

FEDERAL RESERVE BANK
OF NEW YORK

November 23, 1970

TRUTH IN LENDING ACT
Amendments Relating to Credit Cards

*To All State Member Banks
in the Second Federal Reserve District:*

Enclosed, for your information, is an excerpt from Public Law 91-508, approved October 26, 1970, containing the text of amendments to the Truth in Lending Act. In major part, the amendments —

(a) prohibit, effective October 26, 1970, the issuance of unsolicited credit cards except in renewal of, or in substitution for, an accepted credit card;

(b) provide, effective January 25, 1971, that a cardholder shall be liable for the unauthorized use of a credit card only if, among other things, the liability is not in excess of \$50 and the card issuer has provided postage-paid notice forms for use in the event the card is lost or stolen; and

(c) provide that a cardholder shall not be liable for the unauthorized use of a credit card issued on or after January 25, 1971, or for the unauthorized use, after the expiration of 12 months following January 25, 1971, of a credit card issued before January 25, 1971, unless the card issuer has provided a method for identifying the authorized user of the card.

Changes in Regulation Z to cover these amendments are being drafted and will be submitted for public comment as soon as they become available.

Inquiries relating to these amendments should be directed to our Consumer Information and Securities Regulations Department (Telephone No. 212-732-5700, Extension 8210 or 8209).

Alfred Hayes,
President.

TITLE V—PROVISIONS RELATING TO CREDIT CARDS

15 USC 1602.

Sec. 501. Section 103 of the Truth in Lending Act (82 Stat. 146) is amended by redesignating subsections (j), (k), and (l) as subsections (p), (q), and (r), respectively, and by adding after subsection (i) the following:

"Adequate notice."
Infra.

"(j) The term 'adequate notice', as used in section 133, means a printed notice to a cardholder which sets forth the pertinent facts clearly and conspicuously so that a person against whom it is to operate could reasonably be expected to have noticed it and understood its meaning. Such notice may be given to a cardholder by printing the notice on any credit card, or on each periodic statement of account, issued to the cardholder, or by any other means reasonably assuring the receipt thereof by the cardholder.

"Credit card."

"(k) The term 'credit card' means any card, plate, coupon book or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

"Accepted credit card."

"(l) The term 'accepted credit card' means any credit card which the cardholder has requested and received or has signed or has used, or authorized another to use, for the purpose of obtaining money, property, labor, or services on credit.

"Cardholder."

"(m) The term 'cardholder' means any person to whom a credit card is issued or any person who has agreed with the card issuer to pay obligations arising from the issuance of a credit card to another person.

"Card issuer."

"(n) The term 'card issuer' means any person who issues a credit card, or the agent of such person with respect to such card.

"Unauthorized use."

"(o) The term 'unauthorized use', as used in section 133, means a use of a credit card by a person other than the cardholder who does not have actual, implied, or apparent authority for such use and from which the cardholder receives no benefit."

15 USC 1601
note.

SEC. 502. (a) The Truth in Lending Act (82 Stat. 146) is amended by adding after section 131 the following sections:

15 USC 1641.

"§ 132. Issuance of credit cards

Prohibition.

"No credit card shall be issued except in response to a request or application therefor. This prohibition does not apply to the issuance of a credit card in renewal of, or in substitution for, an accepted credit card.

"§ 133. Liability of holder of credit card

"(a) A cardholder shall be liable for the unauthorized use of a credit card only if the card is an accepted credit card, the liability is not in excess of \$50, the card issuer gives adequate notice to the cardholder of the potential liability, the card issuer has provided the cardholder with a self-addressed, prestamped notification to be mailed by the cardholder in the event of the loss or theft of the credit card, and the unauthorized use occurs before the cardholder has notified the card issuer that an unauthorized use of the credit card has occurred or may occur as the result of loss, theft, or otherwise. Notwithstanding the foregoing, no cardholder shall be liable for the unauthorized use of any credit card which was issued on or after the effective date of this section, and, after the expiration of twelve months following such effective date, no cardholder shall be liable for the unauthorized use of any credit card regardless of the date of its issuance, unless (1) the conditions of liability specified in the preceding sentence are met, and (2) the card issuer has provided a method whereby the user of such card can be identified as the person authorized to use it. For the purposes of this section, a cardholder notifies a card issuer by taking such steps as may be reasonably required in the ordinary course of business to provide the card issuer with the pertinent information whether or not any particular officer, employee, or agent of the card issuer does in fact receive such information.

(Over)

"(b) In any action by a card issuer to enforce liability for the use of a credit card, the burden of proof is upon the card issuer to show that the use was authorized or, if the use was unauthorized, then the burden of proof is upon the card issuer to show that the conditions of liability for the unauthorized use of a credit card, as set forth in subsection (a), have been met.

"(c) Nothing in this section imposes liability upon a cardholder for the unauthorized use of a credit card in excess of his liability for such use under other applicable law or under any agreement with the card issuer.

"(d) Except as provided in this section, a cardholder incurs no liability from the unauthorized use of a credit card.

"§ 134. Fraudulent use of credit card

"Whoever, in a transaction affecting interstate or foreign commerce, uses any counterfeit, fictitious, altered, forged, lost, stolen, or fraudulently obtained credit card to obtain goods or services, or both, having a retail value aggregating \$5,000 or more, shall be fined not more than \$10,000 or imprisoned not more than five years, or both."

Penalty.

(b) The table of contents of chapter 2 of the Truth in Lending Act is amended by adding at the end thereof the following:

82 Stat. 152.
15 USC 1631-1641.

- "132. Issuance of credit cards.
- "133. Liability of holder of credit card.
- "134. Fraudulent use of credit card."

SEC. 503. The amendments to the Truth in Lending Act made by this title become effective as follows:

Effective dates.

- (1) Section 132 of such Act takes effect upon the date of enactment of this title.
- (2) Section 133 of such Act takes effect upon the expiration of 90 days after such date of enactment.
- (3) Section 134 of such Act applies to offenses committed on or after such date of enactment.