

Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • OCTOBER 1975

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FED ACTIVATES CONSUMER AFFAIRS UNIT

A consumer-affairs unit has been formed by the Federal Reserve Bank of San Francisco to assist consumers and businesses in understanding their rights and responsibilities under the Federal Government's new fair-credit legislation, President John J. Balles has announced.

"This complex new legislation could not be implemented until new regulations were set in place," Balles said. "With the help of voluminous comments from a large number of interest groups, the Federal Reserve has now developed a detailed set of regulations to govern problems arising in the consumer-credit field. Our Consumer Banking Affairs Unit will interpret these regulations for consumers and creditors in the nine Western states."

Balles said the new unit will process inquiries and complaints regarding provisions of the Fair Credit Billing Act, which is a new part of the existing Truth-in-Lending Act. The Consumer Banking Affairs Unit will also handle problems arising under the Equal Credit Opportunity Act, which forbids discrimination by creditors on the basis of sex or marital status. Most of the provisions of this legislation became effective on October 28. Several federal agencies are responsible for administering various aspects of this important new law, but the Federal Reserve has played a key role by drafting the basic regulations governing this activity.

"We believe an immediate need exists to inform consumers of their

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WHAT THE NEW LAWS MEAN

The Fair Credit Billing and Equal Credit Opportunity Acts passed by Congress and approved by the President last year became effective on October 28, 1975. Both pieces of legislation will have a major impact on consumer-credit matters. Here are some of the key points which bankers should know about these laws.

Q. What is the purpose of the Fair Credit Billing Act?

A. The Fair Credit Billing Act is an extension of the Truth in Lending Act. The purpose of this legislation is to assist consumers in resolving credit-billing disputes in a fair and timely manner. The act prohibits certain billing and credit-card practices.

Q. What is the purpose of the Equal Credit Opportunity Act?

A. This act prohibits discrimination on the basis of sex or marital status with respect to any aspect of a credit transaction.

Q. When do these laws go into effect?

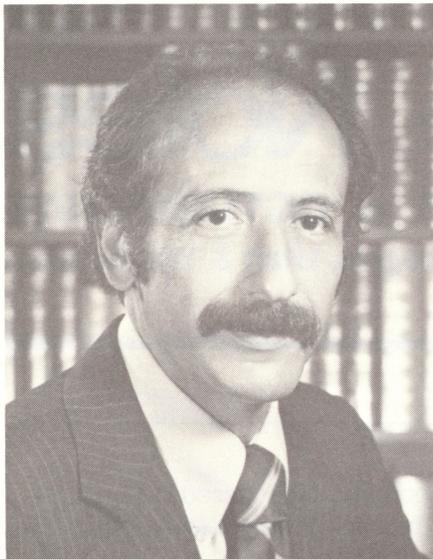
A. Federal Reserve Bank regulations implementing the Fair Credit Billing and Equal Credit Opportunity Laws became effective on October 28, 1975. However, there is a transition period for some provisions, to allow enough time for the printing of new forms as well as the implementation of technical program modifications and operations changes. This transition period has been provided to allow creditors reasonable time to comply with the provisions involved.

Q. What creditors are covered by this legislation?

A. Institutions which regularly extend credit to individuals, such as banks, finance companies, department stores, credit-card issuers and government agencies.

A. What Federal agencies are responsible for administering these provisions?

A. The Federal Reserve System was given the responsibility for writing the implementing regulations, as well as enforcing the provisions for such creditors as state-chartered banks who are members of the Federal Reserve System. However, other federal agencies also have supervisory responsibility with respect to the new laws. In addition to the Federal Reserve System, these include the Federal Trade Commission, the Federal Deposit Insurance Corporation, the Comptroller of the Currency and nine other Federal agencies.



O. P. Celli

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new rights under this legislation and to communicate with creditors concerning their expanded obligations," Balles said. "Our intent is to serve both parties to a transaction, so that the public interest is served in an equitable and efficient manner. Unquestionably there will be a transitional period of adjustment in many cases, since new forms, procedures and training will have to be devised and instituted by literally thousands of organizations across the nation."

Balles said the new Fed unit has direct jurisdiction over consumer credit matters relating to state-chartered commercial banks which are members of the Federal Reserve System. However, the Federal Reserve will have an impact across the entire spectrum of consumer-creditor transactions because of its role in developing credit regulations. Furthermore, the Fed will act as a clearinghouse for consumer inquiries, referring individuals to the proper government agency authorized to investigate their concerns.

The key contact point in the San Francisco Reserve District will be the Consumer Banking Affairs Unit at the San Francisco office, headed by Oscar P. Celli, Credit and Consumer Affairs Officer. Consumer units have also been established at the Bank's other offices in Los Angeles, Portland, Seattle, and Salt Lake City. 

NEED INFORMATION? HERE'S WHO TO CONTACT

If you have questions about Truth in Lending or Equal Credit Opportunity as they may apply to a particular business, you may get further information from the federal agency which enforces the law for that business. These agencies, and the businesses they cover, are listed below.

Business	Address	Telephone
Retail, Department Stores, Consumer Finance Companies, and all Other Creditors not Listed Below	Division of Consumer Credit Federal Trade Commission 450 Golden Gate Avenue San Francisco, CA 94102	556-1270
National Banks	Regional Administrator of National Banks 555 California Street San Francisco, CA 94120	781-4438
State Chartered Banks that are Members of the Federal Reserve System	Federal Reserve Bank of San Francisco Division of Consumer Affairs 400 Sansome Street San Francisco, CA 94111	397-1137, ext. 308 or 392
State Chartered Nonmember Banks that are Insured by the Federal Deposit Insurance Corporation (FDIC)	Regional Director Federal Deposit Insurance Corporation 44 Montgomery Street San Francisco, CA 94104	556-2736
Savings Institutions Insured by the Federal Savings and Loan Insurance Corporation and Members of the Federal Home Loan Bank System (Except for savings banks insured by FDIC)	Manager of Supervision Federal Home Loan Bank of San Francisco P.O. Box 7948 San Francisco, CA 94120	981-1001
Federal Credit Unions	Regional Director National Credit Union Administration 760 Market Street San Francisco, CA 94102	556-6277
Airlines and Other Creditors Subject to Civil Aeronautics Board	Director, Bureau of Enforcement Civil Aeronautics Board 1825 Connecticut Avenue, N.W. Washington, D.C. 20428	
Meatpackers, Poultry Processors and Other Creditors Subject to Packers and Stockyards Act	Packers and Stockyards Administration Department of Agriculture Washington, D.C. 20250	
Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations	Farm Credit Administration 490 L'Enfant Plaza East, S.W. Washington, D.C. 20578	

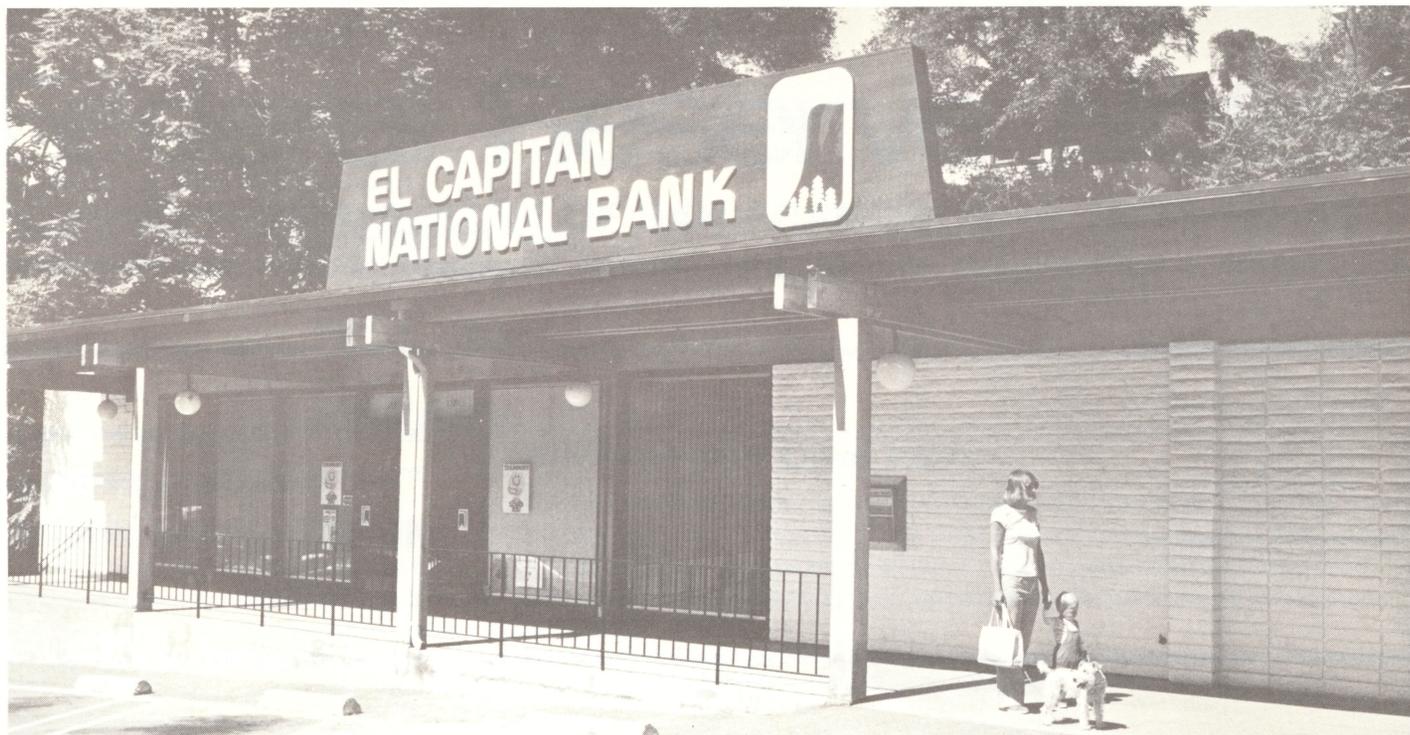
FED REDUCES CERTAIN RESERVE REQUIREMENTS

The Federal Reserve Board of Governors this month reduced reserve requirements on member-bank time deposits with an original maturity of four years or more. The action will release about \$350 million in reserves to the banking system.

This action is designed primarily to encourage banks to lengthen the structure of their liabilities. It will also help meet seasonal needs for bank reserves and facilitate moderate growth in the money supply.

Under the restructuring action, reserve requirements on these long-term deposits will be reduced from 3 percent to 1 percent. In no case, however, may the average of reserves on time-and-savings deposits at each bank be less than 3 percent, the minimum level specified by law.

The new reserve ratio will apply to the level of deposits beginning the week of October 16-22, and will affect required reserves beginning the statement week of October 30-November 5. 



New Member Bank EL CAPITAN NATIONAL BANK JOINS SYSTEM

Early this year a group of Northern California businessmen mailed off their application for a charter for a new National Bank. The group was representative of the citizens who are active in the affairs of a small but vital city—a doctor, a druggist, a banker, an undertaker, the publisher of the local newspaper, and the owner of the local telephone company.

This summer their El Capitan National Bank opened its doors for business as a new member of the Federal Reserve System. The bank's assets include not only a capitalization of \$1 million, but also its location in the heart of the Mother Lode gold country in Sonora, California. Sonora retains much of the architecture of its historic golden past. Its buildings, like those in the nearby state historic park of Columbia, California, reflect a bygone era when millions of dollars of precious yellow metal were mined and processed following the 1849 gold rush.

But El Capitan National Bank symbolizes another day and age that is epitomized by the latest in innovative banking. Its modernistic office offers a full line of services for the 25,000 people who live in Sonora and its environs. Today instead of goldmin-

ers, Sonora sees a steady stream of campers, fishermen, hunters and nature lovers. As the gateway to Yosemite National Park and the high Sierra, the community is a magnet for thousands of Californians and out-of-state visitors.

According to Chairman Maurice R. Foster and President Bill Ward, the progress of the new bank has been



W. J. Ward

excellent since its summer opening. President Ward, who was formerly president and chairman of Los Padres National Bank in Santa Maria,

California, heads a staff of 11 at the facility. James K. Angelo is Vice President, and George Langley is Cashier and Director of Operations.

"We're a growing community," says President Ward, "with a vigorous economy that banks on cattle, agriculture, lumber and tourism. Sonora is also attracting many retired persons who are moving into the foothills from California's large cities." Ward added that Sonora is a "must" on every traveler's list. 🏠

BORROWING COSTS RISE

Business borrowing costs at major West Coast banks rose in August, bringing a halt to the downward trend which began last fall, according to the latest quarterly interest-rate survey conducted by the Federal Reserve Bank of San Francisco. Following the August survey, however, the pressure on rates again eased, reflecting a shift in monetary policy as well as market factors.

During the August 1-15 survey period, the average rate of regular short-term business loans was 8.45 percent—12 basis points above last May's figure.

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Federal Reserve Notes is written by Ron Getz and produced by Karen Rusk. The publication is distributed to commercial banks by the Research Information Center, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, California, 94120.

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GRIFFITH NEW FED VP

Richard T. Griffith has been appointed Vice President in charge of Computer Information Systems at the San Francisco Fed's headquarters office. In this capacity, he will be responsible for all data-processing activities in the Twelfth Federal Reserve District.

Before joining the bank, Griffith held several key posts in data-processing work and banking operations. He previously served as Vice President and Deputy Administrator of Operations Administration at Crocker National Bank. Griffith also was Executive Vice President of the Banking Division of Teknekron, Inc. He attended Pepperdine College in Los Angeles. 🏦



R. T. Griffith

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However, this level was still 370 basis points below last August's record high of 12.15 percent. (One hundred basis points equal one percentage point.) This rise, like the comparable rise on revolving credit loans to 8.02 percent, reflected the generally higher level of money-market rates and an increase in the prime rate since the previous survey period.

Rate changes for large loans were greater than for small loans. For example, on regular short-term loans of \$1 million or more, the average rate rose 19 basis points to 8.37 percent in August. For the smallest category—loans under \$10,000—the average actually declined 5 basis points to 9.67 percent. 🏦

BUSINESS SAVINGS ACCOUNTS OKAYED

The Federal Reserve Board of Governors this month permitted business firms to maintain savings accounts at member banks, by changing the definition of savings deposits in its Regulations D and O. The amendments, effective November 10, place a ceiling on business savings deposits of \$150,000. The ceiling is intended to limit such accounts to small businesses that do not have access to the money markets to earn interest on temporarily idle funds. The Board

asked the banks to classify their business savings accounts as a separate item for reporting purposes.

Savings accounts generally have not been available to profitmaking business organizations at member banks, as they are at thrift institutions. The new regulatory amendments thus will enable member banks to compete more effectively with savings institutions.

This is the second recent action

helping to remove the competitive edge which thrift institutions now have over commercial banks. Last month, the Fed empowered member banks to offer a bill-paying service to their customers through the pre-authorized transfer of funds from savings accounts. Member banks are now permitted to make third-party payments for their customers on all types of transactions except bank overdrafts—and not simply for real-estate loan payments, as before. 🏦