



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

June 17, 1987

Circular 87-41

TO: The Chief Executive Officer of all member banks, bank holding companies and others concerned in the Eleventh Federal Reserve District

SUBJECT

Slip sheet with amendments and corrections to Regulation Z -- Truth in Lending and the Truth in Lending Act

DETAILS

The Board of Governors of the Federal Reserve System has published amendments and corrections in slip-sheet form to Regulation Z, effective April 1987. The new slip sheet should be inserted in Volume 2 of your Regulations Binders.

ENCLOSURES

Enclosed is a slip-sheet to Regulation Z.

MORE INFORMATION

For more information, please contact David W. Dixon of this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

William H. Wallace

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

Amendments and Corrections to Regulation Z, Truth in Lending, and the Truth in Lending Act April 1987*

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 December 31, 1984, section 226.1(a) is amended by adding a sentence to the end to read as follows:*

(a) *Authority.* * * * Information-collection requirements contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 USC 3501 et seq. and have been assigned OMB No. 7100-0199.

3. *Effective October 1, 1982, section 226.2 is amended by deleting the text of paragraph (a)(3) and footnote 2 and reserving those paragraph and footnote numbers 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:*

(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.

* * * * *

4. *Effective December 31, 1984, section 226.3 is amended by removing footnote 4 to paragraph (a) and adding a new footnote 4 to read as follows:*

SECTION 226.3—Exempt Transactions

This regulation does not apply to the following:⁴ * * *

⁴ The provisions in sections 226.12(a) and (b) governing the issuance of credit cards and the liability for their unauthorized use apply to all credit cards, even if the credit cards are issued for use in connection with extensions of credit that otherwise are exempt under this section.

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

(f) *Student loan programs.* Loans made, insured, or guaranteed pursuant to a pro-

* The complete Regulation Z, as amended effective December 16, 1986, consists of—

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

Items 7 and 10 of the regulatory amendments and item 2 of the statutory amendments are new. All other items were included in the December 1984 slip sheet.

gram authorized by title IV of the Higher Education Act of 1965 (20 USC 1070 et seq.).

6. *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.*

7. *Effective December 16, 1986, section 226.23(f)(2) is amended to read as follows:*

(2) A refinancing or consolidation by the same creditor of an extension of credit already secured by the consumer's principal dwelling. The right of rescission shall apply, however, to the extent the new amount financed exceeds the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing or consolidation.

8. *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."*

9. *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)."*

10. *Effective April 4, 1985, appendix I is amended by changing the enforcement agency for air carriers:*

Air Carriers

Assistant General Counsel for Aviation
Enforcement and Proceedings
Department of Transportation
400 Seventh St., S.W.
Washington, D.C. 20590

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

$$A = \frac{1}{(1+\hat{r})(1+i)^t} \left[P_1 + \frac{P_{\hat{a}-2}}{(1+i)} + \frac{P_n}{(1+i)^{n-1}} \right]$$

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

2. *Effective March 4, 1985, section 108(a)(4) of the Truth in Lending Act is amended to read as follows:*

(4) the Federal Aviation Act of 1958, by the Secretary of Transportation with respect to any air carrier or foreign air carrier subject to that Act.

3. *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".*

4. *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."*
5. *Pursuant to section 201 of Public Law 97-25 (July 27, 1981), section 167(a)(2) of the Truth in Lending Act ceased 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.*