



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-172
November 14, 1975

FORM C-10 SECURITY AGREEMENT

TO ALL BANKS IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

In the past, we have been furnishing our Form C-10 Security Agreement to member banks for use under the Uniform Commercial Code. On occasion, copies have also been made available to nonmember banks and other concerned parties, as a matter of information and use as a guide in designing a form applicable to their particular needs. The form was intended to be useful in a large number of transactions, including all manner of farm loans, inventory, accounts receivable financing, and loans on business equipment, consumer goods, and automobiles.

As you are all aware, a field of law, which has been rapidly expanding in the recent past, is concerned with consumer protection. One of the many measures which has been enacted, Public Law 93-637, authorizes the Federal Trade Commission to issue rules prohibiting the use of certain contractual terms frequently included in consumer credit contracts and certain practices often employed by creditors to aid in the collection of unpaid debts. The law also authorizes the Board of Governors of the Federal Reserve System to develop substantially similar rules prohibiting such types of practices by banks, unless the Board finds either that such acts or practices of banks are not unfair or deceptive or that implementation of similar regulations with respect to banks would seriously conflict with essential monetary and payment systems policies of the Board. As reflected in this Bank's Circular No. 75-78, dated June 13, 1975, the Board of Governors of the Federal Reserve System is currently developing these regulations.

It should be noted that the C-10 is often used in consumer credit transactions; it is possible that some provisions of the Form C-10, when applied to consumer credit transactions, may materially conflict with those regulations in their final form, or with future court decisions in this ever-changing and developing field of law. As a result, the Federal Reserve Bank of Dallas will no longer furnish copies of Form C-10.

In this Bank's Circular No. 74-108, dated April 25, 1974, announcing the revision of our Form C-9 Security Agreement to Form C-10, P. E. Coldwell, who was President of this Bank at that time, noted that:

"A decision on the legal forms to be used by your bank should, of course, be made in consultation with your legal counsel."

Again, we earnestly urge you to consult with your bank's attorneys on future use of the Form C-10 in its present form or your own revision.

This Bank sincerely regrets this course of action, but legal uncertainties produced by the sharp increase in involvement with consumer affairs and responsive changes in the legal structure lead this Bank to conclude that in such matters commercial banks can best protect their own interests by the continuing cooperative involvement and collective judgment of your officers and private counsel.

If you have any questions regarding this decision, please feel free to contact our Legal Department at (214) 651-6228.

Sincerely yours,
Ernest T. Baughman
President