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SUBCHAPTER I—CONSUMER CREDIT COST DISCLOSURE

PART A—GENERAL PROVISIONS

§ 1601. Congressional findings and declaration of purpose**(a) Informed use of credit**

The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this subchapter to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit, and to protect the consumer against inaccurate and unfair credit billing and credit card practices.

(b) Terms of personal property leases

The Congress also finds that there has been a recent trend toward leasing automobiles and other durable goods for consumer use as an alternative to installment credit sales and that these leases have been offered without adequate

cost disclosures. It is the purpose of this subchapter to assure a meaningful disclosure of the terms of leases of personal property for personal, family, or household purposes so as to enable the lessee to compare more readily the various lease terms available to him, limit balloon payments in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements.

(Pub. L. 90-321, title I, § 102, May 29, 1968, 82 Stat. 146; Pub. L. 93-495, title III, § 302, Oct. 28, 1974, 88 Stat. 1511; Pub. L. 94-240, § 2, Mar. 23, 1976, 90 Stat. 257.)

AMENDMENTS

1976—Pub. L. 94-240 designated existing provisions as subsec. (a) and added subsec. (b).

1974—Pub. L. 93-495 inserted provisions expanding purposes of subchapter to include protection of consumer against inaccurate and unfair credit billing and credit card practices.

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-203, title XIV, § 1400(c), July 21, 2010, 124 Stat. 2136, provided that:

“(1) REGULATIONS.—The regulations required to be prescribed under this title [see Tables for classification] or the amendments made by this title shall—

“(A) be prescribed in final form before the end of the 18-month period beginning on the designated transfer date; and

“(B) take effect not later than 12 months after the date of issuance of the regulations in final form.

“(2) EFFECTIVE DATE ESTABLISHED BY RULE.—Except as provided in paragraph (3), a section, or provision thereof, of this title shall take effect on the date on which the final regulations implementing such section, or provision, take effect.

“(3) EFFECTIVE DATE.—A section of this title for which regulations have not been issued on the date that is 18 months after the designated transfer date shall take effect on such date.”

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-240 effective on expiration of one year after Mar. 23, 1976, see section 6 of Pub. L. 94-240, set out as an Effective Date note under section 1667 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

For effective date of amendment by Pub. L. 93-495, see section 308 of Pub. L. 93-495, set out as an Effective Date note under section 1666 of this title.

EFFECTIVE DATE

Section 504(a) of Pub. L. 90-321 provided that this part is effective May 29, 1968.

SHORT TITLE OF 2010 AMENDMENT

Pub. L. 111-319, § 1, Dec. 18, 2010, 124 Stat. 3457, provided that: “This Act [amending section 1681m of this title and enacting provisions set out as a note under section 1681m of this title] may be cited as the ‘Red Flag Program Clarification Act of 2010’.”

Pub. L. 111-203, title XIV, § 1400(a), July 21, 2010, 124 Stat. 2136, provided that: “This title [see Tables for classification] may be cited as the ‘Mortgage Reform and Anti-Predatory Lending Act’.”

SHORT TITLE OF 2009 AMENDMENT

Pub. L. 111-93, § 1, Nov. 6, 2009, 123 Stat. 2998, provided that: “This Act [amending section 1666b of this title] may be cited as the ‘Credit CARD Technical Corrections Act of 2009’.”

Pub. L. 111-24, §1(a), May 22, 2009, 123 Stat. 1734, provided that: “This Act [enacting sections 1616, 1651, 1665c to 1665e, 1666i-1, 1666i-2, and 1693l-1 of this title and section 1a-7b of Title 16, Conservation, amending sections 1602, 1632, 1637, 1640, 1650, 1666b, 1666c, 1666j, 1681b, 1681j, and 1693m to 1693r of this title, enacting provisions set out as notes under sections 1602, 1637, 1638, 1666b, 1681j, and 1693l-1 of this title and section 5311 of Title 31, Money and Finance, and amending provisions set out as notes under sections 1638 and 1693 of this title] may be cited as the ‘Credit Card Accountability Responsibility and Disclosure Act of 2009’ or the ‘Credit CARD Act of 2009’.”

SHORT TITLE OF 2008 AMENDMENT

Pub. L. 110-315, title X, §1001, Aug. 14, 2008, 122 Stat. 3478, provided that: “This title [enacting section 1650 of this title and sections 1019d and 9709 of Title 20, Education, amending sections 1602, 1603, 1638, and 1640 of this title, section 2903 of Title 12, Banks and Banking, and section 1092 of Title 20, and enacting provisions set out as notes under sections 1638 and 1640 of this title, section 2903 of Title 12, and section 9709 of Title 20] may be cited as the ‘Private Student Loan Transparency and Improvement Act of 2008’.”

Pub. L. 110-289, div. B, title V, §2501, July 30, 2008, 122 Stat. 2855, provided that: “This title [amending sections 1638 and 1640 of this title and sections 24 and 338a of Title 12, Banks and Banking, and enacting provisions set out as a note under section 1638 of this title] may be cited as the ‘Mortgage Disclosure Improvement Act of 2008’.”

Pub. L. 110-241, §1, June 3, 2008, 122 Stat. 1565, provided that: “This Act [amending section 1681n of this title and enacting provisions set out as notes under section 1681n of this title] may be cited as the ‘Credit and Debit Card Receipt Clarification Act of 2007’.”

SHORT TITLE OF 2003 AMENDMENT

Pub. L. 108-159, §1(a), Dec. 4, 2003, 117 Stat. 1952, provided that: “This Act [enacting sections 1681c-1, 1681c-2, 1681s-3, 1681w, and 1681x of this title and sections 9701 to 9708 of Title 20, Education, amending sections 1681a, 1681b, 1681c, 1681g, 1681i, 1681j, 1681m, 1681o, 1681p, 1681s, 1681s-2, 1681t, 1681u, and 1681v of this title and section 5318 of Title 31, Money and Finance, enacting provisions set out as notes under this section, sections 1681, 1681a, 1681b, 1681c, 1681c-1, 1681i, 1681j, 1681m, 1681n, 1681s-2, 1681s-3 of this title, and section 9701 of Title 20, and amending provisions set out as a note under this section] may be cited as the ‘Fair and Accurate Credit Transactions Act of 2003’.”

SHORT TITLE OF 1999 AMENDMENT

Pub. L. 106-102, title VII, §701, Nov. 12, 1999, 113 Stat. 1463, provided that: “This subtitle [subtitle A (§§701-705) of title VII of Pub. L. 106-102, amending sections 1693b, 1693c, and 1693h of this title] may be cited as the ‘ATM Fee Reform Act of 1999’.”

SHORT TITLE OF 1998 AMENDMENT

Pub. L. 105-347, §1, Nov. 2, 1998, 112 Stat. 3208, provided that: “This Act [amending sections 1681a to 1681c, 1681g, 1681i, 1681k, and 1681s of this title and enacting provisions set out as a note under section 1681a of this title] may be cited as the ‘Consumer Reporting Employment Clarification Act of 1998’.”

SHORT TITLE OF 1996 AMENDMENT

Pub. L. 104-208, div. A, title II, §2401, Sept. 30, 1996, 110 Stat. 3009-426, provided that: “This chapter [chapter 1 (§§2401-2422) of subtitle D of title II of div. A of Pub. L. 104-208, enacting section 1681s-2 of this title, amending sections 1681a to 1681e, 1681g to 1681j, 1681m to 1681o, 1681q to 1681s, and 1681t of this title, and enacting provisions set out as notes under sections 1681a, 1681b, and 1681g of this title] may be cited as the ‘Consumer Credit Reporting Reform Act of 1996’.”

SHORT TITLE OF 1995 AMENDMENTS

Pub. L. 104-29, §1, Sept. 30, 1995, 109 Stat. 271, provided that: “This Act [enacting section 1649 of this title, amending sections 1605, 1631, 1635, 1640, and 1641 of this title, and enacting provisions set out as notes under section 1605 of this title] may be cited as the ‘Truth in Lending Act Amendments of 1995’.”

Pub. L. 104-12, §1, May 18, 1995, 109 Stat. 161, provided that: “This Act [amending section 1640 of this title] may be cited as the ‘Truth in Lending Class Action Relief Act of 1995’.”

SHORT TITLE OF 1994 AMENDMENT

Pub. L. 103-325, title I, §151, Sept. 23, 1994, 108 Stat. 2190, provided that: “This subtitle [subtitle B (§§151-158) of title I of Pub. L. 103-325, enacting sections 1639 and 1648 of this title, amending sections 1602, 1604, 1610, 1640, 1641, and 1647 of this title, and enacting provisions set out as notes under this section and section 1602 of this title] may be cited as the ‘Home Ownership and Equity Protection Act of 1994’.”

SHORT TITLE OF 1992 AMENDMENT

Pub. L. 102-537, §1, Oct. 27, 1992, 106 Stat. 3531, provided that: “This Act [enacting section 1681s-1 of this title, amending section 1681a of this title, and enacting provisions set out as a note under section 1681a of this title] may be cited as the ‘Ted Weiss Child Support Enforcement Act of 1992’.”

SHORT TITLE OF 1988 AMENDMENTS

Pub. L. 100-709, §1, Nov. 23, 1988, 102 Stat. 4725, provided that: “This Act [enacting sections 1637a, 1647, and 1665b of this title, amending sections 1632 and 1637 of this title, and enacting provisions set out as notes under section 1637a of this title] may be cited as the ‘Home Equity Loan Consumer Protection Act of 1988’.”

Pub. L. 100-583, §1, Nov. 3, 1988, 102 Stat. 2960, provided that: “This Act [amending sections 1610, 1632, 1637, 1640, and 1646 of this title and enacting provisions set out as a note under section 1637 of this title] may be cited as the ‘Fair Credit and Charge Card Disclosure Act of 1988’.”

SHORT TITLE OF 1981 AMENDMENT

Pub. L. 97-25, §1, July 27, 1981, 95 Stat. 144, provided: “That this Act [amending sections 1602 and 1666f of this title, section 29 of Title 12, Banks and Banking, and sections 205 and 212 of Title 42, The Public Health and Welfare; enacting provisions set out as notes under this section and sections 1602 and 1666f of this title; and amending provisions set out as notes under sections 1602 and 1666f of this title] may be cited as the ‘Cash Discount Act’.”

SHORT TITLE OF 1980 AMENDMENT

Pub. L. 96-221, title VI, §601, Mar. 31, 1980, 94 Stat. 168, provided that: “This title [enacting section 1646 of this title, amending sections 57a, 1602 to 1607, 1610, 1612, 1613, 1631, 1632, 1635, 1637, 1638, 1640, 1641, 1643, 1663, 1664, 1665a, 1666, 1666d, 1667d, and 1691f of this title, repealing sections 1614, 1636, and 1639 of this title, and enacting provisions set out as notes under sections 1602 and 1607 of this title] may be cited as the ‘Truth in Lending Simplification and Reform Act’.”

SHORT TITLE OF 1976 AMENDMENTS

Section 1 of Pub. L. 94-240 provided that: “This Act [enacting sections 1667 to 1667e of this title, amending this section and section 1640 of this title, and enacting provisions set out as a note under section 1667 of this title] may be cited as the ‘Consumer Leasing Act of 1976’.”

Pub. L. 94-239, §1(a), Mar. 23, 1976, 90 Stat. 251, provided that: “This Act [enacting section 1691f of this title, amending this section and sections 1691b, 1691c, 1691d, 1691e of this title, repealing section 1609 of this title, enacting provisions set out as notes under this

section, and repealing provision set out as a note under this section] may be cited as the ‘Equal Credit Opportunity Act Amendments of 1976.’”

Section 1(c) of Pub. L. 94-239 repealed section 501 of Pub. L. 93-495, title V, Oct. 28, 1974, 88 Stat. 1521, which provided that subchapter IV of this chapter and notes set out under section 1691 were to be cited as the ‘Equal Credit Opportunity Act’.

SHORT TITLE OF 1974 AMENDMENT

Section 301 of title III of Pub. L. 93-495 provided that: “This title [enacting sections 1666 to 1666j of this title, amending this section and sections 1602, 1610, 1631, 1632, and 1637 of this title, and enacting provision set out as a note under section 1666 of this title] may be cited as the ‘Fair Credit Billing Act.’”

SHORT TITLE

Section 1 of Pub. L. 90-321 provided that: “This Act [enacting this chapter, sections 891 to 896 of Title 18, Crimes and Criminal Procedure, and provisions set out as notes under this section, sections 1631 and 1671 of this title, and section 891 of Title 18] may be cited as the ‘Consumer Credit Protection Act.’”

Section 101 of title I of Pub. L. 90-321 provided that: “This title [enacting this subchapter] may be cited as the ‘Truth in Lending Act.’”

Section 401 of title IV of Pub. L. 90-321, as added by Pub. L. 104-208, div. A, title II, §2451, Sept. 30, 1996, 110 Stat. 3009-454, provided that: “This title [enacting subchapter II-A of this chapter] may be cited as the ‘Credit Repair Organizations Act.’”

Section 601 of title VI of Pub. L. 90-321, as added by Pub. L. 91-508, title VI, §601, Oct. 26, 1970, 84 Stat. 1128, as amended by Pub. L. 108-159, title VIII, §811(a), Dec. 4, 2003, 117 Stat. 2011, provided that: “This title [enacting subchapter III of this chapter] may be cited as the ‘Fair Credit Reporting Act.’”

Section 709 of title VII of Pub. L. 90-321, as added by section 1(b) of Pub. L. 94-239, Mar. 23, 1976, 90 Stat. 251, provided that: “This title [enacting subchapter IV of this chapter and notes set out under section 1691 of this title] may be cited as the ‘Equal Credit Opportunity Act.’”

Section 801 of title VIII of Pub. L. 90-321, as added by Pub. L. 95-109, Sept. 20, 1977, 91 Stat. 874, provided that: “This title [enacting subchapter V of this chapter] may be cited as the ‘Fair Debt Collection Practices Act.’”

Section 901 of title IX of Pub. L. 90-321, as added by Pub. L. 95-630, title XX, §2001, Nov. 10, 1978, 92 Stat. 3728, provided that: “This title [enacting subchapter VI of this chapter] may be cited as the ‘Electronic Fund Transfer Act.’”

SEVERABILITY

Section 501 of Pub. L. 90-321 provided that: “If a provision enacted by this Act [see Short Title note above], is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.”

EXEMPTION OR MODIFICATION OF MORTGAGE DISCLOSURE REQUIREMENTS

Pub. L. 111-203, title XIV, §1405(b), July 21, 2010, 124 Stat. 2142, provided that: “Notwithstanding any other provision of this title [see Tables for classification], in order to improve consumer awareness and understanding of transactions involving residential mortgage loans through the use of disclosures, the Board may, by rule, exempt from or modify disclosure requirements, in whole or in part, for any class of residential mortgage loans if the Board determines that such exemption or modification is in the interest of consumers and in the public interest.”

ANALYSIS OF FURTHER RESTRICTIONS ON OFFERS OF CREDIT OR INSURANCE

Pub. L. 108-159, title II, §213(e), Dec. 4, 2003, 117 Stat. 1979, provided that:

“(1) IN GENERAL.—The Board shall conduct a study of—

“(A) the ability of consumers to avoid receiving written offers of credit or insurance in connection with transactions not initiated by the consumer; and

“(B) the potential impact that any further restrictions on providing consumers with such written offers of credit or insurance would have on consumers.

“(2) REPORT.—The Board shall submit a report summarizing the results of the study required under paragraph (1) to the Congress not later than 12 months after the date of enactment of this Act [Dec. 4, 2003], together with such recommendations for legislative or administrative action as the Board may determine to be appropriate.

“(3) CONTENT OF REPORT.—The report described in paragraph (2) shall address the following issues:

“(A) The current statutory or voluntary mechanisms that are available to a consumer to notify lenders and insurance providers that the consumer does not wish to receive written offers of credit or insurance.

“(B) The extent to which consumers are currently utilizing existing statutory and voluntary mechanisms to avoid receiving offers of credit or insurance.

“(C) The benefits provided to consumers as a result of receiving written offers of credit or insurance.

“(D) Whether consumers incur significant costs or are otherwise adversely affected by the receipt of written offers of credit or insurance.

“(E) Whether further restricting the ability of lenders and insurers to provide written offers of credit or insurance to consumers would affect—

“(i) the cost consumers pay to obtain credit or insurance;

“(ii) the availability of credit or insurance;

“(iii) consumers’ knowledge about new or alternative products and services;

“(iv) the ability of lenders or insurers to compete with one another; and

“(v) the ability to offer credit or insurance products to consumers who have been traditionally underserved.”

[For definitions of terms used in section 213(e) of Pub. L. 108-159, set out above, see section 2 of Pub. L. 108-159, set out as a Definitions note under section 1681 of this title.]

FEDERAL RESERVE STUDY OF HOME EQUITY LENDING AND APPROPRIATE INTEREST RATE INDEX

Pub. L. 103-325, title I, §157, Sept. 23, 1994, 108 Stat. 2197, provided that: “During the period beginning 180 days after the date of enactment of this Act [Sept. 23, 1994] and ending 2 years after that date of enactment, the Board of Governors of the Federal Reserve System shall conduct a study and submit to the Congress a report, including recommendations for any appropriate legislation, regarding—

“(1) whether a consumer engaging in an open end credit transaction (as defined in section 103 of the Truth in Lending Act [15 U.S.C. 1602]) secured by the consumer’s principal dwelling is provided adequate protections under Federal law, including section 127A of the Truth in Lending Act [15 U.S.C. 1637a]; and

“(2) whether a more appropriate interest rate index exists for purposes of subparagraph (A) of section 103(aa)(1) [now 103(bb)(1)] of the Truth in Lending Act (as added by section 152(a) of this Act [15 U.S.C. 1602(bb)(1)(A)]) than the yield on Treasury securities referred to in that subparagraph.”

HEARINGS ON HOME EQUITY LENDING

Pub. L. 103-325, title I, §158, Sept. 23, 1994, 108 Stat. 2197, as amended by Pub. L. 111-203, title X, §1096, July 21, 2010, 124 Stat. 2102, provided that:

“(a) HEARINGS.—Not less than once during the 3-year period beginning on the date of enactment of this Act [Sept. 23, 1994], and regularly thereafter, the Bureau, in consultation with the Advisory Board to the Bureau, shall conduct a public hearing to examine the home equity loan market and the adequacy of existing regulatory and legislative provisions and the provisions of this subtitle [see Short Title of 1994 Amendment note above] in protecting the interests of consumers, and low-income consumers in particular.

“(b) PARTICIPATION.—In conducting hearings required by subsection (a), the Bureau shall solicit participation from consumers, representatives of consumers, lenders, and other interested parties.”

STUDY BY FEDERAL RESERVE BOARD OF GOVERNORS COVERING EFFECT OF CHARGE CARD TRANSACTIONS UPON CARD ISSUERS, MERCHANTS, AND CONSUMERS

Pub. L. 97-25, title II, § 202, July 27, 1981, 95 Stat. 145, directed Board of Governors of Federal Reserve System, not later than 2 years after July 27, 1981, to prepare a study and submit its findings to Congress on the effect of charge card transactions upon card issuers, merchants, and consumers.

INFERENCE OF LEGISLATIVE INTENT IN SECTION CAPTIONS AND CATCHLINES

Section 502 of Pub. L. 90-321 provided that: “Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act [enacting this chapter, section 891 to 896 of Title 18, Crimes and Criminal Procedure, and provisions set out as notes under this section, sections 1631 and 1671 of this title, and section 891 of Title 18] may be drawn from them.”

GRAMMATICAL USAGES

Pub. L. 90-321, title V, § 503, May 30, 1968, 82 Stat. 167, provided that: “In this Act [enacting this chapter, sections 891 to 896 of Title 18, Crimes and Criminal Procedure, and provisions set out as notes under this section, sections 1631 and 1671 of this title, and section 891 of Title 18]:

“(1) The word ‘may’ is used to indicate that an action either is authorized or is permitted.

“(2) The word ‘shall’ is used to indicate that an action is both authorized and required.

“(3) The phrase ‘may not’ is used to indicate that an action is both unauthorized and forbidden.

“(4) Rules of law are stated in the indicative mood.”

DEFINITION

Pub. L. 111-203, title XIV, § 1495, July 21, 2010, 124 Stat. 2207, provided that: “For purposes of this title [see Tables for classification], the term ‘designated transfer date’ means the date established under section 1062 of this Act [12 U.S.C. 5582].”

§ 1602. Definitions and rules of construction

(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this subchapter.

(b) BUREAU.—The term “Bureau” means the Bureau of Consumer Financial Protection.

(c) The term “Board” refers to the Board of Governors of the Federal Reserve System.

(d) The term “organization” means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(e) The term “person” means a natural person or an organization.

(f) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(g) The term “creditor” refers only to a person who both (1) regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, and (2) is the person to whom the debt arising from the consumer credit transaction is initially payable on the face of the evidence of indebtedness or, if there is no such evidence of indebtedness, by agreement. Notwithstanding the preceding sentence, in the case of an open-end credit plan involving a credit card, the card issuer and any person who honors the credit card and offers a discount which is a finance charge are creditors. For the purpose of the requirements imposed under part D of this subchapter and sections 1637(a)(5), 1637(a)(6), 1637(a)(7), 1637(b)(1), 1637(b)(2), 1637(b)(3), 1637(b)(8), and 1637(b)(10) of this title, the term “creditor” shall also include card issuers whether or not the amount due is payable by agreement in more than four installments or the payment of a finance charge is or may be required, and the Bureau shall, by regulation, apply these requirements to such card issuers, to the extent appropriate, even though the requirements are by their terms applicable only to creditors offering open-end credit plans. Any person who originates 2 or more mortgages referred to in subsection (aa) of this section in any 12-month period or any person who originates 1 or more such mortgages through a mortgage broker shall be considered to be a creditor for purposes of this subchapter. The term “creditor” includes a private educational lender (as that term is defined in section 1650 of this title) for purposes of this subchapter.

(h) The term “credit sale” refers to any sale in which the seller is a creditor. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

(i) The adjective “consumer”, used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, or household purposes.

(j) The terms “open end credit plan” and “open end consumer credit plan” mean a plan under which the creditor reasonably contemplates repeated transactions, which prescribes the terms of such transactions, and which provides for a finance charge which may be computed from time to time on the outstanding unpaid balance. A credit plan or open end consumer credit plan which is an open end credit plan or open end consumer credit plan within the meaning of the preceding sentence is an open end credit plan or open end consumer credit plan even if credit information is verified from time to time.