

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-107
September 23, 1977

REGULATION Z--TRUTH-IN-LENDING

Order Postponing Full Implementation of Section 226.7(k) (3) (ii)
Regarding Descriptive Billing of Nonsale Credit Transactions

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

The Board of Governors of the Federal Reserve System has postponed the effective date from October 28, 1977 to March 28, 1978 for full implementation of Section 226.7(k) (3) (ii) of Regulation Z, which prescribes rules regarding descriptive billing of nonsale credit transactions on open-end credit accounts.

Following is the text of the Board's press release in this matter:

The Board of Governors of the Federal Reserve System today announced that it is postponing the effective date of a section of the Truth-in-Lending Regulation Z dealing with rules for the billing of credit transactions, such as cash advance checks.

The section of the regulation involved (226.7(k) (3) (ii)) was scheduled to go into effect October 28, 1977. The date for full implementation of this section of the regulation is being postponed to March 28, 1978.

The announcement said the action was taken because the Board is considering proposals designed to facilitate compliance with the regulation by creditors, while maintaining requirements for description of transactions adequate to allow customers to identify them.

At present, full implementation of this part of Regulation Z calls for the creditor to send a bill to the customer showing the date of the transaction or the date on the credit document (such as a cash advance check), the amount of the transaction, and stating what type of nonsale credit transaction is involved, such as a cash advance check, an overdraft credit, or other.

Until full implementation on March 28, 1978, creditors may substitute for the transaction date or the date on the credit document the

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date the transaction is debited to the customer's account, or the creditor may omit any of the required information that is not available and treat any resulting inquiry from the customer as a billing error, triggering the billing error requirements of Regulation Z.

Any changes in this section (226.7(k) (3) (ii) of Regulation Z will be published for comment and possible revision before final action by the Board.

Printed on the following page is a copy of the Board's order as it appeared in the FEDERAL REGISTER on September 13, 1977. Any questions regarding this matter may be directed to Richard B. West or Ralph H. Richardson of our Examination Department, Consumer Affairs Section, at Ext. 6171 or Ext. 6181.

Sincerely yours,

Robert H. Boykin

First Vice President

Extract From
FEDERAL REGISTER,
VOL. 42, NO. 177,
Tuesday, September 13, 1977
pp. 45896 - 45897

PART 226—TRUTH IN LENDING

Descriptions of Transactions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: This rule postpones the date for full implementation of the regulation regarding descriptive billing of nonsale credit transactions, such as cash advance checks, on open end credit accounts (Reg. Z, § 226.7(k)(3)(ii)) until March 28, 1978. The action is taken in order to permit the full consideration of proposals to amend this section of the regulation, which are designed to facilitate compliance with the regulation by creditors and, at the same time, to retain the essential description requirements of the present regulation for the benefit of consumers.

EFFECTIVE DATE: August 31, 1977.

FOR FURTHER INFORMATION CONTACT:

Glenn E. Loney, Attorney, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-2412).

SUPPLEMENTARY INFORMATION: By this document the Board of Governors of the Federal Reserve System ("Board" herein) postpones the date for full implementation of § 226.7(k)(3)(ii) of Regulation Z, which prescribes rules regarding descriptive billing of nonsale credit transactions reflected on open end credit periodic statements. That section of the regulation was scheduled to become fully effective on October 28, 1977. However, because of the pendency of Board consideration of proposals to amend the section, it is necessary to postpone the date until March 28, 1978, in order to have sufficient time to complete the consideration of the proposals and any rulemaking proceedings that become necessary. This postponement is also necessary in order to avoid the commitment of resources by creditors to comply with the requirements of the section as it is currently written until the Board has determined whether or not it should be changed, and to give creditors sufficient time to adjust their systems to comply with the requirements ultimately adopted.

It should be made clear that this suspension relates only to the requirements of § 226.7(k)(3)(ii) of Regulation Z regarding identifications of nonsale credit transactions, such as cash advance checks. The requirements of § 226.7(k) relating to other types of credit transactions are not affected hereby.

Pursuant to 5 U.S.C. 553 (1970) the Board finds that notice and public participation in this rulemaking are impractical and unnecessary since (1) time is of the essence in postponing the date for full implementation of the section, (2) the effective date is merely temporarily postponed, and (3) opportunity will be afforded for public comment on any changes in the substance of the subject regulation proposed by the Board.

In consideration of the foregoing and pursuant to the authority granted in 15 U.S.C. 1604 (1970) the Board hereby postpones the October 28, 1977, date for full implementation of § 226.7(k)(3)(ii) of Regulation Z, as affected in § 226.7(k)(7)(i), until March 28, 1978. During the period of the postponement a creditor may comply with the requirements for identifying nonsale credit transactions on or with open end credit periodic statements either by use of the methods prescribed in § 226.7(k)(3), by use of the alternatives prescribed in § 226.7(k)(4) or § 226.7(k)(7)(i), or by use of a combination of those methods.

By order of the Board of Governors of the Federal Reserve System, August 31, 1977.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.77-26533 Filed 9-12-77; 8:45 am]