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## Impact of New Credit Card Rules on Marketers

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**The media has been filled with stories the past few days regarding new rules for credit cards. The following is a brief discussion of the new rules and what they may mean for direct marketers and other retailers ("marketers").**

The requirements that became mandatory on February 22, 2010, are just part of an extensive overhaul of the rules relating to credit cards and open-end credit. The Federal Reserve Board (the "FRB"), which issues Regulation Z, made substantial changes to the regulation in January 2009 that were scheduled to take effect on July 1, 2010. Congress, in the interim, adopted the Credit CARD Act in May 2009, which included additional restrictions on credit cards and certain other financial products, and became mandatory in stages, including on February 22. Following adoption of the Credit CARD Act, the FRB revised Regulation Z to modify the changes previously adopted, make additional changes to reflect the Credit CARD Act, and add further consumer protections to Regulation Z.

The changes that became mandatory on February 22 primarily affect credit cards, and have already had a major impact on the credit card industry. Among other things, the ability of credit card issuers to increase rates, add fees or otherwise change terms has been substantially restricted. In anticipation of these restrictions, credit card issuers implemented significant changes to existing credit cards before February 22, including closing or reducing credit limits on some accounts and increasing rates and fees on others. These new rules only have a direct impact on marketers that issue their own credit cards, in which case such marketers obviously will have taken the necessary steps to comply with the law by February 22. The changes will have an indirect impact on all marketers, however, to the extent that marketers count on payments being made by their customers through bank credit cards, since bank credit cards have become harder to obtain and more expensive.

Additional changes to Regulation Z will take effect on July 1, 2010, and many of these changes apply to open-end credit generally and not just



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to credit cards. These changes impact on disclosures, such as disclosures in credit agreements, billing statements and advertisements, including advertising deferred-interest programs. Accordingly, marketers who may finance the sale of their products and services through revolving lines of credit offered by the marketers (even if no marketer-issued credit card is involved) will need to take steps to comply with these requirements by July 1, including modifying data processing systems in order to generate compliant billing statements.

On the other hand, the changes adopted to-date generally do not impact on closed-end credit (that is, the payment for a purchase through a series of installment payments not involving revolving credit).

Manatt attorneys are working closely with credit card issuers in modifying products and systems to comply with these rules. If you have any questions regarding the rules, including with respect to open-end credit, please do not hesitate to contact us.

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**For additional information on this issue, contact:**



**Charles E. Washburn** Mr. Washburn advises a broad range of banks, savings associations, mortgage bankers, mortgage and real estate related web sites, builders, direct marketers, telecommunications companies and other entities regarding regulatory matters.

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