

CHAPTER.....

AN ACT relating to financial institutions; limiting interstate banking by an out-of-state depository institution that establishes or acquires a branch office in certain counties pursuant to certain statutory provisions; authorizing certain out-of-state depository institutions to issue a credit card under certain circumstances; prohibiting the issuer of a credit card from increasing the rate of interest it charges to a cardholder under certain circumstances; requiring the issuer of a credit card to provide certain information to credit reporting agencies under certain circumstances; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law provides limitations upon banking in this State by out-of-state depository institutions and out-of-state holding companies. (Chapter 666 of NRS) An exception to these limitations allows the establishment of a branch office or the acquisition of an existing branch of a depository institution in a county whose population is less than 100,000 (currently counties other than Clark and Washoe Counties). (NRS 666.410) **Section 1** of this bill provides that an out-of-state depository institution that establishes or acquires a branch office pursuant to this exception is still considered an out-of-state depository institution for the purposes of all other provisions limiting interstate banking. **Section 1** also provides that an out-of-state depository institution that has established or acquired, or been approved to establish or acquire, a branch pursuant to this exception may also establish or acquire a branch in a county whose population is 100,000 or more, but only so long as the out-of-state depository institution continues to operate a branch in a county whose population is less than 100,000.

Existing law governs the issuance of credit cards by financial institutions in this State. (Chapter 97A of NRS) **Section 1.4** of this bill prohibits the issuer of a credit card from increasing the interest rate it charges a cardholder based upon a late payment by the cardholder to an unrelated credit card issuer or creditor. **Section 1.4** also prohibits a credit card issuer from including a universal default clause in a contract or other agreement relating to a credit card account. **Section 1.6** of this bill prohibits the issuer of a credit card from prohibiting or attempting to prohibit a merchant from offering a discount to a customer to induce the customer to pay for goods or services with by cash, check or other means instead of with a credit card. **Section 1.8** of this bill provides that if a cardholder voluntarily closes a credit card account to avoid a change in the terms or conditions of the account made by the issuer of the credit card, the issuer must notify any credit reporting agency to which it provides information concerning the cardholder's account that the closure of the account was voluntary on the part of the cardholder.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 666.410 is hereby amended to read as follows:
666.410 **1.** An out-of-state depository institution without a branch in Nevada or an out-of-state holding company without a depository institution in Nevada may not establish a de novo branch in this State or acquire, through merger or otherwise, a branch of a depository institution in Nevada without acquiring the institution itself or its charter, except that, with the written approval of the Commissioner:

~~**1.-1 (a)**~~ An out-of-state depository institution without a branch in Nevada ~~[for an out-of-state holding company without a depository institution in Nevada]~~ may establish a branch office or acquire an existing branch in a county whose population is less than 100,000 without acquiring or merging with a Nevada depository institution or a Nevada holding company . ~~[;-and]~~ *Except as otherwise provided in subsection 2, an out-of-state depository institution that establishes or acquires a branch office pursuant to this paragraph continues to be considered an out-of-state depository institution without a branch in Nevada for the purposes of all other provisions of this chapter.*

~~**1.-2 (b)**~~ An out-of-state depository institution without a branch in Nevada which is owned or controlled by a holding company that is entitled to the exemption set forth in section 4(c)(i) of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1843(c)(i), may acquire an existing branch in Nevada without acquiring or merging with a Nevada depository institution or a Nevada holding company.

2. An out-of-state depository institution that on or before April 1, 2007, has, pursuant to paragraph (a) of subsection 1, established or acquired, or been approved by the Commissioner to establish or acquire, a branch in a county whose population is less than 100,000, may establish or acquire a branch in a county whose population is 100,000 or more so long as the out-of-state depository institution continues to operate a branch in a county whose population is less than 100,000.

3. An out-of-state depository institution that establishes or acquires a branch office pursuant to this section may issue a credit card pursuant to the provisions of chapter 97A of NRS.



Sec. 1.2. Chapter 97A of NRS is hereby amended by adding thereto the provisions set forth as sections 1.4 and 1.6 of this act.

Sec. 1.4. 1. *An issuer shall not:*

(a) Increase the interest rate it charges a cardholder for the use of the card based upon the late payment by the cardholder to another issuer or a creditor of the cardholder that is not an affiliate or subsidiary of the issuer; or

(b) Include a universal default clause in a contract or other agreement relating to a credit card account.

2. Notwithstanding the provisions of subsection 1, an issuer may increase the interest rate it charges a cardholder for the use of the card based on a change in the credit rating of the cardholder.

3. As used in this section:

(a) "Affiliate or subsidiary of the issuer" means an affiliate or subsidiary that conducts business under a name that is:

(1) The same as the name of the issuer; or

(2) Sufficiently similar to the name of the issuer that a cardholder could reasonably believe that he is conducting business with the issuer.

(b) "Universal default clause" means a clause or provision that allows an issuer to increase the interest rate it charges a cardholder for the use of the card based upon the late payment by the cardholder to another issuer or a creditor of the cardholder that is not an affiliate or subsidiary of the issuer.

Sec. 1.6. *An issuer shall not, by contract or any other method, prohibit or attempt to prohibit a merchant who provides goods or services to a cardholder from offering a discount to the cardholder to induce the customer to pay for the goods or services by cash, check or other means instead of by use of a credit card or credit card account.*

Sec. 1.8. NRS 97A.140 is hereby amended to read as follows:

97A.140 1. An issuer located in this State shall not issue a credit card to a cardholder unless the issuer first:

(a) Provides the written notice required pursuant to NRS 97A.145 to the cardholder; and

(b) Receives a written or oral request from the cardholder for the issuance of the credit card.

2. An issuer shall provide the cardholder with the terms and conditions that govern the use of the credit card, in writing, before or at the time of the receipt of the credit card. A cardholder shall be deemed to have accepted the written terms and conditions provided by the issuer upon subsequent actual use of the credit card.



3. The rate of interest charged, and any other fees or charges imposed for the use of the credit card, must be in an amount agreed upon by the issuer and cardholder.

4. An issuer may unilaterally change any term or condition for the use of a credit card without prior written notice to the cardholder unless the change will adversely affect or increase the costs to the cardholder for the use of the credit card. If the change will increase such costs, the issuer shall provide ~~notice~~ to the cardholder :

(a) *An identifiable notice* of the change at least 30 days before the change becomes effective ~~1~~; and

(b) *An opportunity to avoid the change, including, without limitation, by voluntarily closing his credit card account after providing notice to the issuer. If the cardholder closes his credit card account and the issuer provides any information about the account to a credit reporting agency, the issuer must notify the agency that the cardholder voluntarily closed the credit card account.*

5. Unless otherwise stated as a term or condition, the law of this State governs all transactions relating to the use of a credit card if an issuer, or the service provider of an issuer, is located in this State.

Sec. 2. 1. This section and section 1 of this act become effective upon passage and approval.

2. Sections 1.2 to 1.8, inclusive, of this act become effective on July 1, 2007.

