

From: Noemi Escabi
Subject: Reg Z - Truth in Lending

Comments:

Good afternoon,

We would like to clarify the following requirement included in the Regulation Z Interim Final Rule Docket No. R -1364.

Section 226.9(c)(2)(vi) Reduction of the credit limit. This section states the following:

For credit card accounts under an open-end (not home-secured) consumer credit plan, if a creditor decreases the credit limit on an account, advance notice must be provided before an over the limit fee or penalty rate can be imposed solely as a result of the consumer exceeding the newly decreased credit limit. Notice shall be provided in writing or orally at least 45 days prior to imposing the over the limit fee or penalty rate and shall state that the credit limit on the account has been or will be decreased.

We have interpreted this section to mean the following:

If a creditor decreases a credit line, advance notice of the decrease must be provided 45 days before the effective date of the decrease.

If an over the limit fee or penalty rate will be charged as a result of the consumer exceeding the newly decreased credit limit, a notice must be sent 45 days prior to the imposition of the fee. The notice shall state the following: effective date of the fee or penalty, that the credit limit has been or will be decreased, and the consumer's right to reject the fee or rate.

We appreciate your guidance regarding the interpretation of this new requirement.

Thank you,

Noemí Escabí