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New York's Credit Card Rewards Grace Period Requirement Is Now Effective

After a two-year waiting period, a New York law requiring notice of certain credit card account and rewards program changes and a 90-day grace period to use credit card rewards has become effective. *See* N.Y. Gen. Business Law § 520-e. This newly effective New York law applies to all credit card agreements involving New York cardholders entered into, renewed, modified, or amended on or after December 10, 2023. New York is the first state to enact notice and grace period requirements for credit card rewards programs.

Notice and grace period requirements

Section 520-e appears to set forth straightforward notice and credit card rewards redemption requirements. Specifically, notice to a cardholder is required when any credit card account or rewards program is modified, canceled, closed, or terminated. With this, the statute explicitly defines the term “modified” to essentially cover any change that affects the value of or the cardholder’s ability to use or earn credit card points or rewards. Notably, account termination, cancellation, or closure may also trigger the notice requirement. The required credit card rewards change notice must be sent “as soon as possible,” and, in any event, within 45 days of the change that triggered the notice. No specific disclosures are required in the notice.

Starting on the date that the credit card rewards change notice is sent, a cardholder has 90 days to redeem, exchange, or use the credit card points that the cardholder had accumulated at the time of the modification, cancellation, closure, or termination, subject to certain conditions. Further, Section 520-e prohibits any agreement or rewards program from waiving or limiting the notice or the 90-day grace period requirement set forth in the section and

detailed above. The section contains exceptions in the case of the cardholder's fraud or cardholder misuse of the credit card account or rewards program.

Challenges presented by the New York requirements

While Section 520-e may seem straightforward, as always, the devil is in the details. When working through whether a notice is required for a particular change to a credit card account or rewards programs and the mechanics of providing the notice, including the timing of the notice, it becomes readily apparent that parts of Section 520-e are ambiguous. And, as with any legal requirement, statutory ambiguity creates regulatory risks. Further, resources to resolve this ambiguity are sparse as New York has issued no guidance clarifying the notice and grace period obligations under Section 520-e.

Contact us

In the two years since the New York legislature enacted Section 520-e, we have helped clients prepare for the New York credit card rewards grace period provision and tackle some of the hidden complexities with the notice and grace period requirements. Contact Susan Seaman, Catherine Albrecht-Wiese, or your Husch Blackwell attorney if you have questions about the New York credit card rewards grace period provision or other credit card questions.