

Consumer Law

Eric M. Fink
Elon Law School
Winter 2020

Student: _____

Points: _____

Problem Set 4

Problem 12.1

Regulation Z

Finance Charge: 12 CFR § 1026.4

- Definition: § 1026.4(a)
 - Imposed indirectly by creditor
 - Incident to extension of credit
- Charges by Third Parties: § 1026.4(a)(1)
 - Use of third party required
 - Portion retained by creditor
- Specific Examples: § 1026.4(b)
 - Insurance premiums: § 1026.4(b)(5)
- Exclusion for Voluntary Credit Insurance: § 1026.4(d)
 - Voluntary
 - Disclosed in writing
 - Signed written request

Problem 15.1

TILA

“Fee Harvester” cards: 15 USC § 1637(n)

- Non-triggered fees exceeding 25% of authorized credit
- Paid from available credit

Regulation Z

Limitations on Fees: 12 CFR § 1026.52

- Limits during first year: § 1026.52(a)
 - Total fees exceed 25% of credit limit
 - Unlike statute, Reg Z prohibits these even if not paid from available credit
 - But in case of conflict, statute controls
- Limit on penalty fees: § 1026.51(b)
 - Based on costs incurred by issuer
 - Safe harbor (\$27; inflation adjusted)
 - Not a cap, but presumed reasonable

Over-the-Limit Transactions: 12 CFR § 1026.56

- Opt-in required for over-limit fees
- Must be in writing

Ability to Pay: 12 CFR § 1026.51

- Issuer must consider ability to pay: § 1026.51(a)(1)
- Minimum periodic payments: § 1026.51(a)(2)