

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS 75222

Circular No. 70-83  
April 2, 1970

REDUCTION IN ANNUAL PERCENTAGE RATE  
(INTERPRETATION OF REGULATION Z)

To Banks, Other Financial Institutions, Trade Associations, and  
Others concerned in the Eleventh Federal Reserve District:

Quoted below is a press release issued by the Board of Governors  
of the Federal Reserve System on March 31, 1970:

"The Board of Governors of the Federal Reserve System today issued the attached interpretation of one provision in its Truth in Lending Regulation Z. The interpretation specifies that when the annual percentage rate on outstanding credit is reduced, but other credit terms remain the same, the new rate may be provided to the customer without making a complete new set of disclosures."

The text of the interpretation is printed on the reverse.

Yours very truly,

P. E. Coldwell

President

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Reg. Z)

PART 226 - TRUTH IN LENDING

REDUCTION IN ANNUAL PERCENTAGE RATE

Section 226.817 Reduction In Annual Percentage Rate

(a) Section 226.8(j) specifies that if any existing extension of credit is refinanced, such transaction shall be considered a new transaction subject to the disclosure requirements of Regulation Z. The question arises as to whether a reduction in the annual percentage rate applicable to an existing extension of credit, when no other credit terms are changed, constitutes a refinancing under section 226.8(j).

(b) When no other credit terms are changed, a reduction in the annual percentage rate applicable to an existing extension of credit does not constitute a refinancing under section 226.8(j), and no disclosures are required.

(Interprets and applies 15 U.S.C. 1638 and 15 U.S.C. 1639)

By order of the Board of Governors, March 31, 1970.

(Signed) Kenneth A. Kenyon  
Kenneth A. Kenyon,  
Deputy Secretary.