*Note: Much of the content from the previous version of this policy was procedural and was moved to a new supporting section (7210.10).*

*The changes to this policy were so significant that there is no redlined version provided. This document shows the updated content in its entirety. It is recommended to adopt this updated policy and customize it for your credit union.*

**Policy 7210: Credit Cards**

**Model Policy Revised Date: 05/13/2024**

**General Policy Statement:**

[[CUname’s]] (Credit Union’s) general lending policy strives to serve the legitimate credit needs of members while safeguarding their investments. The Credit Union promotes prudent underwriting, fair treatment of applicants, sound loan management, and compliance with all applicable federal and state laws and regulations.

The Credit Union offers credit cards to meet the needs of its consumer members. The Board of Directors authorizes the Credit Union to engage in this program in accordance with policy.

1. **LENDING AUTHORITY AND UNDERWRITING.** All credit decisions will be made by the loan officers appointed by the Board of Directors of the Credit Union. Limits will be approved by the same guidelines as stated in the Credit Union’s policy (See **Policy 7255**). The Credit Union will **not** open a credit card account for a member under an open-end (not home-secured) consumer credit plan, or increase any credit limit applicable to such account, unless it considers the ability of the member to make the required minimum periodic payments under the terms of the account based on the member's income or assets and current obligations, regardless of the member’s age.

	1. Co-Makers and/or pledged shares will be accepted for security on credit cards if the member has no current or previous established credit in his/her name. The Credit Union will comply with the applicable disclosure requirements as outlined by the regulation and procedure.
	2. The Credit Union will collect the documentation required to underwrite the loan to determine the ability to repay in accordance with regulation and procedure.
2. **DISCLOSURES**. The Credit Union will disclose the rates and terms of its credit card program in accordance with Regulation Z.

	1. Monthly payments are required on all credit card accounts.
	2. The Credit Union offers a 25-day grace period. If the balance is paid in full within the grace period, the account will incur no finance charge. Otherwise, the Credit Union will calculate interest based on a daily balance for the month.
	3. The Credit Union may assess late charges. However, with respect to consumer loans, the Credit Union may **not** collect any late charge or delinquency charge on a payment when the delinquency is due to unpaid late fees or delinquency charges assessed earlier (a/k/a “pyramiding” of late fees).

		1. **Smaller Card Issuers –** together with affiliates had less than one million open credit card accounts for the entire preceding calendar year, will charge less than the established safe harbor amounts under Regulation Z.
		2. **Larger Card Issuers** – together with affiliates had one million or more open credit card accounts for the preceding calendar year, will charge no more than $8 for late payments as required under Regulation Z.
3. **CHANGING TERMS OF AGREEMENT.** Consistent with Regulation Z and procedures, the Credit Union will provide members 45 days' advanced written notice before increasing a member’s annual percentage rate (APR) or changing any other significant terms of the credit agreement. The credit union will monitor accounts every six months to determine if rate increases or decreases are appropriate.

	* 1. If the Credit Union is notified of a rejection of a significant change to an account term, the Credit Union will **not** (unless the member fails to make a payment within 60 days after the due date) apply the change to the account; impose a fee or charge or treat the account as in default solely as a result of the rejection; or require repayment of the balance on the account using a method that is less beneficial to the member than one of the methods listed in the regulation.
4. **PERIODIC STATEMENTS.** The Credit Union will mail periodic statements with the required content as outlined in Regulation Z to cardholders at least 21 days before payment is due for each billing cycle at the end of which an account has a debit or credit balance of more than $1 or on which a finance charge has been imposed.
5. **PAYMENTS.**The Credit Union will have reasonable requirements for conforming payments and will credit a payment to the member’s account as of the date of receipt, except when a delay in crediting does not result in a finance charge or other charge.
6. **TREATMENT OF CREDIT BALANCES.** In accordance with regulation, when a credit balance in excess of $1 is created on a credit account, the Credit Union will credit the amount of the credit balance to the member’s account or refund any part of the remaining credit balance **within 7 business days** from receipt of a written request from the member.
7. **SPECIAL PROVISIONS.** The Credit Union understands there are certain requirements within Regulation applicable to credit cards. Specifically, the Credit Union will follow procedures regarding the issuance of cards, liability for unauthorized use, right to assert claims or defenses, and crediting accounts. The Credit Union will not take any action, either before or after termination of credit card privileges, to offset a cardholder’s indebtedness against funds held on deposit unless the cardholder has authorized that in writing. The Credit Union will follow procedures to make sure the authorization complies with Regulation.
8. **DISPUTES AND ERROR RESOLUTION.** The Credit Union will follow their procedures, in compliance with Regulation Z when handling member disputes, billing errors, and unauthorized use.
9. **MANAGEMENT CONTROLS.** Management controls are designed to minimize the risks associated with misuse of open-ended credit and misuse of the credit card. Credit misuse is reduced by carefully screening cardholders before issuance and by monitoring individual accounts for abuse. Misuse of credit cards is reduced by internal controls designed to prevent fraudulent use of lost or stolen cards or interception of cards before delivery to the member. Management reports include:

	1. Over-the-limit reports identifying members who exceed credit limits.
	2. Stagnant maximum usage reports identifying accounts that are constantly at their limit, an indication that the member may be experiencing credit problems and may have difficulty making payments.
	3. Issuance or replacement of credit cards after a short time period after receiving a notification of change in address.
10. **UNLAWFUL INTERNET GAMBLING.**The Credit Union will follow the guidance of the Credit Union's Unlawful Internet Gambling Policy (See Policy 2205) regarding Credit Cards.
11. **ABILITY TO PAY.** The Credit Union will comply with the ability to repay requirements outlined in Regulation Z. Specifically, the Credit Union will **not** open a credit card account for a member under an open-end (not home-secured) consumer credit plan, or increase any credit limit applicable to such account, unless it considers the ability of the member to make the required minimum periodic payments under the terms of the account based on the member's income or assets and current obligations, regardless of the member’s age.

1. **LIMITATIONS ON FEES.** Certain types of fees on credit card accounts are prohibited by law and regulation. The Credit Union will comply with their procedures and applicable regulations when charging fees. The Credit Union will also limit fees and not charge in excess of the safe harbor amounts included in regulation.
2. **REEVALUATION OF RATES**. The credit union will monitor accounts every six months to determine if rate increases or decreases are appropriate. The Credit Union will evaluate an APR that applies to a credit card account under an open-end (not home-secured) consumer credit card plan on the credit risk of the consumer, market conditions, or other factors. If appropriate, the Credit Union may reduce or increase the APR applicable to the account. The Credit Union will follow their procedures and regulation on the advanced noticed and change-in-terms requirements.
3. **ALLOCATION OF PAYMENTS.** When a member makes a payment in excess of the required minimum periodic payment for a credit card account under an open-end (not home-secured) consumer credit plan, the Credit Union will allocate the excess amount first to the balance with the highest APR and any remaining portion to the other balances in descending order based on the applicable APR, unless the member makes a specific request to apply a payment to a different balance.
4. **LIMITATIONS ON THE IMPOSITION OF FINANCE CHARGES.**

	1. **Limitations on Imposing Finance Charges as a Result of the Loss of a Grace Period.** Except for adjustments to finance charges due to a dispute or the return of a payment, the Credit Union will **not** impose finance charges as a result of the loss of a grace period on a credit card account under an open-end (not home-secured) consumer credit plan if those finance charges are based on:

		1. Balances for days in billing cycles that precede the most recent billing cycle; or
		2. Any portion of a balance subject to a grace period that was repaid prior to the expiration of the grace period.
5. **LIMITATIONS ON INCREASING ANNUAL PERCENTAGE RATES, FEES, AND CHARGES.** If an increase of an APR or fee is necessary and is permitted by Regulation, the Credit Union will follow applicable procedures and regulations to ensure compliance.

	* 1. **Servicemembers Civil Relief Act Exception (SCRA).** If an APR has been decreased pursuant to the SCRA, the Credit Union will increase that APR once it is no longer applicable, provided that the Credit Union may **not** apply the increased rate to any transactions that occurred prior to the decrease in APR that exceeds the APR that applied to those transactions prior to the decrease.
6. **REQUIREMENTS FOR OVER-THE-LIMIT TRANSACTIONS.** Over-the-limit transaction means any extension of credit by the Credit Union to complete a transaction that causes a member’s credit card account balance to exceed the credit limit. The Credit Union will not assess a fee or charge for over-the-limit transactions unless it has complied with the opt-in requirements within Regulation Z and corresponding procedures. The Credit Union will not condition the amount of a member’s credit limit on the consumer affirmatively consenting the payment of over-the-limit transactions if the Credit Union assesses a fee or charges for the service.
7. **REPORTING AND MARKETING RULES FOR COLLEGE STUDENT OPEN-END CREDIT.** For open-end (not home-secured) consumer credit plans to college students, the Credit Union will comply with Regulations, procedures, and applicable reporting requirements. The Credit Union will **not** offer a college student any tangible item to induce them to apply for or open an open-end consumer credit plan offered by the Credit Union on the campus of an institution of higher education; near the campus of an institution of higher education; or at an event sponsored by or related to an institution of higher education.
8. **INTERNET POSTING AND QUARTERLY SUBMISSION OF CREDIT CARD AGREEMENTS.** Unless the Credit Union is otherwise exempt (had fewer than 10,000 open credit card accounts as of the last business day of the calendar quarter.), it will make quarterly submissions to the CFPB, no later than the first business day on or after January 31, April 30, July 31 and October 31of each year, in the form and manner specified by the CFPB.  If the credit agreement is amended, the Credit Union will provide the updated agreement by the first quarterly submission deadline following the effective date of the change. The Credit Union will also post and maintain the agreement submitted to the CFPB on their publicly available website. The Credit Union will follow all the requirements outlined in Regulation Z and procedures with regards to content, posting and distributing the agreement (2) the date the cardholder's request is received.
9. **CREDIT CARD ADD-ON PRODUCTS**. The Credit Union will ensure that it markets and sells its credit card add-on products (i.e., debt protection, identity theft protection, credit score tracking, etc.) in a manner that limits the potential for statutory or regulatory violations and related consumer harm.