

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-115
October 12, 1977

PROPOSED AMENDMENT TO REGULATION Z

Billing Requirements for Cash Advance Check 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 announced a proposal to modify existing provisions of its Truth-in-Lending Regulation Z relating to billing for cash advance check transactions.

The proposed modification would permit creditors to use the date on which a creditor charges a cash advance check to the customer's account (the debiting date) in billing customers. Creditors may continue to use the date a cash advance check is used by the customer (the transaction date) or the date written on the check by the customer as presently allowed.

However, the proposal would also provide that if the date of debiting is used and the customer makes any inquiry about the cash advance check transaction, the inquiry must be treated as a notification of a billing error triggering the procedures for settling billing errors under the Fair Credit Billing Act.

Further, a questioned billing that uses the debiting date must be treated as an erroneous billing. This means that no finance charge on the transaction would be allowed during the time the credit card issuer took to provide the customer with documentary evidence supporting the bill.

The Board made the proposal to facilitate compliance by creditors who have experienced difficulty in ascertaining and stating on their bills the transaction dates relating to cash advance checks. In the light of these difficulties, the Board on September 2 announced that the date for full implementation of the section of Regulation Z relating to cash advance check transactions would be postponed from October 28, 1977 to March 28, 1978. The Board said then that it was considering proposals to facilitate compliance while maintaining requirements adequate to allow customers to identify transactions billed to them.

A copy of the Board's order is printed on the following pages.

Sincerely yours,
Robert H. Boykin
First Vice President

TITLE 12 - BANKS and BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Reg. Z; Docket Nos. R-0087, R-0093)

Part 226 - TRUTH-IN-LENDING

Proposed amendment to Regulation Z concerning
descriptive billing requirements

AGENCY: Board of Governors of the Federal Reserve System

ACTION: Proposed rule

SUMMARY: This proposed rule would amend the provision of Regulation Z that now requires that the date that a cash advance check transaction takes place be disclosed on the creditor's descriptive periodic billing statement. In lieu of disclosing the transaction date, the proposal would permit creditors to disclose the date of debiting (the date on which a creditor honors a cash advance check) provided that the creditor treats any subsequent related inquiry from a customer as a billing error and an erroneous billing under the Fair Credit Billing Act. The purpose of the proposed rule is to facilitate compliance by certain creditors who have experienced operational difficulties in capturing transaction dates. Creditors with the capability of disclosing transaction dates would be permitted to do so.

DATE: Comments must be received on or before November 1, 1977.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All materials submitted should include the docket numbers R-0087, R-0093.

FOR FURTHER INFORMATION: Glenn E. Loney, Attorney, Fair Credit Practices Section, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. (202) 452-2412.

SUPPLEMENTARY INFORMATION: The Board of Governors of the Federal Reserve System is publishing for comment a proposed amendment to Regulation Z designed to facilitate compliance with the disclosure requirements relating to cash advance check transactions that are descriptively billed on periodic billing statements. The proposed amendment is in response to serious operational difficulties experienced by a number of creditors in capturing transaction dates on such checks. The regulation currently requires that transaction dates be disclosed in all cases. The proposed amendment would permit debiting dates to be disclosed in substitution for transaction dates provided that the creditor treats any subsequent customer inquiries seeking clarification of cash advance check transactions as billing errors and erroneous billings under the regulation. This would mean that no finance charge on such transactions would be allowed to accrue during the time that the creditor took to provide the customer with documentary or other evidence supporting the transactions. The current requirements were to become fully effective on October 28, 1977. In light of the creditor

compliance problems with these requirements, the Board on August 31, 1977, suspended this effective date with regard to cash advance transactions until March 28, 1978.

The Board believes that the substitution of the date of debiting may be permitted without harm to the consumer's understanding of transaction activity in his or her open-end credit account. Cash advance transactions appear to be relatively infrequent as compared with purchase transactions in such accounts. Moreover, cash advance transactions appear to be substantially larger in amount. Evidence submitted in support of these assumptions indicated that one bank's open-end credit plan averaged six cash advance transactions per account during 1976 and that the average amount was \$176. Comparable figures on purchase transactions under the same plan were 24 transactions per account during the year for an average amount of \$29. This evidence suggests that consumers may have less difficulty in recalling cash advance transactions in light of their relative infrequency and high dollar amounts.

The Board is interested in having the views of interested persons on whether these assumptions on dollar volume and frequency are typical of other open-end credit plans. It is also interested in receiving relevant cost data on supplying transaction dates and debiting dates.

Pursuant to the authority granted in 15 U.S.C. §1604 (1970), the Board proposes to amend paragraph 226.7(k) (3) (ii) of Regulation Z, 12 CFR Part 226 as follows:

Section 226.7--Open-end credit accounts--specific disclosures.

* * * * *

(k) ***

(3) ***

(ii) A description of the transaction, which characterizes it as a cash advance, loan, overdraft loan, or other designation as appropriate, and which includes the amount of the transaction and the date of the transaction ^{9e} or the date which appears on the document or instrument evidencing the transaction (if the customer signed the document or instrument), or the date of debiting the amount to the account, provided that if only the debiting date is disclosed and the customer submits a proper written notification of a billing error related to the transaction, the creditor shall treat such inquiry as a billing error under §§226.2(j) and 226.14, and as an erroneous billing under §226.14(b), and shall supply documentary evidence of the transaction whether or not the customer requests it, within the time period allowed under §226.14 for resolution of a billing error without charge to the customer. If the date of debiting is disclosed, it must be reasonably identified as such on the periodic statement.

To aid in the consideration of this proposal by the Board, interested persons are invited to submit relevant data, views, comments, or arguments. All such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than November 1, 1977. All material submitted should include the docket numbers R-0087, R-0093. Such information will be made available for inspection and copying upon request, except as provided in §261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a)).

This notice is published pursuant to §553(b) of Title 5 United States Code and §262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

By order of the Board of Governors, September 28, 1977.

(signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

(SEAL)