 (5) “Fees for issuance or availability” means any annual or other
18 periodic fees, expressed as an annualized amount, or any other fees that may be
19 imposed for the issuance or availability of a credit or charge card, including
20 any fees based on account activity or inactivity.

1 (6) “Grace period” means the date by which or the period within which
2 any credit extended for purchases may be repaid without incurring a finance
3 charge.

4 (7) “Late payment fee” means any fee imposed for a late payment.

5 (8) “Minimum finance charge” means any minimum or fixed finance
6 charge that could be imposed during a billing cycle.

7 (9) “Over-the-limit fee” means any fee imposed for exceeding a credit
8 limit.

9 (10) “Renewal fee” means any annual or other periodic fee to renew a
10 credit or charge card account.

11 (11) “Transaction charges” means any transaction charge imposed for
12 the use of the credit or charge card for purchases.

13 (b) If the issuer of a credit or charge card modifies the annual percentage
14 rate, fees for issuance or availability, minimum finance charge, transaction
15 charges, grace period, balance computation method, cash advance fee, late
16 payment fee, or renewal fee or the over-the-limit fee of a credit or charge card,
17 the issuer shall disclose to the card holder the modification of the credit term or
18 terms clearly and conspicuously, in writing and in a separate mailing sent to
19 the holder sixty days in advance of any such modification or modifications
20 taking effect.

1 (c) An issuer of a credit or charge card that violates subsection (b) of this
2 section shall be fined not more than \$10,000.00.

3 Sec. 3. 8 V.S.A. § 14306 is added to read:

4 § 14306. LATE CHARGES

5 (a) No issuer of a credit card shall assess charges for late payment in excess
6 of one and one-half percent of the unpaid balance of any bill, including any
7 interest thereon, or \$15.00, whichever amount is less.

8 (b) A credit card company that violates subsection (a) of this section shall
9 be fined not more than \$10,000.00.

10 Sec. 4. 8 V.S.A. § 14307 is added to read:

11 § 14307. PROHIBITION OF UNIVERSAL DEFAULT CLAUSES

12 (a) For purposes of this section, “universal default clause” means any
13 clause or provision included within a credit card agreement or contract which
14 allows an issuer to increase the interest rate on the issuer’s credit card if a
15 holder is late with a payment to another credit card issuer or creditor.

16 (b) No issuer of a credit card shall include in a credit card contract or
17 agreement a universal default clause.

18 (c) No issuer of a credit card shall increase the interest rate upon a credit
19 card holder if the holder is late with a payment to another credit card issuer or
20 creditor, unless the holder is also late with a credit card payment to such issuer.

1 (d) No issuer of a credit card shall increase the interest rate upon a credit
2 card holder where the card holder has incurred additional debt pursuant to a
3 home equity line of credit or home equity loan, but has continued to make
4 payments to the issuer of the credit card on a timely basis.

5 (e) A credit card company that violates this section shall be fined not more
6 than \$10,000.00.