

AMENDED IN ASSEMBLY MAY 6, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1300

Introduced by Assembly Member Roger Hernández

February 22, 2013

An act to add Section 1748.97 to the Civil Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

AB 1300, as amended, Roger Hernández. Credit cards: oral disclosures.

Existing state and federal laws regulate the provision of credit and the use of credit cards. Existing federal law requires a card issuer to disclose, in either electronic form or in a prominent location on the application or solicitation, certain information, including, but not limited to, the annual percentage rate, penalty rates, cash advance fees, late payment fees, and over-the-limit fees, to the extent applicable, on or with an application or solicitation that is initiated by the card issuer and provided to the consumer in person. Existing federal law imposes special rules applicable to credit cards offered to college students. Existing state law requires a card issuer of a secured credit card, as defined, in every advertisement or solicitation to prospective cardholders, to expressly identify the credit instrument offered as a secured credit card and disclose that credit extended under the secured credit card is secured. Existing state law also requires an application form or preapproved written solicitation for an open-end credit card account to be used for certain purposes that is mailed to a consumer in this state to contain specified disclosures, including, among other things, any periodic rate or rates that may be applied to the account, any membership or

participation fee that may be imposed for availability of a credit card account, and any per transaction fee that may be imposed on purchases, as specified.

This bill would require ~~a credit card issuer on or the near the campus of an institution of higher education or at an event sponsored by or related to an institution of higher education to orally disclose to a first-time cardholder between 18 and 26 years of age~~ *that prior to the issuance of a credit card on the campus of an institution of higher education to a cardholder who is 18 years of age or older the cardholder be provided with an oral disclosure, by the credit card issuer soliciting on the campus of an institution of higher education, containing certain information, including, but not limited to, the annual percentage rate, penalty rates, cash advance fee, late payment fee, and over-the-limit fee, in a specified manner. The bill would also require such a the card issuer to, among other things, orally (1) provide a cardholder with an example of how long it would take a cardholder to pay off the average credit card debt if the cardholder only makes minimum payments and, (2) explain how the credit card interest rates are compounded, and (3) explain the adverse effect of a late credit card payment, as specified.* The bill would require a cardholder to initial and sign a written document to be provided by the card issuer indicating receipt of the oral disclosures, example, and explanations, as specified. *The bill would require the credit card issuer to provide the oral disclosures, example, and explanation and the written document to a non-English speaking cardholder in the cardholder’s native language. The bill would specify that these provisions are not applicable to credit card applications submitted online.*

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 1748.97 is added to the Civil Code, to
- 2 read:
- 3 1748.97. ~~(a) (1) A credit card issuer on the campus of an~~
- 4 ~~institution of higher education, near the campus of an institution~~
- 5 ~~of higher education, or at an event sponsored by or related to an~~
- 6 ~~institution of higher education, shall, at or prior to the time of the~~
- 7 ~~issuance of a credit card, orally disclose to a first-time cardholder~~
- 8 ~~of a credit card between 18 and 26 years of age the following:~~

1 1748.97. (a) (1) *Prior to the issuance of a credit card on the*
2 *campus of an institution of higher education to a cardholder who*
3 *is 18 years of age or older, the cardholder shall be provided with*
4 *an oral disclosure, by the credit card issuer soliciting on the*
5 *campus of an institution of higher education, that includes all of*
6 *the following:*

- 7 (A) Annual percentage rate.
- 8 (B) Penalty rates.
- 9 (C) Cash advance fee.
- 10 (D) Late payment fee.
- 11 (E) Over-the-limit fee.
- 12 (F) Any event specified in the credit card agreement, such as,
13 but not limited to, a late payment or an extension of credit that
14 exceeds the credit limit, that would trigger an increase in the
15 cardholder's annual percentage rate.

16 (2) In addition to the disclosures specified in paragraph (1), the
17 card issuer shall also orally (A) provide a cardholder with an
18 example of how long it would take the cardholder to pay off the
19 average credit card debt if the cardholder only makes the minimum
20 payments, (B) explain how the credit card interest rates are
21 compounded, and (C) explain the adverse effect a late credit card
22 payment may have on a cardholder.

23 (b) After the card issuer provides the oral disclosures, example,
24 and explanations required by subdivision (a) and ~~at or~~ prior to the
25 time of the issuance of a credit card, the card issuer shall provide
26 a cardholder with a written document containing each oral
27 disclosure, example, and explanation and the cardholder shall
28 initial each disclosure, example, and explanation received by the
29 card issuer.

30 (c) ~~At or prior~~ *Prior* to the time of the issuance of a credit card,
31 a cardholder shall sign the written document described in
32 subdivision (b) stating that he or she was provided with the oral
33 disclosures, example, and explanations required by subdivision
34 (a).

35 (d) In providing the *oral disclosures, example, and explanations*
36 described in subdivision (a), the credit card issuer shall explain
37 the terms in easy-to-understand, nontechnical terms subject to the
38 description of those terms contained in Section 226.5a of Title 12
39 of the Code of Federal Regulations.

1 (e) *The credit card issuer shall provide the oral disclosures,*
2 *example, and explanation described in subdivision (a) and the*
3 *written document described in subdivisions (b) and (c) to a*
4 *non-English speaking cardholder in the cardholder's native*
5 *language.*

6 (f) *This section shall not apply to credit card applications*
7 *submitted online.*

8 (e)

9 (g) *The provisions of this section are severable. If any provision*
10 *of this section or its application is held invalid, that invalidity shall*
11 *not affect other provisions or applications that can be given effect*
12 *without the invalid provision or application.*