

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6365
July 15, 1969

SUPPLEMENT II TO REGULATION Z
Procedures and Criteria for Exemption of State-Regulated
Credit Transactions

*To All State Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

The following statement was issued July 2 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued the attached rules and procedures to be followed by States wishing to regulate credit disclosures under their own laws rather than the Federal statute on Truth in Lending. The rules and procedures constitute Supplement II to the Board's Truth in Lending Regulation Z which went into effect July 1.

The law states that the Board shall exempt from Federal Truth in Lending requirements "any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed" by the Federal law, and there is "adequate provision for enforcement."

State laws, if substituted for the Federal statute, must:

1. Cover all real property transactions regardless of the amount but may exclude other consumer credit transactions exceeding \$25,000.
2. Require disclosures and notices in the form, content and terminology prescribed in Regulation Z.
3. Require disclosure of the finance charge and the annual percentage rate, determined as prescribed in Regulation Z.
4. In a class of transactions which normally involves security interests in real estate, provide a customer the right to rescind certain credit transactions as provided in the Truth in Lending Act.
5. Require creditors to deliver disclosures and notices in circumstances and on time schedules like those prescribed in Regulation Z.
6. Include definitions and rules of construction that give the same meaning and have the same application as those prescribed in Regulation Z.

Exemptions from Federal jurisdiction may be granted only with respect to the disclosure and rescission requirements of the Truth in Lending Act and Regulation Z.

Under the Act, advertising of credit must remain subject to Federal jurisdiction.

Copies of the text of Supplement II to Regulation Z may be obtained upon request directed to our Bank Examinations Department.

Alfred Hayes,
President.