

FEDERAL RESERVE BANK OF SAN FRANCISCO  
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

January 16, 2003

**BANKING SUPERVISION AND REGULATION:  
CREDIT CARD ACCOUNT  
MANAGEMENT AND PRACTICES**

To State Member Banks, Bank  
Holding Companies, U.S. Branches  
and Agencies of Foreign Banks,  
and Others Concerned,  
in the Twelfth Federal Reserve District

**Guidance on Credit Card Account Management and Loss Allowance Practices (SR 03-1)**

The Federal Reserve, along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision, under the auspices of the Federal Financial Institutions Examination Council, issued a guidance on credit card account management and loss prevention allowance practices. The guidance, located on the Internet at <http://federalreserve.gov/boarddocs/press/bcreg/2003/20030108/attachment.pdf>, clarifies expectations regarding account management, risk management, and loss allowance practices with respect to this activity. In addition to setting forth supervisory expectations with regard to credit line management, over-limit practices, minimum payments and negative amortization, and workout and forbearance practices, the guidance clarifies various reporting requirements related to income recognition and loss allowance practices.

The final guidance differs in some respects from the draft guidance issued for informal industry review on July 22, 2002. In particular, the final guidance notes that workout programs should generally strive to have borrowers repay credit card debt within 60 months. The draft guidance noted that workout programs should be generally consistent with certain debt management plans typically structured to result in repayment within 48 months. While the draft guidance combined the discussion of over-limit practices and negative amortization, the final guidance separately addresses these two issues. The final guidance discussion of line increase programs, as well as income recognition and loss allowance practices, remains substantively unchanged from the July draft guidance.

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the guidance are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about credit card account management, please contact our Banking Supervision and Regulation Department at (801) 322-7918.

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