

been increased pursuant to paragraph (b)(3) of this section.

(1) *Repayment.* The bank must provide the consumer with one of the following methods of repaying a protected balance or a method that is no less beneficial to the consumer than one of the following methods:

(i) An amortization period of no less than five years, starting from the date on which the increased rate becomes effective for the category of transactions; or

(ii) A required minimum periodic payment that includes a percentage of the protected balance that is no more than twice the percentage required before the date on which the increased rate became effective for the category of transactions.

(2) *Fees and charges.* The bank must not assess any fee or charge based solely on a protected balance.

§ 227.25 Unfair balance computation method.

(a) *General rule.* Except as provided in paragraph (b) of this section, a bank must not impose finance charges on balances on a consumer credit card account based on balances for days in billing cycles that precede the most recent billing cycle as a result of the loss of any time period provided by the bank within which the consumer may repay any portion of the credit extended without incurring a finance charge.

(b) *Exceptions.* Paragraph (a) of this section does not apply to:

(1) Adjustments to finance charges as a result of the resolution of a dispute under 12 CFR 226.12 or 12 CFR 226.13; or

(2) Adjustments to finance charges as a result of the return of a payment for insufficient funds.

§ 227.26 Unfair charging of security deposits and fees for the issuance or availability of credit to consumer credit card accounts.

(a) *Limitation for first year.* During the first year, a bank must not charge to a consumer credit card account security deposits and fees for the issuance or availability of credit that in total constitute a majority of the initial credit limit for the account.

(b) *Limitations for first billing cycle and subsequent billing cycles.* (1) First billing cycle. During the first billing cycle, the bank must not charge to a consumer credit card account security deposits and fees for the issuance or availability of credit that in total constitute more than 25 percent of the initial credit limit for the account.

(2) *Subsequent billing cycles.* Any additional security deposits and fees for the issuance or availability of credit permitted by paragraph (a) of this section must be charged to the account in equal portions in no fewer than the five billing cycles immediately following the first billing cycle.

(c) *Evasion prohibited.* A bank must not evade the requirements of this section by providing the consumer with additional credit to fund the payment of security deposits and fees for the issuance or availability of credit that exceed the total amounts permitted by paragraphs (a) and (b) of this section.

(d) *Definitions.* For purposes of this section, the following definitions apply:

(1) “Fees for the issuance or availability of credit” means:

(i) Any annual or other periodic fee that may be imposed for the issuance or availability of a consumer credit card account, including any fee based on account activity or inactivity; and

(ii) Any non-periodic fee that relates to opening an account.

(2) “First billing cycle” means the first billing cycle after a consumer credit card account is opened.

(3) “First year” means the period beginning with the date on which a consumer credit card account is opened and ending twelve months from that date.

(4) “Initial credit limit” means the credit limit in effect when a consumer credit card account is opened.

SUPPLEMENT I TO PART 227—OFFICIAL STAFF COMMENTARY

SUBPART A—GENERAL PROVISIONS FOR CONSUMER PROTECTION RULES

Section 227.1—Authority, Purpose, and Scope

1(c) Scope

1. *Penalties for noncompliance.* Administrative enforcement of the rule for banks may