



Taking aim at credit card issuers who promote offers to consumers such as "convenience checks," deferred interest/promotional interest rate purchases and balance transfers, the Consumer Financial Protection Bureau (CFPB) released a [Bulletin](#) on September 3, 2014, putting those issuers on notice of the risk that those practices could constitute deceptive and/or abusive acts.

CFPB Director Richard Cordray [criticized](#) such interest rate promotions, maintaining that the offers "lure in consumers and then hit them with surprise charges." Last year, the CFPB foreshadowed these [concerns](#), as it questioned consumer understanding and the clarity of disclosures to consumers. The September 3 Bulletin examines the common practice of extending "grace periods" to consumers on new credit card purchases, in which a consumer is given a period of time after the close of each billing cycle to pay off his or her balance

without incurring any interest. Should a consumer fail to pay the entire balance for that billing cycle by the payment due date, any amount not paid is subject to interest, and the consumer loses the grace period. Until the consumer qualifies for the grace period again, interest is assessed on all purchases from the date of purchase. When credit card issuers offer consumers the opportunity to transfer a credit card balance or to make a purchase that will be subject to a low or zero percent APR, the CFPB contends that some issuers do not adequately inform consumers that accepting a promotional APR offer will result in the loss of that consumer's grace period on new purchases if he or she does not pay the *entire* statement balance (inclusive of any purchases made under the promotional APR) by the payment due date. Because promotional APR offers are often marketed to last for a certain period of time (in some cases, over a year), the CFPB suggests that some consumers may not understand that the grace period for all new purchases is conditioned on full repayment of the promotional balance, and consumers may then incur significant additional interest charges due to the loss of the grace period. Because credit card issuers often market promotional APRs as a way for consumers to save money, the CFPB maintains that one or more card issuers created and failed to cure such misimpressions. The Bulletin sets forth the CFPB's expectations for measures credit card issuers should incorporate into their compliance management systems in order to avoid engaging in unfair, deceptive or abusive conduct. Specifically, issuers should implement internal controls sufficient to ensure that promotional APR offers are marketed in such a way as to clearly, prominently and accurately describe the material costs, conditions and limitations associated with the offers, as well as the effect of the promotional APR offers on the grace period for new purchases. The Bulletin states that some issuers do not include any information about the loss of a grace period for affected consumers in promotional rate marketing materials, while other issuers may include the information but do not use clear language or place the information in a prominent location.

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