Methodology

U.S. Credit Card Asset-Backed Securities

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# U.S. Credit Card Asset-Backed Securities

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope And Limitations</td>
<td>4</td>
</tr>
<tr>
<td>I. Executive Summary</td>
<td>4</td>
</tr>
<tr>
<td>II. Overview Of Credit Card Industry</td>
<td>5</td>
</tr>
<tr>
<td>III. Operational Risk Review</td>
<td>6</td>
</tr>
<tr>
<td>Originator Review</td>
<td>6</td>
</tr>
<tr>
<td>Servicer Review</td>
<td>7</td>
</tr>
<tr>
<td>VI. Collateral Performance Metrics And Base-Case Assumptions</td>
<td>8</td>
</tr>
<tr>
<td>Portfolio Characteristics</td>
<td>8</td>
</tr>
<tr>
<td>VII. Data Request And Developing A Base-Case Expectation For Charge-Off Rate, Portfolio Yields And Principal Payment Rates</td>
<td>8</td>
</tr>
<tr>
<td>Portfolio Data</td>
<td>8</td>
</tr>
<tr>
<td>Projecting Expected Charge-Off Rate</td>
<td>9</td>
</tr>
<tr>
<td>Adjustments To The Expected Charge-Off Rate</td>
<td>10</td>
</tr>
<tr>
<td>Projecting Expected Portfolio Yield</td>
<td>10</td>
</tr>
<tr>
<td>Adjustments To The Expected Portfolio Yield</td>
<td>11</td>
</tr>
<tr>
<td>Projecting Expected Principal Payment Rate</td>
<td>11</td>
</tr>
<tr>
<td>Adjustments To The Principal Payment Rate</td>
<td>12</td>
</tr>
<tr>
<td>VIII. Cash Flow Stress Scenarios And Credit Enhancement</td>
<td>13</td>
</tr>
<tr>
<td>IX. Securitization Trust Structures And Cash Flow Allocations</td>
<td>15</td>
</tr>
<tr>
<td>X. Types Of Credit Enhancement</td>
<td>19</td>
</tr>
<tr>
<td>XI. Legal Structure And Opinions</td>
<td>20</td>
</tr>
<tr>
<td>Appendix A: Summary Of Regulations</td>
<td>21</td>
</tr>
</tbody>
</table>
Scope and Limitations

DBRS evaluates both qualitative and quantitative factors when assigning ratings to a U.S. structured finance transaction. This methodology represents the current DBRS approach for rating auto lease securitizations issued in the United States, with auto lease collateral originated in the United States. It describes the DBRS approach to analysis, which includes (1) a focus on the quality of the sponsor/servicer, (2) evaluation of the collateral pool and (3) utilization of historically employed credit evaluation techniques. This report also outlines the asset class and discusses the methods DBRS typically employs when assessing a transaction and assigning a rating. It is important to note that the methods described herein may not be applicable in all cases. Further, this methodology is meant to provide guidance regarding the DBRS methods used in the sector and should not be interpreted as prescribing a rigid template, but understood in the context of the dynamic environment in which it is intended to be applied.

I. Executive Summary

DBRS applies a qualitative and quantitative approach to rating debt backed by credit card receivables. In addition, the approach includes an assessment of the quality of the sponsor, which DBRS believes directly affects the likelihood that investors will be repaid according to the terms under which they have invested.

The key analytical considerations evaluated by DBRS include the following:

- Operational Risk Review
- Collateral Quality Analysis
  - Performance of a sponsor’s credit card receivables
- Capital structure, ratings and credit enhancement
- Cash flow scenario analysis
- Legal structure and opinions

Based on our analysis of the aforementioned analytical considerations, DBRS tests the viability of each transaction’s proposed capital structure and credit enhancement levels at each rating level through the use of our proprietary credit card securitization model. Scenarios are executed for each class of debt, with each higher-priority class subjected to successively more severe assumptions. The bases of the model include collateral inputs consisting of yield, payment rate and loss rates; proposed capital structure; priority of payments; trust expenses; and interest rate and basis risk curves. The stresses incorporated include the imposition of regulations and any stress that may ensue from the sponsor having to comply with existing regulations.

From a financial structure perspective, credit card securitizations incorporate the concept of an early amortization event, which when triggered, accelerates the end of the revolving period and the onset of the amortization period. Early amortization may be triggered due to the insolvency of the sponsor and other sponsor-related issues, in addition to declining performance of the credit card receivables. From a modeling perspective, DBRS assumes a transaction enters an early amortization period due to a breach of the base rate trigger, which signals a decline in the performance of the collateral. For all rating levels, DBRS assumes the trigger to be breached. Depending on the variables in the cash flow stress scenarios, a breach typically occurs between months six and ten in the cash flows stress scenarios.

Each rating assigned by DBRS represents an opinion regarding the likelihood of repayment according to the terms of each securitization structure. For credit card receivables transactions, these terms typically include timely payment of interest and ultimate payment of principal by the legal final maturity date.
Credit card asset-backed securities (ABS) investors often evaluate their investment decisions with respect to an expected payment date, which is likely to differ from the legal final maturity date addressed by the DBRS rating.

Once a transaction closes, DBRS assigns a final rating and begins the monitoring process in accordance with the DBRS Master U.S. ABS Surveillance Methodology.

II. Overview of Credit Card Industry

The credit card industry has been shaped by many forces, including regulations promulgated by the Federal Financial Institutions Examination Council (FFIEC), Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation and other regulatory bodies, in addition to the enactment of the Bankruptcy Abuse and Prevention Act of 2005 and the Credit Card Accountability Responsibility and Disclosure Act of 2009. Credit cards are unsecured, open-ended revolving debt obligations used to finance the purchase of goods and services, as well as for cash advances. A credit card represents a contractual agreement between the credit card holder and a financial institution. The agreement addresses the terms and conditions to which the cardholder and card issuer must adhere.

A credit card typically provides a cardholder with a maximum amount that may be borrowed and stipulates an interest rate to be applied to balances that are not paid in full each month. The interest rate on credit cards may be either fixed or floating, based on an index, typically the U.S. prime rate. Outstanding cardholder balances increase as charges are made and decrease through cardholder principal payments. Portfolio yield includes finance charges that accrue on unpaid revolving principal balances, as well as other charges, such as late payment fees or over-limit charges. Portfolio yield may also include interchange, which represents fees received by card issuers from entities such as MasterCard Worldwide and Visa Inc. to compensate the card issuers for assuming interim cardholder credit risk and fraud. Interchange fees are not paid by cardholders; generally, they are remitted to the sponsors and contributed to some credit card trusts in order to supplement the yield in the trust.

Cardholders that pay their entire principal balance in full each month are often referred to as “convenience users.” Other cardholders, referred to as “revolvers,” tend to make only partial or minimal monthly payments and, therefore, often carry an outstanding balance from month to month. A charge card program works like a credit card program, except that the cardholder is not allowed to revolve a balance from month to month. That is, a charge card program requires all cardholders to be convenience users, not revolvers. Figure 1 on page 7 details the parties involved and payment flows during the processing of a credit card transaction.

Credit cards are offered by a variety of financial institutions, but primarily banks, while less common charge cards are offered by banks and finance companies. Among the variety of cards offered by card issuers, common programs include premium cards that provide incentives to use the card in the form of airline miles, rewards points or cash, but that also may carry higher annual fees or interest rates. Over the last several years, consolidation of credit card sponsors has resulted in the top three sponsors controlling more than 60% of the market. This trend has been driven by a desire to grow economies of scale and expand customer bases, and has resulted in better-recognized sponsor franchises and broader receivables diversification.

1. As the credit card industry is heavily regulated, DBRS monitors proposed and final changes to law and regulations. DBRS assesses the impact of the final changes on outstanding rated securities and accordingly updates our methodologies.
Credit card receivables have been financed in the ABS market since the late 1980s. Competition among sponsors, changing consumer demographics and market saturation have resulted in continuous product innovation, including the use of credit cards as a convenience tool, versus solely as a means to finance purchases over time. As demonstrated in Chart 1 below, consumers’ reliance on credit cards has grown significantly up until the financial crisis, but trended down over the last five years. The non-revolving portion of consumer installment credit recently peaked at $2.18 trillion (as of August 2013), but the revolving portion has trended down to $848 billion from $1.02 trillion in July 2008.

**Interchange**

Interchange fees are generated when credit card banks discount the amount that is remitted to the merchant for goods and services charged and serve to provide compensation to the issuing entity (the cardholder’s bank) for interest costs, default risk and administrative expenses. The interchange fee is generally shared among the credit card bank, the merchant bank and, at times, the clearing house association. Currently, there are four main networks for clearing transactions: Visa International, MasterCard, American Express and Discover. From an economic perspective, the portion of the interchange fee that is shared with the credit card bank serves as compensation for assuming credit risk and for funding transactions prior to the point at which the bank can charge the borrower interest on balances. For the clearing house association, the interchange fee compensates them for processing and settling transactions.

According to Visa International, rates of interchange vary according to the type of transaction, type of card and its associated risk, and can range from 0.05% to 2.95% of the transaction amount charged. For example, if an individual charges a $100 item, the merchant will normally receive $97.80, with the 2.20% interchange fee split among the card association (e.g., Visa), the merchant bank and the issuing card bank. Therefore, credit card originators derive additional sources of revenues from interchange fees.

**Credit Card Transaction Processing Steps**

1. Goods and Services Purchased
   Cardholder presents card to complete purchase $100.00
2. Merchant submits purchase for authorization $100.00
3. Acquirer submits purchase information to Issuer
   Issuer approves purchase and transfers $98.30 through to the Acquirer ($100 less $1.70 Interchange Fee) $100.00
4. Acquirer submits $1.70 Interchange Fee to Issuer
5. Merchant is repaid. Repayment amount reflects:
   - a deduction for the Merchant Discount $ 0.50
   - a deduction for Interchange Fee $ 1.70
6. Cardholder is billed for purchase $100.00
7. Terms of Account (interest rate - 20%) Assume the Account is repaid in full $101.67

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**III. Operational Risk Review**

**ORIGINATOR REVIEW**

The originator review process evaluates the quality of the parties that originate the receivables that are about to be securitized in a transaction rated by DBRS. While DBRS does not assign formal ratings to these processes, it typically conducts operational risk reviews to assess if an originator is acceptable and incorporates the results of the review into the rating process.

DBRS typically begins the initial originator review process by sending a questionnaire to the company that outlines the topics to be covered during the discussion with management and includes a list of documents to be provided such as organizational charts, financial statements and underwriting guidelines. In
instances where DBRS determines that the originator is below average, issuers may incorporate certain structural enhancements into a proposed transaction such as additional credit support or a third-party firm to provide the requisite representations and warranties so that DBRS can rate the transaction. In the event that DBRS determines that an originator is unacceptable, it may refuse to rate the deal.

The originator review process typically involves a review and analysis of the following:
- Company and management
- Financial condition
- Controls and compliance
- Origination and sourcing
- Underwriting guidelines
- Technology

For details on the originator review process, please refer to the DBRS methodology *Operational Risk Assessment for U.S. ABS Originators*.

**SERVICER REVIEW**

The servicer review process evaluates the quality of the parties that service or may conduct backup servicing on the receivables that are about to be securitized in a transaction rated by DBRS. While DBRS does not assign formal ratings to these processes, it typically conducts operational risk reviews to assess if a servicer is acceptable and incorporates the results of the review into the rating process.

DBRS typically begins the initial servicer review process by sending a questionnaire to the company that outlines the topics to be covered during the discussion with management and includes a list of documents to be provided such as organizational charts, financial statements and performance statistics. In instances where DBRS determines that the servicer is below average, issuers may incorporate certain structural enhancements into a proposed transaction such as additional credit support, dynamic triggers or the presence of a warm or hot backup servicer so that DBRS can rate the transaction.

The servicer review process typically involves an analysis of the following:
1. Company and management
2. Financial condition
3. Controls and compliance
4. Loan administration
5. Customer service
6. Account maintenance
7. Default management
   - Collections
   - Loss mitigation
   - Bankruptcy
   - Fraud
8. Investor reporting
9. Technology

For details on the servicing review process, please refer to the DBRS methodology *Operational Risk Assessment for U.S. ABS Servicers*.
VI. Collateral Performance Metrics and Base-Case Assumptions

As part of the analysis of the transaction, DBRS analyzes the characteristics and performance of the issuer’s historical portfolio to derive assumptions for charge-off rate, portfolio yield and principal payment rate for the proposed portfolio of credit card receivables to be securitized (Portfolio). DBRS also reviews the characteristics of the current Portfolio as compared to the issuer’s current origination and servicing practices, the characteristics of historical pool and the eligibility criteria set forth in the transaction legal documents. This step serves to ensure that DBRS forecasts are based on the current composition and origination practices of the issuer and the eligibility criteria of the transaction.

PORTFOLIO CHARACTERISTICS

When rating a series of debt backed by a Portfolio of credit card receivables, DBRS typically receives stratifications of the Portfolio that provide a summary of the Portfolio’s characteristics, such as obligor credit score, Annual Percentage Rates, credit limit and account balance. It is important that issuers have the reporting capability to provide Portfolio performance data that can be stratified by key risk attributes, such as credit score, credit limit or other key risk attributes necessary to forecast a proposed Portfolio’s charge-off rate, Portfolio yield and principal payment rate.

VII. Data Request and Developing a Base-Case Expectation for Charge-Off Rate, Portfolio Yields and Principal Payment Rates

As part of the rating process, DBRS develops expectations for the base-case charge-off rate, base-case portfolio yield and base-case principal payment rate (also referred to as expected loss, expected yields and expected payment rates, respectively, or together as Expected Performance) for each credit card Portfolio. These three variables are referred to, collectively, as the Key Metrics. DBRS analyzes issuer-specific performance history and Portfolio-specific characteristics provided by an issuer. DBRS may also look to compare the issuer’s experience to the performance of other issuers within the credit card market. DBRS utilizes this historical information to help assess future performance. DBRS expects issuers to provide performance information, as described below, that shows the range of asset performance over various economic cycles.

PORTFOLIO DATA

Portfolio analysis relies on historical performance data from discrete groups of receivables that have been stratified across key risk attributes. In this analysis, the historical performance of the Key Metrics is tracked on a monthly basis for the Portfolio. If the receivable composition is similar, historical Portfolio analysis is an effective tool for establishing Expected Performance because, all else being equal, two Portfolios of receivables that have similar collateral composition during similar economic environments can be expected to have similar Key Metric realizations over their lives.

DBRS expects to receive historical data with sufficient granularity across the key risk components of the Portfolio.

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2. DBRS typically receives a significant amount of historical performance data from credit card issuers, as most have been financing their receivables in the capital markets over the last ten to 15 years. Many issuers’ data covers two recessionary periods as defined by the National Bureau of Economic Research.
Portfolio. Sufficient granularity may include defining appropriate stratifications to identify key risk components within the Portfolio. DBRS may request an issuer to segregate historical Portfolio performance data and the proposed securitization Portfolio into sub-portfolios of these common receivable characteristics. A typical DBRS data request would include the following data fields, among others, detailing the historical performance of the Portfolio:

- Total receivable balance
- Number of accounts
- Yield
  - Components – gross yield, fees, interchange and other
  - Percent of receivables that use a floating versus a fixed index rate
  - Margin and index where applicable
- Charge-offs, including gross, recoveries and net
- Delinquencies at various stages
- Payment rate components, including principal and finance charge
- Internal account credit scores, if applicable
- Dilution – components of including returns or adjustments
- Applications – both processed and approved
- Historical FICO scores
- Geographic balances
- Historic credit limits and account balances

For retail credit cards, there may be additional requests for data such as store opening and performance statistics, store locations, program fees and terms, and distribution channels.

Typically, DBRS receives at least five years of performance history from a credit card ABS issuer to perform a rating analysis. In the absence of adequate performance history, DBRS may decline to rate the transaction due to the insufficiency of the provided data. In cases where originator-specific Portfolio data has limited history or data quality limitations, DBRS is likely to reach more conservative Expected Performance assumptions than would otherwise be the case.

The Portfolio data should be presented in a manner such that receivables which are categorized as either delinquent or charged off are consistent with the transaction documents to ensure that cash flow stresses are constructed in a manner that is consistent with both the historical data and the transaction structure. Portfolio yield and principal payment rate data should also be presented in a manner that is consistent with the transaction documents.

**PROJECTING EXPECTED CHARGE-OFF RATE**

Credit card receivable charge-offs are defined as defaults less recoveries. Delinquent credit card accounts are typically charged off as uncollectable by the servicer after 180 days of delinquency as per FFIEC regulations. Accounts of consumers who file for bankruptcy must be charged off within 60 days of receipt of notification of bankruptcy for banks according to the FFIEC guidelines. The charge-off rate is calculated as the amount written off in the month as a percentage of the amount of receivables outstanding, and is typically annualized.

DBRS assesses the data provided by the issuer, based on the collateral statistics for the historical Portfolio. If the receivable parameters are considered to be a good proxy, representing the potential performance of the transaction portfolio, DBRS uses the information to build a base-case charge-off rate. DBRS reviews Portfolio charge-off data for credit card ABS transactions, focusing on the issuer’s underwriting strategies and servicing capabilities, among other things. DBRS develops a base-case charge-off rate that is based on the following factors, among others: sponsor quality, origination consistency, account management, collection and servicing practices.
Charge-off rates are influenced by a combination of market and macroeconomic conditions and their effect on consumers’ ability and willingness to repay their debt obligations. Charge-off rates are also influenced by target markets, initial underwriting practices and quality of servicing. DBRS base-case and stress assumptions consider factors such as vintage charge-off performance, migration of FICO scores and, when available, credit line management strategies. The utility of a credit card will also affect these assumptions. For example, private-label retail pools typically involve higher base-case charge-off rates. Credit cards that are sponsored by private-label retailers may not be cleared through a clearing network such as Visa, Master Card, American Express or Discover when cardholders use their cards to purchase goods and services with the credit card. In a worst-case scenario, DBRS may assume that the retailer and the issuing sponsor are both bankrupt. The utility drives the sponsor’s inability to transfer or sell their portfolio, which has an impact on the overall health of the sponsor. This is, of course, related to the retailers’ inability to maintain a viable entity and sell desirable merchandise.

ADJUSTMENTS TO THE EXPECTED CHARGE-OFF RATE
In the determination of the expected charge-off rate, DBRS assesses the presence of other qualitative factors and may adjust the initial expected charge-off rate upward or downward based on DBRS’s assessment.

Adjustments to the expected charge-off rate may occur based on overall variability and trends of the provided performance data. If DBRS believes that historical performance information is not consistent over time, the Portfolio may be subject a higher expected charge-off rate. Performance trends are also considered in the determination of an expected charge-off rate. DBRS reviews origination characteristics to assess movements in key performance drivers. As a result of this analysis, DBRS may adjust the expected charge-off rate for a Portfolio, up or down, depending upon the directional trend of the performance indicators.

An adjustment to the expected charge-off rate may also occur as a result of changes in underwriting criteria and servicing practices utilized by the originator (e.g., portfolio data for the most recent three and not five years may be used to better incorporate changes made three years ago to the underwriting practices that have materially affected performance). To the extent DBRS determines changes have occurred to the standards used in receivable origination or in collection practices which may affect future performance, an adjustment to the expected charge-off rate may be made.

PROJECTING EXPECTED PORTFOLIO YIELD
Portfolio yield is generated from finance charges, annual fees, interchange fees, late payments, cash advance fees, over-limit fees and other miscellaneous fees levied on cardholders. In general, portfolio yield is calculated as the annualized average of the monthly income earned on the portfolio divided by the receivables balance. Recoveries are sometimes included in the yield calculations, but generally they are included in the charge-off calculation pursuant to the trust documents.

Credit cards have interest rates that are based on a fixed- or floating-rate index, plus a premium. The premium is often based on the credit quality of the obligor and the obligor's performance as a cardholder at the specific bank. For bank issuing entities, interest charges vary widely. On an initial basis, most credit card interest rates are intended to attract certain types of consumers, on an ongoing basis, the card issuer’s ability to reset the interest rate, while governed largely by the Credit CARD Act of 2009, is largely considered a risk management tool.

DBRS assesses the data provided by the issuer, based on the collateral statistics for the historical Portfolio. If the receivable parameters are considered to be a good proxy, representing the potential performance of the transaction portfolio, DBRS uses the information to build a base-case Portfolio yield. DBRS reviews Portfolio yield data for credit card ABS transactions, focusing on the issuer’s underwriting strategies and servicing capabilities, among other things. DBRS develops a base-case Portfolio yield that is based on the following factors, among others: the review of the components of yield (i.e., interchange, fees, finance charges, etc.) and Portfolio composition between convenience users and revolvers.
While the direction of charge-off and payment rates is inversely correlated to yield, there is a positive relationship between delinquencies and yield due to late fees charged on delinquent accounts.

**ADJUSTMENTS TO THE EXPECTED PORTFOLIO YIELD**

In the determination of the expected Portfolio yield, DBRS assesses the presence of other qualitative factors and may adjust the initial expected Portfolio yield upward or downward, based on DBRS’s assessment.

Adjustments to the expected Portfolio yield may occur based on overall variability and trends of the provided performance data. If DBRS believes that historical performance information is not consistent over time, the Portfolio may be subject to a lower expected Portfolio yield. Performance trends are also considered in the determination of an expected Portfolio yield. DBRS reviews origination characteristics to assess movements in key performance drivers. As a result of this analysis, DBRS may adjust the expected Portfolio yield for a Portfolio up or down, depending upon the directional trend of the performance indicators.

The yield figure normally includes interchange fees. In such cases, DBRS eliminates interchange fees from the yield figure to determine a base-case yield assumption. DBRS typically excludes the interchange fee when determining base-case portfolio yield for the following reasons: DBRS assumes the sponsor is no longer able to fund new draws; therefore, there would be no interchange that flows into the trust, the property rights of the issuing bank are often not clearly defined in membership agreements and most transaction legal opinions do not concisely address interchange.

When determining the base-case portfolio yield, DBRS requests that the sponsor supply data for monthly interest income collected, as opposed to the amount billed. The billed income or billed yield figure is not based on what is collected, so it does not account for delinquencies or waived fees and charges. If only billed yield data is reported, DBRS discounts billed yield to estimate the collected yield figure.

An adjustment to the expected Portfolio yield may also occur as a result of changes in underwriting criteria and servicing practices utilized by the originator (e.g., portfolio data for the most recent three years, not five, may be used to better incorporate changes made three years ago to the underwriting practices that have materially affected performance). To the extent DBRS determines changes have occurred to the standards used in receivable origination or in collection practices which may have an impact on future performance, an adjustment to the expected Portfolio yield may be made.

**PROJECTING EXPECTED PRINCIPAL PAYMENT RATE**

Payment rates represent total monthly collections received from cardholders, divided by the receivables balance. Payment rates are a critical factor affecting credit enhancement, as higher payment rates ensure that funds are available to repay noteholders during either an accumulation or amortization period.

DBRS assesses the data provided by the issuer, based on the collateral statistics for the historical Portfolio. If the receivable parameters are considered to be a good proxy, representing the potential performance of the transaction portfolio, DBRS uses the information to build a base-case principal payment rate. DBRS reviews principal payment data for credit card ABS transactions, focusing on the issuer’s underwriting strategies and servicing capabilities, among other things: the minimum payment terms, the Portfolio composition between convenience users and revolvers.

DBRS develops a base-case principal payment rate that is based on the following factors, among others: the charge-off rate, delinquencies, market regulations and Portfolio composition between convenience users and revolvers. Charge-off rates and delinquencies are both inversely correlated to payment rates. In addition, for credit cards, as opposed to charge cards, the combination of the specific dollar amount set as the minimum monthly payment and the percentage of cardholders in the pool who seek to make the minimum monthly payment can have a significant impact on a trust’s payment rate.
In the pursuit of determining a base-case payment rate, DBRS requests that the sponsor supply data for the monthly principal payment rate. Issuers report payment rate figures on a total basis (e.g., portfolio yield and principal) and/or on a principal collected basis. If an issuing entity only reports total payment rates, DBRS nets out the yield or finance charge component embedded in the total payment rate in order to determine a base-case for the principal payment rate.

**ADJUSTMENTS TO THE PRINCIPAL PAYMENT RATE**

In the determination of the expected principal payment rate, DBRS assesses the presence of other qualitative factors and may adjust the initial expected principal payment rate upward or downward, based on DBRS’s assessment.

Adjustments to the expected principal payment rate may occur based on overall variability and trends of the provided performance data. If DBRS believes that historical performance information is not consistent over time, the Portfolio may be subject to a lower expected principal payment rate. Performance trends are also considered in the determination of an expected principal payment rate. DBRS reviews origination characteristics to assess movements in key performance drivers. As a result of this analysis, DBRS may adjust the expected principal payment rate for a Portfolio up or down, depending upon the directional trend of the performance indicators.

An adjustment to the expected principal payment rate may also occur as a result of changes in underwriting criteria and servicing practices utilized by the originator (e.g., portfolio data for the most recent three years, not five, may be used to better incorporate changes made three years ago to the underwriting practices that have materially affected performance). To the extent DBRS determines changes have occurred to the standards used in receivable origination or in collection practices which may have an impact on future performance, an adjustment to the expected principal payment rate may be made.

**Purchase Rate**

The trust’s monthly purchase rate reflects the rate at which new receivables are created under designated accounts. Generally, the trust pool balance is affected by a combination of monthly purchase rate, principal payment rate and charge-off rate. The pool balance increases to the extent that the purchase rate exceeds the payment and charge-off rates and the pool balance declines when the purchase rate is lower than the payment and charge-off rates.
VIII. Cash Flow Stress Scenarios and Credit Enhancement

Cash Flow Stress Scenarios
DBRS uses a proprietary cash flow model to test the ability of a transaction to pay timely interest and principal by the legal final maturity date, in accordance with a transaction’s legal documents. The cash flow analysis assesses the form and sufficiency of proposed credit enhancement for each class of bonds, incorporates asset level assumptions, a transaction’s priority of payments and is completed for each target rating. As noted, DBRS establishes base-case Expected Performance assumptions for each key collateral performance metric, including yield, payment rate, charge-off and purchase rates. The cash flow scenarios reflect stresses applied to the base-case assumptions for each rating level, with successively higher stresses applied at each successively higher rating level.

Specifically, the stresses assume a decline in the base-case yield and the base-case principal payment rate assumption and an increase in the base-case charge-offs. DBRS may also apply a purchase rate stress, which reflects the rate at which new receivables are created under designated accounts. The specific stresses applied by rating level are summarized in the table below. The cash flow scenarios incorporate the financial structure, priority of payments and payment of trust expenses, such as servicing and the occurrence of an early amortization event. As credit card receivables transactions are subject to interest rate and basis risk, DBRS cash flow stress scenarios incorporate interest rate and basis risk curves.

The stress factors serve to protect the rated securities from much harsher and more stressful conditions than assumed within the base-case cash flow scenario. The stress factors below are representative of those that DBRS uses to assign ratings to U.S. credit card ABS transactions and are designed to capture uncertainties and variables that may affect future transaction performance.

Collateral Cash Flow Assumptions
In the cash flow stress scenarios, yield and principal payment rate are assumed to decline in a linear manner starting from the base-case yield and base-case principal payment rate assumption figure in many cases, at month six through month 17. After month 17, the yield and principal payment rate are held constant. Charge-offs are assumed to increase at a multiple of the base-case charge-off figure, with the actual multiple applied dependent on the quantitative and qualitative factors described in this report. Charge-off levels increase in a linear manner starting in month six through month 17. At month 17, charge-off levels are held constant. Although the table below outlines a summary of typical assumptions by rating category, the table is presented as a guide and may not be applicable in all circumstances.

| Summary of Credit Card Stress Test Multiples by Rating Category |
|---------------------------------|--------|--------|--------|--------|--------|
|                                | AAA (sf) | AA (sf) | A (sf) | BBB (sf) | BB (sf) |
| Yield (reduction applied to base case) | 30%–45%  | 25%–35%  | 20%–30% | 15%–25%  | 5%–10%  |
| Payment Rate (reduction applied to base case) | 35%–50%  | 35%–45%  | 30%–40% | 25%–35%  | 10%–20% |
| Charge-offs (multiple applied to base case) | 4.0x–5.0x | 3.0x–4.0x | 2.5x–3.5x | 2.0x–2.5x | 1.5x–2.0x |

DBRS considers various elements when selecting the stress factors for each target rating, including elements that are relevant to all securitization structures, elements specific to the credit card industry and to each proposed credit card ABS transaction. The following section describes the qualitative and quantitative elements that DBRS considers in the selection of the stress factor from the prescribed ranges. The relative contribution of the elements may vary by transaction.

The multiples serve to protect the rated securities from much harsher and more stressful conditions than assumed within the base-case cash flow scenario. The stresses and multiples above are representative of
those that DBRS uses to assign ratings to U.S. credit card ABS transactions and are designed to capture uncertainties and variables that may affect future transaction performance.

In the determination of the multiples used in each transaction, DBRS generally starts at the midpoint of the prescribed multiple ranges for each rating class.

DBRS considers various quantitative and qualitative factors and may adjust, up or down, from the midpoint based on its assessment of the perceived risks. The combination of the relevant factors ultimately results in the multiple used to determine the amount of loss coverage necessary to achieve each target rating. These factors include, but are not limited to:

- Absolute level of a proposed pool’s base-case loss figure;
- The sponsor’s profitability and historical performance;
- Management team experience;
- Operational risk assessment of the originator and/or servicer;
- Rating of the originator and/or servicer, particularly when the entity is below investment grade;
- Presence of backup servicer, particularly for below-investment-grade servicers;
- Consistency of underwriting practices for new accounts;
- Data volatility; and
- Macroeconomic conditions.

**Absolute Level of Base-Case Charge-offs**

For example, for a transaction with a relatively high loss expectation (relative to others in the same asset class), DBRS, absent other factors, would generally adjust to a multiple that is at the lower end of the prescribed multiple range for a target rating. Conversely, for a transaction with relatively low loss expectations (relative to others in this asset class), DBRS, absent other factors, would generally adjust to a multiple that is at the higher end of the prescribed multiple range for a target rating.

**Cash flow Stress Factor Example**

The chart below depicts a typical modeling scenario for credit card securitizations. The amortization scenario begins with the occurrence of a base-rate trigger being tripped. The scenario below causes the base rate trigger to be negative in month five; therefore, the bond starts to amortize in month six, since that test is typically measured on a rolling three-month basis. The Class A interest rate is an uncapped floating rate and the stress assumption applied to the Class A interest rate begins to offset the excess spread immediately. The scenario also assumes stresses occur immediately for the base-case yield, base-case monthly principal payment rate and base-case charge-off rate in month six.

DBRS assumes no new purchase rate credit in evaluating credit enhancement for credit card asset-backed securitizations. The purchase rate stress assumption is based on the premise that the sponsor is no longer able to generate new receivables; therefore, the purchase rate is zero percent or 100% stress, thereby transforming the receivables pool into an amortizing pool.

DBRS assumes a transaction enters early amortization due to a breach of the base rate trigger as defined in the transaction documents. Depending on the variables in the stress scenarios, the breach typically occurs between months six and ten in the cash flow scenarios. In all cash flow stress scenarios, when in early amortization, collections are diverted to repayment of outstanding notes and not invested in additional receivables.

**Interest Rate and Basis Risk**

Credit card interest charges to consumers are based on either a fixed or floating rate. The majority of credit cards are subject to finance charges that are floating-rate in nature. Credit card sponsors often use the U.S. prime rate as a benchmark to price floating-rate credit cards. Note coupons for credit card securities can be either fixed- or floating-rate. Floating-rate note coupons are usually benchmarked to one-month or three-month LIBOR.
Interest rate risk in credit card transactions stems from the mismatch between the timing of the rate resets for credit card receivables and the note coupon rates. Basis risk stems from the difference between the interest rate indices used to calculate interest and finance charges billed to credit card customers and the transaction liabilities.

To assess the impact of interest rate and/or basis risk on a transaction’s excess spread, DBRS applied the standards associated with our Unified Interest Rate Model for U.S. Credit Card Asset-Backed Securities (available on www.dbrs.com).

DBRS assesses the transaction to determine if there is an interest rate mismatch between the collateral and the bonds. If so, DBRS applies a stress to the forward interest rates consistent with the target rating. DBRS applies interest rate stresses via its unified interest rate model (UIRM). For a complete description of the DBRS UIRM, see the DBRS publication *Unified Interest Rate Model for U.S. Credit Card ABS Transactions*.

**IX. Securitization Trust Structures and Cash Flow Allocations**

**Master Trusts**

Credit card securitizations typically employ a master trust structure, which provides a sponsor with the ability to issue multiple series out of the same trust, unlike a discrete trust, where there is a separate collateral pool backing each transaction. As credit card receivables have relatively short maturities – generally ranging from six to 17 months – master trust structures incorporate a revolving period, which facilitates the longer-term financing of shorter-term assets.

Most credit card trusts utilize a senior-subordinate financial structure, with the senior Class A notes holding a higher priority to the subordinate Class B and/or Class C notes. Accordingly, Class B notes also hold a higher priority to Class C notes, which may also be referred to as a collateral invested amount (CIA). When excess spread, defined as portfolio yield or finance charge collections in excess of note coupon, defaults and trust expenses, is exhausted, charge-offs are often absorbed by reserve accounts and then allocated against note principal in reverse priority order, beginning with the most subordinate classes of notes.

Generally, all series issued by the master trust are cross-collateralized by the entire receivables pool held by the trust. In certain circumstances, both interest and principal received from the credit cards can be used to service debt from any series issued out of a master trust. In these trust structures, investors are exposed to a large, diverse portfolio that revolves over time, as opposed to a smaller, more homogenous pool found in the securitization of discrete collateral pools.

All series in the trust amortize based on an expected payment date, trust-level amortization events or series-level amortization events. A trust-level amortization event will affect all series, resulting in pari passu payment priority. An amortization event at a series level causes a premature amortization of the particular bonds in that series and results in the paydown of the senior-most securities first, followed by the repayment of the subordinate securities in rank order.
Master trusts are generally divided into investors’ and seller’s interests. The investors’ interest is determined by the aggregate amount of trust notes outstanding divided by the trust receivables balances. The seller’s interest is the residual amount, or the difference between the balance of the trust receivables and the notes. Generally, credit card securitizations require a minimum seller’s interest, usually 4% to 7% of the trust note balance.3

The minimum seller’s interest exists to absorb fluctuations in the trust receivables balance that may occur due to changes in cardholder account balances or reductions in the receivables balance that stem from factors other than defaults or payments, such as merchandise returns, rebate or rewards programs, non-complying receivables and fraud. The seller’s interest also absorbs declines in receivables resulting from a breach of a representation or warranty by the seller. The seller’s interest ranks pari passu with the investor interest in terms of monthly cash flow allocations and is typically not included in the calculation of credit enhancement in securitizations. Generally, when the seller’s interest falls below the level required to satisfy the minimum seller’s interest test, the sponsor must add receivables in an amount that restores the seller’s interest to the minimum level. If the minimum seller’s interest is not restored within a pre-set time frame, an early amortization event is normally triggered and the notes begin to amortize.

Issuance Trusts
Historically, master trust structures issued senior classes and subordinate classes simultaneously (termed a vertical structure) in order to maintain desired levels of credit enhancement. Over the last decade, however, the master trust concept has evolved into the more common “de-linked” structure, which allows a sponsor to issue senior or subordinate notes at any time, as long as certain issuance conditions are satisfied.

In an existing master trust, de-linked structures are often created from the issuance of a series referred to as a collateral certificate. The collateral certificate is deposited into a new issuance trust that then issues notes or subclasses of notes. The collateral certificate grows in size every time notes are issued. The issuing entity is often an issuance trust and either bears the name of the sponsor or issues notes that use the name of the sponsor in order to identify the relationship between the sponsor and the debt.

Notes issued in de-linked structures have significant features that are different from master trusts that still issue “vertical classes.” The first difference is a concept of shared credit enhancement. In a de-linked structure, there is a required level of subordinate notes relative to senior notes outstanding that must be maintained. The calculation of credit enhancement is also different, as it is “grossed up” to account for the fact that support is a percentage of all senior and subordinate notes. Typically, credit enhancement for the lowest-rated class of notes is an unfunded dedicated reserve account. These unfunded reserve accounts are funded from excess spread based on pre-specified triggers.

The second difference between de-linked structures and master trusts is extension risk. Payments to subordinate notes that are maturing cannot take place unless new classes of subordinate notes are issued or unless the senior notes also amortize, in order to ensure there is adequate support for the remaining senior notes. Consequently, there may be extension risk at the subordinate levels in de-linked structures. If the de-linked trust cannot issue replacement subordinate notes, the maturing subordinate notes are not paid until the senior notes are defeased with cash from principal collections.

Trust Cash Flow Allocations
Cash flows that are collected in credit card securitizations are segregated into two components: principal collections and finance charges. As indicated in Table 1 below, allocations to each series depend on whether the series is in the revolving, accumulation or amortization period. This unique allocation

3. The seller’s interest is typically higher for private-label transactions, as merchandise returns are generally higher in retail portfolios. Many sponsors elect to honor rebate or reward programs outside of the master trust cash flows in order to manage the size of the minimum seller’s interest percentage.
mechanism is intended to provide investors certain events or time frames that are intended to transition collection methods from one period to the next and issuers with the flexibility to issue as much or little debt as desired.

<table>
<thead>
<tr>
<th>Methods of Allocation</th>
<th>Investor Interest</th>
<th>Seller’s Interest</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Finance Charges</td>
<td>Receivable Charge-Offs</td>
</tr>
<tr>
<td>Revolving Period</td>
<td>Floating</td>
<td>Floating</td>
</tr>
<tr>
<td>Accumulation Period</td>
<td>Floating</td>
<td>Floating</td>
</tr>
<tr>
<td>Amortization Period</td>
<td>Floating or Fixed³</td>
<td>Floating</td>
</tr>
</tbody>
</table>

1. Technically, structures refer to receivable charge-offs as either “investor defaults” or “investor charge-offs.” The difference between “investor defaults” or “investor charge-offs” is how the charge-off will be handled. As long as there is positive excess spread, a defaulted receivable will be covered with finance charge collections or excess finance charge collections. If excess spread is insufficient to cover the default, it will be deemed an investor charge-off (this discussion assumes there is no reserve account or cash collateral account to draw upon). At this point, the investor charge-off will cause a draw on enhancement or a write-down of the most subordinate classes of notes. Some trusts will re-allocate unencumbered principal collections to cover this shortfall.

2. Although series’ principal collections are not distributed, amounts allocated to the series are calculated.

3. For some transactions, finance charges may be allocated using the fixed allocation method if an early amortization event occurs.

Credit card collections, which include portfolio yield and principal payments, are directed to the trust and are divided pro rata between the investors’ and seller’s interests. Subsequently, the collections are again divided among each series of debt issued from the master trust. The collections are divided into an interest and principal component. The interest component comprises portfolio yield and is used to pay servicing expenses of the trust (typically an average of 2% of principal balance of receivables), investor note interest and receivables that have been characterized as either defaulted or charged off.

After all note expenses and distributions have been made, finance charges are referred to as excess spread. Excess spread is used as a form of credit enhancement for the lowest classes of rated notes, usually Class C notes. During the revolving period, interest is paid to investors, while principal payments received on the collateral are generally used to purchase new receivables. The revolving period has a scheduled end date and may be prematurely discontinued by an early amortization event.

**Fixed and Floating Allocation Methods**

Once the revolving period ends, principal collections are used to amortize trust debt, usually using the fixed allocation method. Under the fixed allocation method, principal collections are allocated to series based on their respective interests in the trust as of the end of the revolving period. In the fixed allocation method, the numerator is equal to the amount of the outstanding series note balance as of the end of its revolving period. The denominator of the ratio, however, is the principal amount of trust receivables, which can change with each period. Since the numerator is fixed on the last day of the revolving period, the use of the fixed allocation method generally amortizes principal more quickly than a pro rata allocation of principal among series.

As noted above, finance charges are used to pay note interest and principal to note series, typically by using the floating allocation method. Under the floating allocation method, the numerator of the ratio is the series note balance as of the end of a monthly period, after consideration of amounts in the accumulation account. The denominator of the ratio is the principal amount of trust receivables. In some trust structures, the allocation may shift to the fixed allocation method if an amortization event is triggered. Generally, excess finance charges can be shared among series to cover any shortfalls in interest or principal payments due to noteholders.
Early Amortization Events

The financial structures used for credit card receivables incorporate early amortization events that are intended to cause principal to be paid to investors once an uncured trigger has been breached. Early amortization events generally include: (1) breach of a base rate trigger; (2) failure to add sufficient amounts of receivables in order to satisfy the minimum seller’s interest test; (3) failure to pay timely interest to noteholders or ultimate principal on any series when due; (4) breach in the performance of the sponsor or seller, with regards to representations and warranties; and (5) insolvency of the sponsor or trust.

Priority of Payments

On a regular basis, collections on the assets are aggregated and then distributed to noteholders based upon the priority of payments established in the transaction documents. Collections on credit cards are allocated in a manner such that principal and interest collections are then subjected to individual payment waterfalls.

Once the amount of collections on the loans is determined, the collections pass through the respective payment waterfalls that allocate collections in descending order of priority. Recurring transaction expense items, such as servicing and trustee fees, are commonly senior in the finance charge waterfall, after which noteholders receive interest. The allocation of interest to noteholders is sequential. A pro rata pay structure provides for all principal amortization and prepayments to be allocated to the noteholders whereby principal is allocated to maintain constant credit enhancement levels. Under such a payment mechanism, subordinate tranches can receive principal payments while senior notes are still outstanding.

An example of a typical payment priority under a finance charge waterfall is provided below:

- Servicing fees and any transition fees to any successor servicer (if applicable);
- Trustee and other fees;
- Net swap payment (if applicable);
- Interest in order of seniority;
- The series default amount will be treated as a portion of available principal collections;
- The amount of reallocated principal collections that have not been previously reimbursed will be treated as a portion of available principal collections;
- Amount, if any, to be deposited into the reserve account; and
- Any remaining amounts to the seller.

The principal waterfall is straightforward, allocating principal collections to the senior-most noteholders first, followed by the junior noteholders. Excess principal collections can then be allocated within groups to other series that need them.

Losses in excess of credit enhancement provided by the reserve account and overcollateralization are absorbed by the lowest-rated class of notes. Once the lowest-rated tranche is written down, the losses are then absorbed by the next-highest rated class of notes in the structure.

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4. A base rate trigger relates to the level of excess spread generated in a trust (see the Excess Spread section on page 26).
X. Types of Credit Enhancement

Typical credit card ABS transactions utilize a financial structure whereby bondholders receive protection against pool losses from available credit enhancement and the transaction’s structural features.

Accordingly, the rating analysis focuses on the analysis of proposed credit enhancement supporting the debt obligations issued in connection with the transaction. Credit support may be “soft,” which include enhancements that support the transaction’s obligations, if and when they are available, or “hard,” which are enhancements directly available to support the transaction obligations. Typical forms of credit support in credit card ABS transactions include excess spread, amounts on deposit in reserve accounts, overcollateralization and bond subordination.

**Excess spread**
Excess spread is a soft form of credit support that is created within the transaction. Excess spread is interest generated by the assets which exceeds defaults and the cost of funding on the securities offered. The difference, net of transaction expenses such as servicing, trustee and professional fees, is commonly referred to as excess spread and is available on a monthly basis to absorb defaults. Any changes in cash flows due to losses are first covered by excess spread. After all of the obligations prescribed by the transaction structure are satisfied, remaining excess collections can be released. Consequently, monthly excess spread is only available to cover losses incurred during that period.

Since excess spread is based on anticipated, but uncertain collateral collections, it is subject to variability based on the performance of the collateral relating to the underlying obligors’ failure to pay in a timely fashion. Consequently, DBRS takes a conservative approach in assessing the value of excess spread for rated transactions.

**Cash Reserve Accounts**
A cash reserve account is a form of credit support that is available to pay interest, and sometimes principal, on the transaction obligations. Reserve accounts are included in most credit card transactions and are typically sized as a percentage of the collateral or debt outstanding, and are funded either at the outset of a transaction or over time through the transaction cash flows if excess spread declines below a pre-determined targeted excess spread level. Reserve amounts provide additional liquidity to the transaction and may be included to allow the transaction to successfully perform under stressed scenarios or to address transaction-specific risks or current market conditions.

**Overcollateralization**
Overcollateralization is another form of hard credit support which acts as loss protection, absorbing losses before any shortfalls are allocated to transaction investors. Overcollateralization is achieved by additional receivables in excess of the note balance.

**Subordination**
Subordination is also a form of hard credit support that creates a cushion for losses from the related collateral. Subordination is created by a more junior class of notes which is subordinate in the right to receive amounts available for payments. These junior classes are available to absorb losses, and therefore act as additional support for the more senior classes.
XI. Legal Structure and Opinions

Certain financial institutions, such as federally and state-chartered banks, are not eligible to become debtors under the U.S. Bankruptcy Code, but instead are subject to the Federal Deposit Insurance Act (FDIA) and to the appointment of the Federal Deposit Insurance Corporation (FDIC) as receiver or conservator. The powers of the FDIC in such capacity differ from those of a bankruptcy trustee, especially with respect to the FDIC’s power to disaffirm or repudiate certain contracts pursuant to the FDIA. As such, the opinion comfort needed for a bank seller differs somewhat from the true sale opinion needed for a seller subject to the Bankruptcy Code.

In order to address the uncertainty of whether the FDIC might exercise its repudiation authority, the FDIC provides a safe harbor as to the circumstances in which it would not exercise such right. The rule was recently revised from one based primarily on whether the transfer of assets to a securitization was made pursuant to an accounting sale to one based in part on an accounting sale and in part on numerous other factors relating to the securitization, such as its disclosure, structure, risk retention and more. The safe harbor, however, is not exclusive; so, if assets were sold by a bank pursuant to a good accounting sale such that they were no longer on the bank’s balance sheet, and the sale qualifies as a legal true sale, the FDIC would not likely seek to recover the assets by repudiation.

Therefore, similar to a non-FDIC transaction, in order to gain comfort that the transfer of assets from a bank into a securitization would constitute an unavoidable sale, DBRS requests a legal opinion based either upon the FDIC safe harbor or other true sale principles to its satisfaction as set forth above.
Appendix A: Summary of Regulations

Credit CARD Act of 2009
On May 22, 2009, Congress enacted the Credit Card Accountability Responsibility and Disclosure Act of 2009, which we refer to as the Credit CARD Act of 2009. The Credit CARD Act of 2009, as modified by the implementing rules described below, among other things:

• prevents creditors from offering to a college student any tangible item to induce the student to apply for or participate in a credit card plan offered by the creditor if the offer is made on or near a college campus or at an event sponsored by or related to a college;
• prevents creditors from issuing a credit card to a consumer under the age of 21 unless the written application includes (1) a cosigner or guarantor who has attained the age of 21 and has the means to repay debts on the account; or (2) financial information indicating an independent means of repaying any credit obtained, and prevents creditors from increasing a credit limit on an account issued to someone under 21 with a cosigner or guarantor unless the cosigner or guarantor approves, and assumes joint liability for, the increase;
• prohibits creditors from issuing a credit card, or increasing any credit limit, unless the creditor considers the ability of the consumer to make the required payments under the terms of the account;
• prohibits creditors from increasing any annual percentage rate, fee or finance charge applicable to any outstanding balance and during the one-year period beginning on the date the account is opened, except (1) if a minimum payment has not been received from the cardholder within 60 days after its due date, (2) upon the expiration of a period of time disclosed to the consumer prior to the commencement of that period, (3) upon the completion by the obligor, or failure by the obligor to comply with the terms of a workout or temporary hardship arrangement or (4) if the rate adjusts as part of a variable rate;
• requires that if the creditor has increased the rate for a cardholder who was more than 60 days late and then receives six consecutive minimum payments from the cardholder by the date and time due beginning with the first payment due after the effective date of the rate increase, the creditor must stop applying the increased rate to transactions that occurred prior to or within 14 days after notice was provided to the cardholder about the rate increase and, for balances that are no longer subjected to the increased rate, the creditor must apply the rate that would have applied at that date if the increased rate had never been applicable;
• requires creditors to provide 45 days’ advance notice of all interest rate increases, except for rate increases caused by an index used in a variable-rate account, upon the expiration of a specified period of time or the completion or failure of a workout or temporary hardship arrangement and significant changes in terms, and gives cardholders the right to cancel the card prior to the effective date of the changes;
• prohibits creditors from changing the terms governing the repayment of any outstanding balance unless the creditor provides a method of payment that is no less beneficial than (1) a five-year amortization period or (2) a required minimum payment that includes a percentage of the outstanding balance that is no more than twice the percentage required prior to the increase;
• requires creditors to allocate payments in excess of the minimum payment to the portion of the balance bearing the highest rate of interest first, and then to remaining balances in descending interest rate order;
• requires creditors to mail billing statements at least 21 calendar days before the due date;
• requires that the payment due date for a credit card account be the same day each month;
• provides that a promotional rate must have a term of at least six months;
• prohibits creditors from charging “over-the-limit” fees, unless a cardholder opts into receiving over-the-limit protection on his or her credit card and limits to three the number of consecutive monthly over-the-limit fees creditors can charge for the same transaction if the cardholder’s balance remains “over the limit”; and
• prohibits “double cycle” billing;


• prevents a creditor from imposing a separate fee to allow a consumer to repay an extension of credit or finance charge, whether the payment is made by mail, electronic transfer, telephone authorization or other means, unless it involves an expedited service by a service representative of the creditor;

• establishes standards applicable to the initial issuance of subprime cards, including providing that required fees, other than any late fee, over-limit fee or fee for a payment returned for insufficient funds, in an aggregate amount in excess of 25% of the initial credit limit may not be paid from credit made available on the account;

• provides for enhanced penalties under the Truth-in-Lending Act in the case of an individual action relating to an open end consumer credit plan that is not secured by real property or a dwelling; and

• requires creditors to provide enhanced disclosure regarding, among other things, minimum payments, late payments and penalties, provide reports to the Board of Governors of the Federal Reserve System and post written credit card agreements on their websites.

On August 20, 2009, the Board of Governors of the Federal Reserve System published a rule to implement those provisions of the Credit CARD Act of 2009, which included the requirement that cardholders receive 45 days’ advance notice before their interest rates are increased, the requirement that cardholders receive 45 days’ advance notice prior to any significant change in terms and the 21-day rule relating to the time to mail statements. A majority of the requirements under the Credit CARD Act of 2009, including the provisions regarding interest rate increases, over-the-limit transactions, and student cards became effective on February 22, 2010. On January 12, 2010, the Federal Reserve Board finalized rules amending Regulation Z to implement the provisions of the Credit CARD Act of 2009 that became effective on February 22, 2010. The Credit CARD Act of 2009 also requires the Federal Reserve Board to conduct several studies and to make several reports to Congress, and sets forth different time periods in which these studies and reports must be completed.

In implementing certain provisions of the Credit CARD Act of 2009, the Rules:

• prohibit a creditor from (1) assessing an over-the-limit fee or charge that is caused by the creditor’s failure to promptly replenish the cardholder’s available credit; (2) conditioning the amount of available credit on the cardholder’s consent to the payment of over-the-limit transactions; and (3) imposing any over-the-limit fees or charges if the credit limit is exceeded solely because of the creditor’s assessment of fees or charges, including accrued interest charges, on the cardholder’s account; and:

• upon request by the administrator of an estate, require the creditor to disclose the amount of the balance in a timely manner and, once an administrator has made such a request, the creditor would be required to cease the imposition of fees and charges on the account, including the accrual of interest, so that the amount of the balance does not increase while the administrator is arranging for payment.