

**Department of Banking, Insurance, Securities & Health Care Administration**

**Vermont Banking Division**

**REGULATION B-99-1**

**Secured Credit Cards**

**Dec. 1, 1999**

**Section 1. Authority and Purpose**

This regulation is promulgated pursuant to Title 9 V.S.A. § 43, for the purposes of promoting the informed use of consumer credit by requiring the inclusion of specific minimum contract terms in the cardholder agreement, in the furtherance of consumer protection. The ability of creditors to offer secured credit cards will make credit available to riskier borrowers who may not be eligible for unsecured credit cards or other unsecured credit. The following minimum contract terms shall apply to every credit cardholder agreement that is secured by a deposit account of a cardholder.

**Section 2. Contract Requirements**

The terms of the cardholder agreement shall be written in clear, understandable language and easily read type and in a form the consumer may keep. All deposits required under the cardholder agreement shall be held in a federally insured account.

**Section 3. Definitions**

**Cardholder** means a natural person to whom a credit card is issued for consumer credit purposes, or a natural person who has agreed with the card issuer to pay consumer credit obligations arising from the issuance of a credit card to another natural person.

**Card Issuer** means a person that issues a credit card or that person's agent with respect to that card, and is the creditor that has agreed to extend credit to the cardholder in accordance with a credit card cardholder agreement.

**Credit Card** means any card, plate, or other single credit device that may be used from time to time to obtain credit.

**Security Interest** means an interest in the deposit account that secures performance of a consumer credit card obligation.

**Section 4. Content of Agreement**

The cardholder agreement shall:

A. Contain the following clause in a size no less prominent than any other printed portion of the cardholder agreement provided to the cardholder:

"You must maintain a deposit account as security for this credit card account, and shall grant us a security interest in this deposit account."

B. Inform the cardholder the minimum amount required to be maintained in the deposit account.

C. Set forth the manner and upon what circumstance the cardholder may terminate the card issuer's security interest in the deposit account and/or withdraw the funds from the deposit account.

D. Set forth under what circumstance and in what manner the card issuer may exercise an offset against the security interest.

### **Section 5. Timing**

All contract terms relating to a secured credit card shall be provided to the cardholder prior to the activation of the credit card account.

### **Section 6. Effective Date**

This Regulation is effective on December 1, 1999. Lenders shall be obligated to comply with this regulation commencing 60 days after the effective date hereof.

### **Section 7. Severability**

If any provision of this Regulation, or the application of it to any person or circumstance, is determined to be invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions of this regulation which can be given effect without the invalid provision or application, and to that end the provisions of this Regulation are severable.