

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6515]
April 2, 1970

Regulation Z—Amendment and Supplement III

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

Following is the text of a statement issued March 12 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today it has granted Maine the first State exemption under the Federal Truth in Lending Act, effective April 1. Maine law, which is substantially similar to the Federal statute, will apply to all classes of credit transactions within that State, except those in which a Federally chartered institution—such as a Federal credit union, Federal savings and loan association, or national bank—is a creditor.

Section 123 of the Truth in Lending Act provides that the Board shall exempt from the disclosure and rescission requirements of the Act any class of transactions within a State if the State law provides requirements substantially similar to those imposed by the Federal law, and there is adequate provision for enforcement.

Last July 2, the Board issued as Supplement II to its Truth in Lending Regulation Z the rules and procedures to be followed by States wishing to regulate credit transactions under their own laws. Maine was the first State to file an application with the Board. Pending applications have been received from Massachusetts, Connecticut, Virginia, Oklahoma and Utah.

The Board today also amended Regulation Z to preserve the ability of consumers to file civil actions in either Federal or State courts after exemptions from the Federal statute are granted by the Board.

Under the amendment, criminal and administrative responsibility with respect to exempted transactions will be turned over to a State but the consumer will retain his ability to seek redress for disclosure violations in either Federal or State court, and to avail himself of Federal or State rules of court procedure.

The Federal statute provides these civil penalties for violations: twice the amount of the finance charge (but in no case less than \$100 or more than \$1,000), court costs and reasonable attorney's fees.

Enclosed are copies of the amendment referred to in the above statement and Supplement III to Regulation Z, which lists exempted States.

Additional copies of this circular and its enclosures will be furnished upon request.

ALFRED HAYES,
President.

Board of Governors
of the
Federal Reserve System

TRUTH IN LENDING

SUPPLEMENT III TO REGULATION Z

(SECTION 226.12—SUPPLEMENT)

(a) **Exemptions and limitations.** The provisions of this supplement are issued by the Board of Governors of the Federal Reserve System pursuant to sections 105 and 123 of the Truth in Lending Act (Title I of the Consumer Credit Protection Act, Public Law 90-321; 82 Stat. 146 et. seq.). The purpose of this supplement is to set forth the exemptions granted by the Board to particular classes of credit transactions within any State which has applied for exemptions pursuant to the provisions of Supplement II to Regulation Z. It also sets forth the conditions necessary for the retention of such exemptions. Pursuant to the criteria set forth in paragraph (c) of Supplement II to Regulation Z, the Board has determined that the particular classes of credit transactions within the States specified in the following paragraphs of this supplement are subject to requirements substantially similar to those provided in Chapter 2 of the Truth in Lending Act and that there is adequate provision for enforcement of such requirements. The exemptions granted herein shall continue in effect provided that:

(1) Such State law, including regulations and interpretations thereof, upon which the Board's determination under paragraph (c) of Supplement II is based, is amended or revised as may be necessary in order to preserve substantial similarity with the Truth in Lending Act and Regulation Z as they may be amended, and with interpre-

tations thereof which may be issued from time to time by the Board;

(2) Administrative and other provisions for enforcement of such State law, including regulations and interpretations thereof, applicable to the exempt classes of credit transactions continue to be adequate; and

(3) Cooperation and appropriate liaison with the Board as specified in paragraph (e) of Supplement II are maintained to assure that the purposes of the Truth in Lending Act are carried out uniformly.

(b) **Maine.** Except as provided in § 226.12(c), the following classes of credit transactions within the State of Maine except for those transactions in which a federally chartered institution is a creditor are hereby granted an exemption from the requirements of Chapter 2 of the Truth in Lending Act effective April 1, 1970:

(1) Transactions under open end consumer credit plans which are subject to the requirements of § 127 of the Truth in Lending Act;

(2) Consumer credit sales transactions not under open end credit plans which are subject to the requirements of § 128 of the Act;

(3) Consumer loan and other nonsale credit transactions not under open end credit plans which are subject to the requirements of § 129 of the Act.

Board of Governors
of the
Federal Reserve System

TRUTH IN LENDING

AMENDMENT TO REGULATION Z

Exemption of Certain State Regulated Transactions;
Retention of Access to Federal Civil Remedies

Effective March 12, 1970, § 226.12 is amended to read as follows:

SECTION 226.12—EXEMPTION OF CERTAIN
STATE REGULATED TRANSACTIONS

(a) **Exemption for State regulated transactions.** In accordance with the provisions of Supplement II to Regulation Z (§ 226.12—Supplement), any State may make application to the Board for exemption of any class of transactions within that State from the requirements of Chapter 2 of the Act and the corresponding provisions of this part: Provided, That

(1) Under the law of that State, that class of transactions is subject to requirements substantially similar to those imposed under Chapter 2 of the Act and the corresponding provisions of of this part; and

(2) There is adequate provision for enforcement.

(b) **Procedures and criteria.** The procedures and criteria under which any State may apply for the determination provided for in paragraph (a) of this section are set forth in Supplement II to Regulation Z (§ 226.12—Supplement).

(c) **Civil liability.** In order to assure that the concurrent jurisdiction of Federal and State courts created in section 130(e) of the Act shall continue to have substantive provisions to which such jurisdiction shall apply, and generally to aid in implementing the Act with respect to any class of transactions exempted pursuant to paragraph (a) of this section, the Board pursuant to sections 105 and 123 hereby prescribes that:

(1) No such exemption shall be deemed to extend to the civil liability provisions of sections 130 and 131; and

(2) After an exemption has been granted, the disclosure requirements of the applicable State law shall constitute the disclosure requirements of this Act, except to the extent that such State law imposes disclosure requirements not imposed by this Act. Information required under such State law with the exception of those provisions which impose disclosure requirements not imposed by this Act, shall, accordingly, constitute the "information required under this Chapter" (Chapter 2 of the Act) for the purpose of section 130(a).

(d) **Exemptions granted.** Exemptions granted by the Board to particular classes of credit transactions within specified States are set forth in Supplement III to Regulation Z.