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**MEMORANDUM**

April 21, 2009

To Our Clients and Friends

Re: Proposal on Clarification to Credit Card Rules

The Federal Reserve Board, the Office of Thrift Supervision, and the National Credit Union Administration have proposed clarifications to their final rules issued under the Federal Trade Commission Act prohibiting certain unfair credit card practices. The rules were issued last December. The Federal Reserve has also proposed clarifications to its December 2008 final rule under the Truth-in-Lending Act (“TILA”), which amended Regulation Z to improve the disclosures consumers receive in connection with credit card accounts and other revolving credit plans. Comments are due 30 days after publication in the *Federal Register*. The agencies indicated that they do not intend to extend the July 1, 2010 effective date of the rules.

The agencies’ proposals clarify the following issues:

- The protections in the rules would continue to apply to balances on a credit card account when the account is closed or acquired by a different institution or when the balances are transferred to another account issued by the same institution. For example, an institution would not be permitted to increase the rate on a credit card balance because the account has been closed.
- Deferred interest and similar programs may continue to be offered, but these programs are subject to the protections in the rules. For example, if a consumer makes a purchase under these types of programs, the terms governing interest charges cannot be changed through a “universal default” rate increase.

The Federal Reserve’s Regulation Z proposals amend certain provisions of the regulation and the Official Staff Commentary to resolve confusion regarding how institutions are to comply with certain aspects of the regulation as applied to open-end (but not home-secured) credit.

A copy of the agencies’ proposals can be found on our website at [http://www.schwartzandballen.com/whats\\_new.html](http://www.schwartzandballen.com/whats_new.html).

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.