



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS
75265-5906

October 19, 1998

Notice 98-93

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**Final Rules Amending Regulation DD
(Truth in Savings), Regulation M
(Consumer Leasing), and Regulation E
(Electronic Fund Transfers)**

DETAILS

The Board of Governors of the Federal Reserve System has published a final rule amending Regulation DD (*Truth in Savings*). The amendments modify the rules for indoor lobby signs, eliminate subsequent disclosure requirements for automatically renewable time accounts with terms of one month or less, and repeal the civil liability provisions as of September 30, 2001. The rule became effective September 24, 1998.

The Board has also published amendments to Regulation M (*Consumer Leasing*) and Regulation E (*Electronic Fund Transfers*). The final rule on Regulation M adopts several technical amendments to the regulation and commentary concerning lease payments, advertisements, and the treatment of taxes. The rule became effective September 24, 1998. Compliance is optional until October 1, 1999. The final rule on Regulation E revises the time periods for investigating alleged errors involving point-of-sale and foreign-initiated transactions. This rule also became effective September 24, 1998; however, compliance is optional until April 1, 1999.

ATTACHMENTS

Copies of the Board's notices as they appear on pages 52105-18, Vol. 63, No. 188 of the *Federal Register* dated September 29, 1998, are attached.

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

MORE INFORMATION

For more information, please contact Eugene Coy at (214) 922-6201. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.

Federal Register

Tuesday
September 29, 1998

Part V

Federal Reserve System

**12 CFR Parts 205, 213 and 230
Truth in Savings; Consumer Leasing;
Electronic Fund Transfers; Final Rules**

FEDERAL RESERVE SYSTEM**12 CFR Part 230**

[Regulation DD; Docket No. R-1003]

Truth in Savings**AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Final rule.

SUMMARY: The Board is publishing a final rule amending Regulation DD, which implements the Truth in Savings Act. The rule implements amendments to the Truth in Savings Act enacted as part of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The law modifies the rules for indoor lobby signs, eliminates subsequent disclosure requirements for automatically renewable time accounts with terms of one month or less, and repeals the civil liability provisions as of September 30, 2001.

DATES: This rule is effective September 24, 1998.

FOR FURTHER INFORMATION CONTACT:

Kyung Cho-Miller, Staff Attorney, Division of Consumer and Community Affairs, at (202) 452-3667 or 452-2412. For the hearing impaired *only*, Telecommunications Device for the Deaf (TDD), contact Diane Jenkins, at (202) 452-3544.

SUPPLEMENTARY INFORMATION:**I. Background**

The Truth in Savings Act (TISA) is implemented by the Board's Regulation DD (12 CFR Part 230). The act and regulation require depository institutions to disclose yields, fees, and other terms concerning deposit accounts to consumers at account opening. The regulation also includes rules about advertising of deposit accounts. Credit unions are governed by a substantially similar regulation issued by the National Credit Union Administration. The act was amended by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (1996 Act).

II. Regulatory Revisions

On March 25, 1998, the Board published proposed amendments to Regulation DD to implement statutory amendments that eliminate the requirement that institutions provide disclosures in advance of maturity for automatically renewable (rollover) time accounts with a term of 30 days or less, expand an exemption from certain advertising provisions for signs on the premises of a depository institution, and repeal TISA's civil liability provisions, effective September 30, 2001 (63 FR

14533). Commenters on the proposal—all financial institutions or their trade associations—unanimously supported the proposed amendments.

In March 1998, the Board also published a proposal to allow institutions to provide Regulation DD disclosures electronically (63 FR 14533, March 25, 1998). Similar proposals were made under Regulations B (Equal Credit Opportunity), M (Consumer Leasing), and Z (Truth in Lending); an interim rule was issued under Regulation E. The Board anticipates further action on these proposals by year-end.

III. Section-by-Section Analysis*Section 230.5 Subsequent Disclosures***5(c) Notice for Time Accounts One Month or Less That Renew Automatically**

Section 266(a)(3) of TISA requires institutions to provide certain disclosures for rollover time accounts at least 30 days before maturity. In implementing this provision, the Board determined in 1992 that the purposes of the legislation would not be served by requiring advance disclosures for rollover time accounts with maturities of one month or less. Regulation DD therefore does not require disclosures to be provided in advance of maturity for such time accounts. However, under § 230.5(c) of the regulation, if a term disclosed when the account was opened is changed at renewal, institutions were required to send a notice describing the change within a reasonable time after the renewal of the account.

The 1996 Act eliminates the requirement that institutions provide subsequent disclosures (that is, disclosures in advance of maturity) for automatically renewable time accounts with a term of 30 days or less. (Institutions will continue to provide disclosures when these accounts are opened.) Accordingly, § 230.5(c) and the corresponding provision in the official staff commentary, comment 5(c)-1, are deleted.

Technically, the statute could be read to require subsequent disclosures for rollover time accounts with a maturity of 31 days. For ease of compliance, the Board has eliminated these disclosures for rollover time accounts with a maturity of "one month or less." Subsequent disclosures for accounts with a maturity of 31 days are not required under this approach, which is consistent with other provisions of Regulation DD that interpret one month to include 31 days.

*Section 230.8 Advertising***8(e) Exemption for Certain Advertisements****8(e)(2) Indoor Signs**

Section 263(a) of TISA provides that a reference to a specific interest rate, yield, or rate of earnings in an advertisement triggers a duty to state certain additional information, including the annual percentage yield. In 1994, the Congress amended section 263(c) of the advertising rules to provide that if a rate is displayed on a sign (including a rate board) designed to be viewed only from the interior of an institution, the disclosure requirements of section 263 do not apply.

A further amendment to section 263(c) contained in the 1996 Act expands the exemption for signs on the premises of the depository institution. All signs inside the premises of an institution are now exempt from certain advertising disclosures (including signs that are intended to be viewed from outside the premises). Accordingly, the reference in § 230.8(e) to signs that face outside the premises and the corresponding provision in the official staff commentary, comment 8(e)(2)(I)-2, are deleted. Any sign posted outside a depository institution remains covered by the advertising provisions unless the sign qualifies for some other exemption, such as the exemption for electronic media.

*Section 230.9 Enforcement and Record Retention***9(b) Civil Liability**

Section 271 of TISA, which provides for civil liability for violations of the act's provisions, was repealed by the 1996 Act, effective September 30, 2001. The regulation refers to TISA's civil liability provisions in § 230.9(b), and has been revised to reflect the effective date of the repeal of Section 271.

IV. Regulatory Flexibility Analysis

In accordance with section 3(a) of the Regulatory Flexibility Act (5 U.S.C. 604), the Board has reviewed the final amendments to Regulation DD. Two of the three requirements of a final regulatory flexibility analysis under this section are (1) a succinct statement of the need for and the objectives of the rule and (2) a summary of the issues raised by the public comments, the agency's assessment of the issues, and a statement of the changes made in the final rule in response to the comments. These two areas are discussed above.

The third requirement of the analysis calls for a description of significant alternatives to the rule that would

minimize the rule's economic impact on small entities and reasons why the alternatives were rejected. The final amendments will apply to all financial institutions subject to Regulation DD, including small institutions. The amendments represent minor changes to the existing regulation; in some cases, the amendments reduce economic burden. Accordingly, the amendments should not have a negative economic impact on small institutions, and, therefore, there were no significant alternatives that would have further minimized the economic impact on those institutions.

V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the rule under the authority delegated to the Board by the Office of Management and Budget. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100-0271.

The collection of information that is revised by this rulemaking is found in 12 CFR 230—Regulation DD, including Appendices A and B and Supplement I. This information collection is mandatory under the Truth in Savings Act (12 U.S.C. 4308) and the Board's Regulation DD, which requires that consumers be given certain account disclosures. The disclosures assist consumers in comparing deposit accounts offered by depository institutions, principally through the disclosure of fees, APY, interest rates, and other account terms whenever a consumer requests the information and before an account is opened. The regulation also requires that fees and other information be provided on any periodic statement the institution sends to the consumer. The respondents are for-profit financial institutions, including small businesses. Institutions are also required to retain records for twenty-four months as evidence of compliance. No comments specifically addressing the burden estimate were received.

The Board also extended the recordkeeping and disclosure requirements in connection with Regulation DD for three years. The current total annual burden for this information collection is an estimated 1,478,395 hours. This amount reflects the burden estimate of the Federal Reserve System for the 996 state member banks under its supervision. The modified rules for indoor lobby

signs and elimination of subsequent disclosure requirements for automatically renewable time accounts with terms less than one month will decrease the frequency of response slightly. The estimated total annual burden after the revisions will be about 1,476,071 hours, a decrease of 2,324 hours. There is estimated to be no associated capital or start up cost and no annual cost burden.

Because the records would be maintained at state member banks and the notices are not provided to the Federal Reserve, no issue of confidentiality arises under the Freedom of Information Act.

The Board has a continuing interest in the public's opinions of Federal Reserve collections of information. At any time, comments regarding the burden estimate, or any other aspect of this collection of information, including suggestions for reducing the burden, may be sent to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0271), Washington, DC 20503.

List of Subjects in 12 CFR Part 230

Advertising, Banks, banking, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements, Truth in savings.

Text of Revisions

For the reasons set forth in the preamble, the Board amends 12 CFR part 230, as set forth below:

PART 230—TRUTH IN SAVINGS (REGULATION DD)

1. The authority citation for part 230 continues to read as follows:

Authority: 12 U.S.C. 4301 *et seq.*

§ 230.5 [Amended]

2. Section 230.5 is amended by removing paragraph (c) and redesignating paragraph (d) as new paragraph (c).

3. Section 230.8 is amended by revising paragraph (e)(2)(i) to read as follows:

§ 230.8 Advertising.

* * * * *

(e) *Exemption for certain advertisements.* * * *

(2) *Indoor signs.* (i) Signs inside the premises of a depository institution (or the premises of a deposit broker) are not subject to paragraphs (b), (c), (d) or (e)(1) of this section.

* * * * *

4. Section 230.9 is amended by revising paragraph (b) to read as follows:

§ 230.9 Enforcement and record retention.

* * * * *

(b) *Civil liability.* Section 271 of the Act contains the provisions relating to civil liability for failure to comply with the requirements of the act and this part; Section 271 is repealed effective September 30, 2001.

* * * * *

SUPPLEMENT I to PART 230—OFFICIAL STAFF INTERPRETATION

PART 230—SUPPLEMENT I [AMENDED]

5. In Supplement I to Part 230, in Section 230.5—Subsequent disclosures, under paragraph (c), paragraph 1. is removed.

6. In Supplement I to Part 230, in Section 230.8—Advertising, under paragraph (e)(2)(i), paragraph 2. is removed.

By order of the Board of Governors of the Federal Reserve System, September 23, 1998.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 98-26010 Filed 9-28-98; 8:45 am]

BILLING CODE 6210-01-P

FEDERAL RESERVE SYSTEM

12 CFR Part 213

[Regulation M; Docket No. R-1004]

Consumer Leasing

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is publishing a final rule amending Regulation M, which implements the Consumer Leasing Act. The act requires lessors to provide consumers with uniform cost and other disclosures about consumer lease transactions. The final rule adopts several technical amendments to the regulation and commentary concerning lease payments, advertisements, and the treatment of taxes.

DATES: This rule is effective September 24, 1998. Compliance is optional until October 1, 1999.

FOR FURTHER INFORMATION CONTACT: Kyung Cho-Miller, Staff Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667. For users of Telecommunications Device for the Deaf (TDD) *only*, Diane Jenkins at (202) 452-3544.

SUPPLEMENTARY INFORMATION:

I. Background

The Consumer Leasing Act (CLA), 15 U.S.C. 1667–1667e, is implemented by the Board's Regulation M (12 CFR 213). The CLA requires lessors to provide consumers with uniform cost and other disclosures about consumer lease transactions. The act generally applies to consumer leases of personal property in which the contractual obligation does not exceed \$25,000 and has a term of more than four months. An automobile lease is the most common type of consumer lease covered by the act.

II. Regulatory Revisions

On March 25, 1998, the Board published several technical amendments to Regulation M (63 FR 14538). Seventeen commenters, representing major leasing companies and a consumer representative, submitted comments on the proposed amendments; most generally supported the revisions.

In the same rulemaking, the Board proposed to allow lessors to provide Regulation M disclosures electronically. Similar proposals were made under Regulations B (Equal Credit Opportunity), DD (Truth in Savings), and Z (Truth in Lending); an interim rule was issued under Regulation E. The Board anticipates further action on these proposals by year-end.

III. Section-by-Section Analysis

Section 213.4—Content of Disclosures

4(f)(8) Lease term

In September 1996, Regulation M was revised to require, among other things, that lessors show consumers a mathematical progression of how a scheduled payment is derived in a motor vehicle lease. In deriving a scheduled payment, the "total of base periodic payments" is divided by the number of lease payments. The caption in the regulation and on the model forms refers to the number of lease payments as the "lease term."

To avoid confusion, references to the "lease term" in § 213.4(f)(8) have been changed to "lease payments" with corresponding changes to the model forms in appendix A of Regulation M. For example, in reflecting the consumer's legal obligation to make one payment under a single-payment lease, the figure disclosed under § 213.4(f)(8) should be one (not the lease term such as 24 months or 36 months).

Despite the revision to the model forms, lessors may continue to use the existing form until supplies are exhausted. If properly completed, those forms comply with the requirements of

the act and regulation, protecting lessors from civil liability under sections 130 of the Truth in Lending Act and 185 of the Consumer Leasing Act.

The term of the lease (such as 24 months or 36 months) is not a required disclosure. Lessors may, however, disclose the lease term among the segregated disclosures if they choose. This guidance, included in the preamble to the proposed change, has been incorporated into the commentary, replacing existing comment 4(f)(8)–1. Lessors should note, however, that the calculation under § 213.4(f)(8) calls for the number of payments.

Section 213.7—Advertising

On April 1, 1997, the Board revised Regulation M to implement amendments to the act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which streamlined the advertising disclosures for lease transactions (62 FR 15364). Under the act, certain terms in an advertisement will trigger the disclosure of additional information. A statement in a lease advertisement that no initial payment is required is a "triggering" term that has been added to § 213.7(d)(1)(ii). It had been inadvertently omitted previously.

Appendix A—Model Forms

Several technical changes have been made to the model forms in appendix A. The model forms for open- and closed-end leases in appendix A–1 and A–2 have been revised to change the reference under the payment calculation (from "Lease term. The number of months in your lease." to "Lease payments. The number of payments in your lease"). Page 2 of the open-end model form has been revised; in the "end of term liability," the second line of the paragraph following item 3 has been corrected by changing "actual" to read "actual value." Model form A–3 for a furniture lease has been revised by adding "or delivery" in the heading "Amount due at lease signing."

IV. Commentary Provisions

Section 213.4—Content of Disclosures

4(f) Payment Calculation

4(f)(7) Total of Base Periodic Payments

For motor vehicle leases, lessors are required under § 213.4(f) to provide a mathematical progression of how scheduled lease payments are derived. Some lessors have expressed concern about exposure to civil liability if one divides the total of the base periodic payments disclosed under § 213.4(f)(7) by the number of payments in the lease disclosed under § 213.4(f)(8) and then

multiplies the base periodic payment disclosed under § 213.4(f)(9) by the number of payments in the lease disclosed under § 213.4(f)(8); the results are different because of rounding.

Comment 4(f)(7)–1 has been added to respond to this concern. The comment has been revised from the proposed language for clarity, without substantive change. The anomaly also could be avoided by making adjustments to the rent charge.

4(f)(8) Lease Payment.

Current comment 4(f)(8)–1 has been deleted as unnecessary, and has been replaced by a new comment 4(f)(8)–1 that allows lessors to include the lease term among the segregated disclosures. (Generally, lessors may not add information to the segregated disclosures unless required by regulation in § 213.3(a)(2) or permitted to be included among the segregated disclosures. See comment 3(a)(2)–2 and comments 1 and 2 to appendix A.)

4(n) Fees and Taxes

Several examples are provided in comment 4(n)–1 to illustrate when taxes are disclosed under this section. This comment has been revised to clarify that taxes which are part of the scheduled payments are required to be disclosed under § 213.4(n).

Appendix A—Model Forms

Comment 2 to appendix A provides examples of acceptable changes that may be made to the model forms. At the request of commenters, the comment has been revised to clarify that inapplicable disclosures may be deleted.

V. Regulatory Flexibility Analysis

In accordance with section 3(a) of the Regulatory Flexibility Act (5 U.S.C. 604), the Board has reviewed the final amendments to Regulation M. Two of the three requirements of a final regulatory flexibility analysis under this section are (1) a succinct statement of the need for and the objectives of the rule and (2) a summary of the issues raised by the public comments, the agency's assessment of the issues, and a statement of the changes made in the final rule in response to the comments. These two areas are discussed above.

The third requirement of the analysis calls for a description of significant alternatives to the rule that would minimize the rule's economic impact on small entities and reasons why the alternatives were rejected. The final amendments will apply to all lessors subject to Regulation M, including small entities. The amendments represent relatively small changes to the existing

regulation; in some cases, the amendments clarify rights and duties of covered lessors or reduce economic burden. Accordingly, the amendments should not have a negative economic impact on small entities, and, therefore, there were no significant alternatives that would have minimized further the economic impact on those entities.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100-0202.

The collection of information that is revised by this rulemaking is found in 12 CFR 213— Regulation M, including Appendices A, B, C, and D and Supplement I. This information collection is mandatory under the Consumer Leasing Act (CLA) (15 U.S.C. 1667 *et seq.*) and the Board's Regulation M. The purpose of the disclosures associated with Regulation M is to ensure that lessees of personal property receive meaningful information that enables them to compare lease terms with other leases and, where appropriate, with credit transactions. The respondents/recordkeepers are individuals or businesses that regularly lease, offer to lease, or arrange for the lease of personal property under a consumer lease, including small businesses. Institutions are also required to retain records for twenty-four months as evidence of compliance. No comments specifically addressing the burden estimate were received.

The Board also extended the recordkeeping and disclosure requirements in connection with Regulation M for three years. The current estimated annual burden for this information collection is 11,179 hours. It is estimated that there are 310 disclosure respondents and 15 advertising respondents with an average frequency of 120 and 3 responses per respondent each year, respectively. The technical amendments clarifying the rules on lease payments, advertisements and rounding calculations are estimated to have no effect on burden. There is estimated to be no annual cost burden and no associated capital or start up cost.

Consumer lease information in or referred to by advertisements is available to the public. Disclosures of the costs, liabilities, and terms of consumer lease transactions relating to specific leases are not publicly available. Because the Federal Reserve does not collect any of the information, no issue of confidentiality under the Freedom of Information Act normally arises. However, the information may be protected from disclosure under the exemptions (b)(4), (6), and (8) of the Freedom of Information Act (5 U.S.C. 522 (b)(4), (6), and (8)).

The Board has a continued interest in the public's opinions of Federal Reserve collections of information. At any time, comments regarding the burden estimate, or any other aspect of this collection of information, including suggestions for reducing the burden, may be sent to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0202), Washington, DC 20503.

List of Subjects in 12 CFR Part 213

Advertising, Federal Reserve System, Reporting and recordkeeping requirements, Truth in lending.

For the reasons set forth in the preamble, the Board amends Regulation M, 12 CFR Part 213, as set forth below:

PART 213—CONSUMER LEASING (REGULATION M)

1. The authority citation for part 213 is revised to read as follows:

Authority: 15 U.S.C. 1604; 1667f.

2. Section 213.4 is amended by revising paragraph (f)(8) to read as follows:

§ 213.4 Content of disclosures.

* * * * *

(f) *Payment calculation.* * * *

(8) *Lease payments.* The lease payments with a description such as "the number of payments in your lease."

* * * * *

3. Section 213.7 is amended by revising paragraph (d)(1)(ii) to read as follows:

§ 213.7 Advertising.

* * * * *

(d) *Advertising of terms that require additional disclosure.*—(1) *Triggering terms.* * * *

(ii) A statement of any capitalized cost reduction or other payment (or that no payment is required) prior to or at consummation or by delivery, if delivery occurs after consummation.

* * * * *

4. Appendix A to part 213 is amended by revising Appendix A-1, Appendix A-2, and Appendix A-3 to read as follows:

BILLING CODE 6210-01-P

Appendix A-1 Model Open-End or Finance Vehicle Lease Disclosures

Federal Consumer Leasing Act Disclosures

Date _____

Lessor(s) _____

Lessee(s) _____

Amount Due at Lease Signing or Delivery (Itemized below)* \$ _____	Monthly Payments Your first monthly payment of \$ _____ is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	Other Charges (not part of your monthly payment) Disposition fee (if you do not purchase the vehicle) \$ _____ _____ Total \$ _____	Total of Payments (The amount you will have paid by the end of the lease) \$ _____ You will owe an additional amount if the actual value of the vehicle is less than the residual value.
---	---	---	--

*** Itemization of Amount Due at Lease Signing or Delivery**

Amount Due At Lease Signing or Delivery:		How the Amount Due at Lease Signing or Delivery will be paid:	
Capitalized cost reduction	\$ _____	Net trade-in allowance	\$ _____
First monthly payment	_____	Rebates and noncash credits	_____
Refundable security deposit	_____	Amount to be paid in cash	_____
Title fees	_____		
Registration fees	_____		
	Total \$ _____		Total \$ _____

Your monthly payment is determined as shown below:

Gross capitalized cost. The agreed upon value of the vehicle (\$ _____) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance) \$ _____

If you want an itemization of this amount, please check this box.

Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost - _____

Adjusted capitalized cost. The amount used in calculating your base monthly payment = _____

Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment - _____

Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term = _____

Rent charge. The amount charged in addition to the depreciation and any amortized amounts + _____

Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge = _____

Lease payments. The number of payments in your lease ÷ _____

Base monthly payment = _____

Monthly sales/use tax + _____

..... + _____

Total monthly payment = \$ _____

Rent and other charges. The total amount of rent and other charges imposed in connection with your lease \$ _____.

Early Termination. You may have to pay a substantial charge if you end this lease early. **The charge may be up to several thousand dollars.** The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of _____ miles per year at the rate of _____ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for \$ _____ [and a purchase option fee of \$ _____].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: \$ _____.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

- _____ We (lessor) will provide the insurance coverage quoted above for a total premium cost of \$ _____.
- _____ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

End of Term Liability. (a) The residual value (\$ _____) of the vehicle is based on a reasonable, good faith estimate of the value of the vehicle at the end of the lease term. If the actual value of the vehicle at that time is greater than the residual value, you will have no further liability under this lease, except for other charges already incurred [and are entitled to a credit or refund of any surplus.] If the actual value of the vehicle is less than the residual value, you will be liable for any difference up to \$ _____ (3 times the monthly payment). For any difference in excess of that amount, you will be liable only if:

1. Excessive use or damage [as described in paragraph ____] [representing more than normal wear and use] resulted in an unusually low value at the end of the term.
2. The matter is not otherwise resolved and we win a lawsuit against you seeking a higher payment.
3. You voluntarily agree with us after the end of the lease term to make a higher payment.

Should we bring a lawsuit against you, we must prove that our original estimate of the value of the leased property at the end of the lease term was reasonable and was made in good faith. For example, we might prove that the actual value was less than the original estimated value, although the original estimate was reasonable, because of an unanticipated decline in value for that type of vehicle. We must also pay your attorney's fees.

(b) If you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

Maintenance.

[You are responsible for the following maintenance and servicing of the leased vehicle:

_____].

[We are responsible for the following maintenance and servicing of the leased vehicle:

_____].

Warranties. The leased vehicle is subject to the following express warranties:

_____.

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

_____.

The charge for such early termination is:

_____.

(b) We may terminate this lease before the end of the lease term under the following conditions:

_____.

Upon such termination we shall be entitled to the following charge(s) for:

_____.

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligations under this lease:

_____.

Late Payments. The charge for late payments is: _____.

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be \$ _____ / [the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

Appendix A-2 Model Closed-End or Net Vehicle Lease Disclosures

Federal Consumer Leasing Act Disclosures

Date _____

Lessor(s) _____ Lessee(s) _____

Amount Due at Lease Signing or Delivery (Itemized below)* \$ _____	Monthly Payments Your first monthly payment of \$ _____ is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	Other Charges (not part of your monthly payment) Disposition fee (if you do not purchase the vehicle) \$ _____ _____ Total \$ _____	Total of Payments (The amount you will have paid by the end of the lease) \$ _____
--	--	--	---

* Itemization of Amount Due at Lease Signing or Delivery			
Amount Due At Lease Signing or Delivery:		How the Amount Due at Lease Signing or Delivery will be paid:	
Capitalized cost reduction	\$ _____	Net trade-in allowance	\$ _____
First monthly payment	_____	Rebates and noncash credits	_____
Refundable security deposit	_____	Amount to be paid in cash	_____
Title fees	_____	_____	_____
Registration fees	_____	_____	_____
_____	Total \$ _____	Total	\$ _____

Your monthly payment is determined as shown below:	
Gross capitalized cost. The agreed upon value of the vehicle (\$ _____) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)	\$ _____
If you want an itemization of this amount, please check this box. <input type="checkbox"/>	
Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost	- _____
Adjusted capitalized cost. The amount used in calculating your base monthly payment	= _____
Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment	- _____
Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term	= _____
Rent charge. The amount charged in addition to the depreciation and any amortized amounts	+ _____
Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge	= _____
Lease payments. The number of payments in your lease	+ _____
Base monthly payment	= _____
Monthly sales/use tax	+ _____
_____	+ _____
Total monthly payment	= \$ _____

Early Termination. You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of _____ miles per year at the rate of _____ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for \$ _____ [and a purchase option fee of \$ _____].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: \$ _____.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

_____ We (lessor) will provide the insurance coverage quoted above for a total premium cost of \$ _____.

_____ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

Maintenance.

[You are responsible for the following maintenance and servicing of the leased vehicle:

_____]

[We are responsible for the following maintenance and servicing of the leased vehicle:

_____]

Warranties. The leased vehicle is subject to the following express warranties:

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

The charge for such early termination is:

(b) We may terminate this lease before the end of the lease term under the following conditions:

Upon such termination we shall be entitled to the following charge(s) for:

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligations under this lease:

Late Payments. The charge for late payments is: _____

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be [\$ _____ / [the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

Appendix A-3 Model Furniture Lease Disclosures

Federal Consumer Leasing Act Disclosures

Date _____

Lessor(s) _____ Lessee(s) _____

Item		Description of Leased Property			Quantity
		Color	Stock #	Mfg.	

Amount Due at Lease Signing or Delivery First monthly payment \$ _____ Refundable security deposit \$ _____ Delivery/Installation fee \$ _____ _____ \$ _____ Total \$ _____	Monthly Payments Your first monthly payment of \$ _____ is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	Other Charges (not part of your monthly payment) Pick-up fee \$ _____ _____ \$ _____ Total \$ _____	Total of Payments (The amount you will have paid by the end of the lease) \$ _____
--	---	---	--

Purchase Option at End of Lease Term. [You have an option to purchase the leased property at the end of the lease term for \$ _____ [and a purchase option fee of \$ _____].] [You do not have an option to purchase the leased property at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Official Fees and Taxes. The total amount you will pay for official fees, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: \$ _____.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease: _____

_____ We (lessor) will provide the insurance coverage quoted above for a total premium cost of \$ _____.

_____ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased property: _____

Maintenance.

[You are responsible for the following maintenance and servicing of the leased property: _____.]

[We are responsible for the following maintenance and servicing of the leased property: _____.]

Warranties. The leased property is subject to the following express warranties: _____

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions: _____

The charge for such early termination is: _____.

(b) We may terminate this lease before the end of the lease term under the following conditions: _____.

Upon such termination we shall be entitled to the following charge(s) for: _____.

Early Termination and Default. (continued)

(c) To the extent these charges take into account the value of the leased property at termination, if you disagree with the value we assign to the property, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the value of the property which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligations under this lease:

Late Payments. The charge for late payments is:

Purchase Option Prior to the End of the Lease Term.

[You have an option to purchase the leased property prior to the end of the term. The price will be [\$]/the method of determining the price.]

[You do not have an option to purchase the leased property.]

BILLING CODE 6210-01-C

5. In Supplement I to Part 213—Official Staff Commentary to Regulation M, under Section 213.4—Content of Disclosures, the following amendments are made:

a. A new paragraph 4(f)(7) Total of Base Periodic Payments is added in numerical order.

b. The heading to paragraph 4(f)(8) and paragraph 1. are revised.

c. Under paragraph 4(n) Fees and taxes, paragraph 1.ii. is revised.

d. Under Appendix A—Model Forms, paragraph 2.v. is revised.

The addition and revisions read as follows:

Supplement I to Part 213—Official Staff Commentary to Regulation M

* * * * *

Section 213.4—Content of Disclosures

* * * * *

4(f)(7) Total of Base Periodic Payment

1. Accuracy of disclosure. If the periodic payment calculation under § 213.4(f) has been calculated correctly, the amount disclosed under § 213.4(f)(7)—the total of base periodic payments—is correct for disclosure purposes even if that amount differs from the base periodic payment disclosed under § 213.4(f)(9) multiplied by the number of lease payments disclosed under § 213.4(f)(8), when the difference is due to rounding.

* * * * *

4(f)(8) Lease Payment

1. Lease Term. The lease term may be disclosed among the segregated disclosures.

* * * * *

4(n) Fees and taxes.

1. Treatment of certain taxes. * * *

ii. Taxes that are part of the scheduled payments are reflected in the disclosure under § 213.4(c), (f), and (n).

* * * * *

Appendix A—Model Forms

* * * * *

2. Examples of acceptable changes.

* * *

v. Deleting or blocking out inapplicable disclosures, filling in "N/A" (not applicable) or "0," crossing out, leaving blanks, checking a box for applicable items, or circling applicable items (this should facilitate use of multipurpose standard forms).

* * * * *

By order of the Board of Governors of the Federal Reserve System, September 23, 1998.

Jennifer J. Johnson, Secretary of the Board.

[FR Doc. 98-26011 Filed 9-28-98; 8:45 am]

BILLING CODE 6210-01-P

FEDERAL RESERVE SYSTEM

12 CFR Part 205

[Regulation E; Docket No. R-1007]

Electronic Fund Transfers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; technical amendments.

SUMMARY: The Board is publishing a final rule under Regulation E revising the time periods for investigating alleged errors involving point-of-sale and foreign-initiated transactions. The former rule extended the statutory time periods for these transactions to allow financial institutions a longer period to investigate before they must provisionally credit an account and a longer period to complete an

investigation. The final rule requires financial institutions to provisionally credit an account within 10 business days (rather than 20) and leaves in place the 90 calendar day period to complete the investigation of an alleged error.

At the same time, the Board is extending the time periods to provisionally credit funds and investigate claims involving new accounts. The rule applies to claims made within 30 calendar days after an account is opened. The rule allows 20 business days for resolving an alleged error and up to 90 calendar days for completing the investigation.

DATES: This rule is effective September 24, 1998. Compliance is optional until April 1, 1999.

FOR FURTHER INFORMATION CONTACT: John C. Wood or Jane Jensen Gell, Senior Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-2412 or (202) 452-3667. For users of Telecommunications Device for the Deaf (TDD) only, contact Diane Jenkins at (202) 452-3544.

SUPPLEMENTARY INFORMATION:

I. Background

The Electronic Fund Transfer Act (EFTA), 15 U.S.C. 1693-1693r, provides a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer (EFT) systems. The Board's Regulation E (12 CFR Part 205) implements the act. Types of transfers covered by the act and regulation include transfers initiated through an automated teller machine (ATM), point-of-sale (POS) terminal, automated clearinghouse, telephone bill-payment system, or home banking program. The rules prescribe restrictions on the unsolicited issuance of ATM cards and other access devices;

disclosure of terms and conditions of an EFT service; documentation of EFTs by means of terminal receipts and periodic account statements; limitations on consumer liability for unauthorized transfers; procedures for error resolution; and certain rights related to preauthorized EFTs.

II. Regulatory Revisions

Error Resolution—POS and Foreign Transactions

The EFTA requires a financial institution to investigate and resolve a consumer's claim of error—for an unauthorized EFT, for example—within specified time limits. Within 10 business days after receiving notice of an alleged error, an institution must either resolve the claim or provisionally credit the consumer's account while continuing to investigate. In the latter case, the institution must resolve the claim no later than 45 calendar days after receiving notice.

For foreign-initiated and POS transactions, Regulation E provides longer time periods adopted in 1982 and 1984, respectively. The regulation allows 20 business days to resolve a claim of error (or to provisionally credit an account if additional time is needed to investigate), and up to 90 calendar days to complete the investigation. The longer time periods generally allow issuers to avoid provisionally crediting an account before the investigation is complete.

In March 1998, the Board proposed to eliminate the extended time periods for investigating and resolving alleged errors in foreign-initiated transactions and POS transactions (63 FR 14555, March 25, 1998). The impetus for the proposal was the increased use of off-line debit cards that can be used without a personal identification number (PIN), often referred to as "check cards." The cards are used by signing a sales slip (much like a credit card), and may increase the risk of unauthorized access to a consumer's asset account.

In September 1997, a House Banking Subcommittee held a hearing on whether additional consumer protections are needed for off-line debit cards. At that hearing, the Board testified that it would reexamine its extended timing rules for resolving claims of errors for POS transactions. The Board noted that the importance of more prompt recrediting of consumers' funds pending investigation may outweigh any related compliance burden, especially in the case of an account that can be accessed without PIN protection. The Board noted that

technological advances allow financial institutions to investigate claims of error more quickly than in the past, and thus the extended time periods may no longer be needed.

The Board received 55 comments on the proposal to reduce the extended time periods for POS and foreign transactions, primarily from financial institutions and their trade associations. About 45 commenters addressed the proposed reduction from 90 to 45 days in the time allowed for completing an investigation; the majority opposed the reduction. Those commenters stated that financial institutions still need the additional time to research claims, get information from the consumer, and obtain documentation such as receipts from the merchant. Commenters noted that institutions may need additional time to investigate foreign-initiated transactions because of differences in technological capabilities, business customs, and language barriers. Several commenters believed that reducing the time to complete the investigation from 90 to 45 days would result in losses where financial institutions provide final credit only to later discover that the claim was not valid.

Many of those commenters did not object, however, to reducing the time period for providing provisional credit to 10 days. They recognized that in some situations it may be a hardship for a consumer to wait 20 business days before receiving credit for the amount of the alleged error. These commenters suggested that the Board consider reducing the time period for provisional crediting while retaining the extended time period for completing the investigation.

In response to comments and upon further analysis, the Board is revising the time periods for claims involving POS and foreign-initiated transactions to require institutions to provide provisional credit within 10, rather than 20 business days. The Board believes that the change will benefit consumers because they now will have access to their funds through provisional crediting sooner. The 90-day time period to complete the investigation remains unchanged. By leaving in place the 90-day time period, financial institutions will continue to have adequate time to complete the investigation and resolve the alleged error. Because POS and foreign transactions are more likely to involve occasional difficulty and delay in obtaining necessary information for the reasons discussed above, the Board believes that this extended time frame remains appropriate.

To take advantage of the longer time period (90 days) for resolving claims involving POS and foreign-initiated transactions, a financial institution must have disclosed these longer time periods. Financial institutions may disclose the time periods by making appropriate alterations to the error resolution notice in appendix A.

Error Resolution—New Accounts

In May 1996, the Board proposed to amend Regulation E to extend the error resolution time periods for new accounts, to address concerns of financial institutions (61 FR 19696, May 2, 1996). The problem arises when an individual opens an account with the intent to defraud. Such individuals may open an account, withdraw all or a large portion of the deposited funds through ATMs, and file a claim with the financial institution disputing the ATM transactions. Often the individual receives provisional credit because the financial institution is unable to conclude research of the claim (such as by obtaining photographic evidence from a nonproprietary ATM) within 10 business days of a claim. Once provisional credit is provided, the individual immediately withdraws those funds and abandons the account. Institutions believe that having more time to investigate errors involving new accounts would enable them to limit their losses and better control this type of fraud.

The Board proposed to allow 20 business days (rather than 10) for investigating an error before an institution must provisionally credit, and up to 90 calendar days (rather than 45) for resolving the claim. The Board solicited comment on the proposed extensions of time and on whether consumer protections relating to error resolution would be adversely affected. The Board also proposed a definition of a new account, consistent with the definition in Regulation CC, which implements the Expedited Funds Availability Act. Under Regulation CC, an account is considered a new account during the first 30 calendar days after the account is established.

Comments on the proposed rule, primarily from financial institutions and their trade associations, were generally favorable. But in light of the Board's commitment to reconsider the time periods applicable to POS and foreign-initiated transactions, the Board deferred final action on the new-account proposal.

The majority of commenters supported the extension of time for resolving errors involving new accounts. They believed that the additional time

would not adversely affect consumers and would help financial institutions limit fraud.

Several commenters expressed concern with the proposed time frame. Commenters suggested that the Board allow an institution up to 30 business days to provide provisional credit so that financial institutions have enough time to obtain information from nonlocal banks. Some commenters urged the Board to revise the definition of a new account to apply to EFTs that occur 45 or up to 120 calendar days after the account is opened (instead of 30). These commenters believed that financial institutions need the longer time to establish the consumer's transaction pattern.

Other commenters believed that the outside limit for resolving claims should be between 45 and 60 days rather than 90 days. They believed it should not take financial institutions 90 days to receive the information necessary to resolve a claim.

Upon further analysis, the Board believes the time frames that were proposed are appropriate. Therefore, Regulation E is amended, pursuant to the Board's section 904(c) authority under the EFTA to provide for adjustments and exceptions in the regulation, to extend the time periods for resolving errors that involve new accounts. An institution must provisionally credit a new account if it takes longer than 20 business days to resolve an error, and it has up to 90 calendar days to complete the investigation and resolve the claim.

To provide consistency and ease regulatory compliance, the rule tracks the definition of "new account" in Regulation CC (12 CFR 229.13(a)(2)). Thus, the rule applies to EFTs made during the first 30 calendar days after the first deposit to the account is made. The rules in Regulation E also parallel the interpretations of "new account" in Regulation CC. For example, an account is not considered a new account if a customer had another account at the financial institution for at least 30 calendar days.

The extended time periods apply to all EFTs that occur within this 30-day time period, including those for POS or foreign transactions. Therefore, if an alleged error concerns a POS or foreign

EFT to or from a new account, financial institutions may take up to 20 business days to resolve the claim (or to provisionally credit an account if additional time is needed to investigate), and up to 90 calendar days to complete the investigation. The Board believes these time periods strike the appropriate balance between the need for consumers to have access to their funds and the need of financial institutions to combat fraud.

To use the longer time periods for resolving errors for new accounts, a financial institution must disclose these longer time periods. Financial institutions may disclose the time periods by making appropriate alterations to the error resolution notice in appendix A.

Technical Amendment to Error Resolution Notice

In 1996, the Board amended the error resolution procedures (§ 205.11) to allow institutions three days to notify the consumer about the outcome of its investigation in all cases. Before that time, the three-day rule applied only if the institution found that an error had not occurred. The Board has revised the text of the model error resolution notice (Appendix A, paragraph A-3) to conform the notice to § 205.11 as amended.

III. Regulatory Flexibility Analysis

In accordance with section 3(a) of the Regulatory Flexibility Act (5 U.S.C. 604), the Board has reviewed the final amendments to Regulation E. Two of the three requirements of a final regulatory flexibility analysis under this section are (1) a succinct statement of the need for and the objectives of the rule and (2) a summary of the issues raised by the public comments, the agency's assessment of the issues, and a statement of the changes made in the final rule in response to the comments. These two areas are discussed above.

The third requirement of the analysis is a description of significant alternatives to the rule that would minimize the rule's economic impact on small entities and reasons why the alternatives were rejected. The final amendments will apply to all financial institutions subject to Regulation E, including small institutions. The

amendments represent relatively minor changes to the existing regulation; in some cases, the amendments clarify rights and duties of covered institutions or reduce economic burden.

Accordingly, the amendments should not have a negative economic impact on small institutions, and, therefore, there were no significant alternatives that would have further minimized the economic impact on those institutions.

IV. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. The Federal Reserve may not conduct or sponsor, and an organization is not required or respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100-0200.

The collection of information that is revised by this rulemaking is found in 12 CFR Part 205 and in Appendix A. This information is mandatory (15 U.S.C. 1693 *et seq.*) to evidence compliance with the requirements of the Regulation E, Electronic Funds Transfer (EFT). The information is used to ensure adequate disclosure of basic terms, costs and rights relating to EFT services provided to consumers. The respondents and recordkeepers are for-profit financial institutions, including small businesses. Institutions are also required to retain records for twenty-four months as evidence of compliance. No comments specifically addressing the burden estimate were received.

The Board also extended the recordkeeping and disclosure requirements in connection with Regulation E for three years. It is estimated that there are 851 respondent/recordkeepers with an annual burden of 462,839 hours, as shown in the table below. The final rule will reduce the time periods allowed for investigating alleged errors involving point-of-sale (POS) and foreign-initiated transactions. The Board is also amending its rule to permit longer time periods to investigate claims involving new accounts. These changes are estimated to have no effect, on average, on reporting burden.

	Number of respondents	Estimated annual frequency	Estimated response time (minutes)	Estimated annual burden hours
Initial Disclosure:				
Initial terms	851	250	2.50	8,865
Change in terms	851	340	1.00	4,822

	Number of respondents	Estimated annual frequency	Estimated response time (minutes)	Estimated annual burden hours
Transaction disclosures:				
Terminal receipts	851	71,990	0.25	255,265
Deposit verifications	851	420	1.50	8,936
Periodic disclosures	851	12,800	1.00	181,547
Error resolution rules	851	8	30.00	3,404
Total				462,839

Since the Federal Reserve does not collect any of the information, no issue of confidentiality normally arises. However, the information may be protected from disclosure under the exemptions (b)(4), (6), and (8) of the Freedom of Information Act (5 U.S.C. 522 (b)(4), (6), and (8)). The disclosures and information about error allegations are confidential between the institutions and the consumer.

The Board has a continuing interest in the public's opinions of Federal Reserve collections of information. At any time, comments regarding the burden estimate, or any other aspect of this collection of information, including suggestions for reducing the burden, may be sent to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0200), Washington, DC 20503.

List of Subjects in 12 CFR Part 205

Banks, banking, Consumer protection, Electronic fund transfers, Federal Reserve System, Reporting and recordkeeping requirements.

Text of Final Rule

Pursuant to the authority granted in sections 904 (a) and (c) of the Electronic Fund Transfer Act, 15 U.S.C. 1693b (a) and (c), and for the reasons set forth in the preamble, the Board amends Regulation E, 12 CFR part 205, as set forth below:

PART 205—ELECTRONIC FUND TRANSFERS (REGULATION E)

1. The authority citation for part 205 continues to read as follows:

Authority: 15 U.S.C. 1693-1693r.

2. Section 205.11 is amended by revising paragraph (c)(3) as follows:

§ 205.11 Procedures for resolving errors.

* * * * *

(c) * * *

(3) *Extension of time periods.* The time periods in paragraphs (c)(1) and (c)(2) of this section are extended as follows:

(i) The applicable time is 20 business days in place of 10 business days under paragraphs (c)(1) and (c)(2) of this section if the notice of error involves an electronic fund transfer to or from the account within 30 days after the first deposit to the account was made.

(ii) The applicable time is 90 days in place of 45 days under paragraph (c)(2) of this section, for completing an investigation, if a notice of error involves an electronic fund transfer that:

- (A) Was not initiated within a state;
- (B) Resulted from a point-of-sale debit card transaction; or
- (C) Occurred within 30 days after the first deposit to the account was made.

* * * * *

3. In Appendix A to Part 205, in A-3 MODEL FORMS FOR ERROR RESOLUTION NOTICE (§§ 205.7(b)(10) and 205.8(b)), the undesignated second and third paragraphs following paragraph (a)(3) are revised to read as follows:

Appendix A To Part 205—Model Disclosure Clauses and Forms

* * * * *

A-3—MODEL FORMS FOR ERROR RESOLUTION NOTICE (§§ 205.7(b)(10) and 205.8(b))

(a) *Initial and annual error resolution notice (§§ 205.7(b)(10) and 205.8(b)).*

* * * * *

We will determine whether an error occurred within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or question. If we decide to do this, we will credit your account within 10 business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account.

We will tell you the results within three business days after completing our investigation. If we decide that there was no error, we will send you a written explanation.

You may ask for copies of the documents that we used in our investigation.

* * * * *

By order of the Board of Governors of the Federal Reserve System, September 23, 1998.

Jennifer J. Johnson,
Secretary of the Board.

[FR Doc. 98-26012 Filed 9-28-98; 8:45 am]

BILLING CODE 6210-01-P