

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-83  
June 30, 1983

REGULATION Z  
TRUTH IN LENDING  
(Final Amendments)

TO ALL MEMBER BANKS  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors of the Federal Reserve System has issued, in slip sheet form, amendments and corrections to its Regulation Z, Truth in Lending. The enclosed slip sheet should be filed in Volume 2 of your Regulations Binder, and the slip sheet dated April 1982 should be destroyed.

Any questions regarding this circular should be directed to the Legal Department, Extension 6171.

Additional copies of this circular will be furnished upon request to the Public Affairs Department, Extension 6289.

Sincerely yours,



William H. Wallace  
First Vice President

Enclosure

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Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above. For Telex calls, please use 79-1688.

# Amendments and Corrections to Regulation Z, Truth in Lending, and the Truth in Lending Act May 1983\*

## REGULATION Z

1. *The April 1, 1982 effective date for mandatory compliance with Regulation Z was delayed to October 1, 1982, pursuant to Public Law 97-110.*
2. *Effective October 1, 1982, section 226.2 is amended by deleting and reserving the text of paragraph (a)(3) and footnote 2 and by deleting paragraph (a)(17)(ii) and redesignating paragraphs (a)(17)(iii), (iv), and (v) as paragraphs (a)(17)(ii), (iii), and (iv), respectively, to read as follows:*

### SECTION 226.2—Definitions and Rules of Construction

(a) *Definitions.* \* \* \*

(3) [Reserved]

[Footnote 2 reserved]

\* \* \* \* \*

(17) "Creditor" means: \* \* \*

(ii) For purposes of sections 226.4(c)(8) (Discounts), 226.9(d) (Finance Charge Imposed at Time of Transaction), and 226.12(e) (Prompt Notification of Returns and Crediting of Refunds), a person that honors a credit card.

(iii) For purposes of subpart B, any card issuer that extends either open-end credit or credit that is not subject to a finance charge and is not payable by written agreement in more than four installments.

(iv) For purposes of subpart B (except for the finance charge disclosures contained in sections 226.6(a) and 226.7(d) through (g) and the right of rescission set forth in section 226.15) and subpart C, any card issuer that extends closed-end credit that is subject to a finance charge or is payable by written agreement in more than four installments.

\* \* \* \* \*

3. *Effective October 1, 1982, section 226.3 is amended by adding new paragraph (f) to read as follows:*

### SECTION 226.3—Exempt Transactions

\* \* \* \* \*

(f) *Student loan programs.* Loans made, insured, or guaranteed pursuant to a program authorized by title IV of the Higher Education Act of 1965 (20 USC 1070 et seq.).

\* \* \* \* \*

4. *Effective October 1, 1982, footnotes 31a to section 226.14(a) and 45a to section 226.22(a)(1) are amended by deleting the last sentence of both.*

5. *Effective December 3, 1981, the last sentence of the paragraph entitled "Section 226.11" in appendix E is amended by changing "five business days" to "seven business days."*

\*For this regulation to be complete, destroy the slip sheet dated April 1982 and retain—

• Regulation Z pamphlet dated April 1, 1981 and  
• this slip sheet.

Items 1, 5, 6, and 7 of the regulatory amendments and items 1, 2, 4, 5, and 6 of the statutory amendments were included on the April 1, 1982 slip sheet.

6. Effective December 3, 1981, the paragraph entitled "How to Cancel" of model form G-6 is amended by adding "If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time." immediately after "(or midnight of the third business day following the latest of the three events listed above)."

7. The equation in paragraph (c)(4) of appendix J is corrected to appear as follows:

$$A = \frac{1}{(1+f_i)(1+i)^t} \left[ P_1 + \frac{P \bar{a}_{\overline{n-2}|}}{(1+i)} + \frac{P_n}{(1+i)^{n-1}} \right]$$

## TRUTH IN LENDING ACT

1. Effective July 27, 1981, section 103 of the Truth in Lending Act is amended by adding paragraph (z); and effective April 10, 1982, section 103 is amended by redesignating paragraphs (x), (y), and (z) as (y), (z), and (x), respectively. New paragraph (x), originally designated as (z), reads as follows:

(x) As used in this section and section 167, the term "regular price" means the tag or posted price charged for the property or service if a single price is tagged or posted, or the price charged for the property or service when payment is made by use of an open-end credit plan or a credit card if either (1) no price is tagged or posted, or (2) two prices are tagged or posted, one of which is charged when payment is made by use of an open-end credit plan or a credit card and the other when payment is made by use of cash, check, or similar means. For purposes of this definition, payment by check, draft, or other negotiable instrument which may result in the debiting of an open-end credit plan or a credit cardholder's open-end account shall not be con-

sidered payment made by use of the plan or the account.

2. Section 108(e)(7) of the Truth in Lending Act, as amended, is corrected by removing "except in the case of an irregular mortgage lending transaction," after "title," and before "with".

3. Effective December 21, 1982, section 114 of the Truth in Lending Act is amended by revising the first sentence to read: "Each year the Board shall make a report to the Congress concerning the administration of its functions under this title, including such recommendations as the Board deems necessary or appropriate."

4. Pursuant to section 301 of Public Law 97-25 (July 27, 1981), creditors and their assignees choosing to comply with the amended Truth in Lending Act and implementing regulations prior to October 1, 1982 are subject to the amended civil liability provisions in sections 130 and 131 of the act.

5. Pursuant to section 201 of Public Law 97-25 (July 27, 1981), section 167(a)(2) of the Truth in Lending Act will cease to be effective on February 27, 1984.

6. Effective July 27, 1981, section 167(b) of the Truth in Lending Act is amended to read as follows:

(b) With respect to any sales transaction, any discount from the regular price offered by the seller for the purpose of inducing payment by cash, checks, or other means not involving the use of an open-end credit plan or a credit card shall not constitute a finance charge as determined under section 106 if such discount is offered to all prospective buyers and its availability is disclosed clearly and conspicuously.