



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-108
July 29, 1975

AMENDMENTS TO REGULATION Z

TO ALL BANKS, OTHER CREDITORS,
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Following is the text of a statement issued July 10, 1975, by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced adoption of amendments to its Regulation Z--Truth-in-Lending--to implement changes in the Truth-in-Lending Act adopted by Congress.

The amendments to Regulation Z--to be effective August 8, 1975--are substantially the same as those published for comment last December 27. Among the amendments adopted are the following:

--Advertisements concerning extensions of credit to be repaid in more than four installments, and for which no finance charge is stated, shall state that the cost of credit is included in the price of the goods and services involved.

--Credit transactions primarily for agricultural purposes, where the amount financed exceeds \$25,000 are exempt from the disclosure requirements of Regulation Z and the Truth-in-Lending Act.

--Any unexpired right of rescission in residential real property transactions is limited to three years from the date of consummation of the transaction, or the sale of the property, whichever occurs earlier.

In its order, the Board stated that, due to confusion evident in comments received upon its proposal concerning the right of rescission, that section had been rewritten to make it clear that the amendment does not extend the three-day right of rescission--that is, the right to decide not to go through with the transaction--to three years, but only limits to three years these unexpired rights which previously continued indefinitely.

The enclosed amendments should be inserted in your Regulations Binder. Additional copies will be furnished upon request to the Secretary's Office of this Bank.

Sincerely yours,
T. W. Plant
First Vice President

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

TRUTH IN LENDING

AMENDMENTS TO REGULATION Z†

Effective August 8, 1975, Regulation Z is amended to read as follows:

1. To implement section 401, § 226.10(f) is added as set forth below:

SECTION 226.10 — ADVERTISING CREDIT TERMS

* * * * *

(f) **Credit payable in more than four instalments; no identified finance charge.** Any advertisement to aid, promote, or assist directly or indirectly an extension of consumer credit repayable by agreement in more than four instalments shall, unless a specific finance charge is or may be imposed, state clearly and conspicuously: "The cost of credit is included in the price quoted for the goods and services."

2. To implement section 402, § 226.3(e) is added as set forth below:

SECTION 226.3 — EXEMPTED TRANSACTIONS

* * * * *

(e) **Agricultural credit transactions.** Credit transactions primarily for agricultural purposes, including real property transactions, in which the amount financed^{1a} exceeds \$25,000 or in which the transaction is pursuant to an express written commitment by the creditor to extend credit in excess of \$25,000.

3. To implement section 403, § 226.1(b)(1) is revised as set forth below:

SECTION 226.1 — AUTHORITY, SCOPE, PURPOSE, ETC.

* * * * *

(b) **Administrative enforcement.** (1) As set forth more fully in section 108 of the Act, administrative enforcement of the Act and this Part with respect to certain creditors and credit card issuers is assigned to the Comptroller of the Currency, Board of Directors of the Federal Deposit Insurance Corporation, Federal Home Loan Bank

Board (acting directly or through the Federal Savings and Loan Insurance Corporation), Administrator of the National Credit Union Administration, Civil Aeronautics Board, Secretary of Agriculture, Farm Credit Administration, and Board of Governors of the Federal Reserve System.

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4. To implement section 405, § 226.9(h) is added as set forth below:

SECTION 226.9 — RIGHT TO RESCIND CERTAIN TRANSACTIONS

* * * * *

(h) **Time limit for unexpired right of rescission.** In the event the creditor fails to deliver to the customer the disclosures required by this section or the other material disclosures required by this Part, a customer's right to rescind a transaction pursuant to this section shall expire the earlier of (1) three years after the date of consummation of the transaction, or (2) the date the customer transfers all his interest, both equitable and legal, in the property.

5. To implement section 410, § 226.13(i) is added as set forth below:

SECTION 226.13 — CREDIT CARDS — ISSUANCE AND LIABILITY

* * * * *

(i) **Business use of credit cards.** If 10 or more credit cards are issued by one card issuer to a single business or other organization for use by its employees, nothing in this section prohibits the card issuer from agreeing by contract with such business or other organization as to liability for unauthorized use of any such credit cards without regard to the provisions of this section, but in no case may any business or other organization or card issuer impose liability on any employee of such business or other organization with respect to unauthorized use of such credit card except in accordance with, and subject to, the other liability limitations of this section.

† For this Regulation to be complete as amended retain the following:

- 1) Printed pamphlet as amended dated September 30, 1974; and
2) This slip sheet effective on the date as shown herein.

^{1a}For this purpose, the amount financed is the amount which is required to be disclosed under § 226.8(c)(7), or (d)(1), as applicable, or would be so required if the transaction were subject to this Part.

6. To implement section 412, § 226.9(g)(5) is added as set forth below:

**SECTION 226.9 — RIGHT TO RESCIND
CERTAIN TRANSACTIONS**

* * * * *

(g) * * *

(5) Any transaction in which an agency of a State is the creditor.

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7. To implement section 415, § 226.7(a)(1) and § 226.7(b)(9) are revised as set forth below:

**SECTION 226.7 — OPEN END CREDIT
ACCOUNTS — SPECIFIC DISCLOSURES**

(a) * * *

(1) The conditions under which a finance charge may be imposed, including an explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge, except that the creditor may, at his option and without disclosure, refrain from imposing such finance charge even though payment is received after the termination of such time period.

* * * * *

(b) * * *

(9) The closing date of the billing cycle and the outstanding balance in the account on that date, using the term "new balance," accompanied by the statement of the date by which, or the period, if any, within which payment must be made to avoid additional finance charges, except

that the creditor may, at his option and without disclosure, refrain from imposing such additional finance charges even though payment is received after such date or termination of such period.

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8. To implement sections 406, 407, 408, 413, and 414, § 226.1(c) is revised as set forth below:

**SECTION 226.1 — AUTHORITY, SCOPE,
PURPOSE, ETC.**

* * * * *

(c) **Penalties and liabilities.** Section 112 of the Act provides criminal liability for willful and knowing failure to comply with any requirement imposed under the Act and this Part. Section 134 provides for criminal liability for certain fraudulent activities related to credit cards. Section 130 provides for civil liability in individual or class actions for any creditor who fails to comply with any requirement imposed under Chapter 2 or Chapter 4 of the Act and the corresponding provisions of this Part, provides a defense for creditors complying in good faith with the provisions of the Part or any interpretation thereof by the Board, and provides that a multiple failure to disclose in connection with a single account shall permit but a single recovery. Section 115 provides for civil liability for an assignee of an original creditor where the original creditor has violated the disclosure requirements and such violation is apparent on the face of the instrument assigned, unless the assignment is involuntary. Pursuant to Section 108 of the Act, violations of the Act or this Part constitute violations of other Federal laws which may provide further penalties.