

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6526
April 21, 1970

PROPOSED AMENDMENT TO REGULATION Z
Late Payment, Delinquency, Default,
and Reinstatement Charges

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

Printed below is an excerpt from the Federal Register of April 18, containing the text of a proposed amendment issued by the Board of Governors of the Federal Reserve System to its Truth in Lending Regulation Z. Comments thereon should be received by not later than May 22 and may be submitted to our Consumer Information and Securities Regulations Department.

Additional copies of this circular will be furnished upon request.

Alfred Hayes,
President.

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Reg. Z]

TRUTH IN LENDING

Late Payment, Delinquency, Default,
and Reinstatement Charges

Pursuant to the authority contained in the Truth in Lending Act (15 U.S.C. 1601), the Board of Governors is considering amending § 226.4(c) of Part 226 to read as follows:

§ 226.4 Determination of finance charge.

(c) *Late payment, delinquency, default, and reinstatement charges.* A late payment, delinquency, default, reinstatement, or other such charge is not a finance charge if imposed for actual unanticipated late payment, delinquency, default, or other such occurrence. However, where such charge is imposed on an account which is or may be debited from time to time for purchases or other obligations and, under its terms, pay-

ment in full or of a specified amount is required when billed, and in the ordinary course of business the obligor is permitted to continue to have purchases or other obligations debited to the account after the imposition of such charge, such charge is a finance charge instead of a late payment or other such charge, and the disclosures required under § 226.7 shall be made.

The proposed amendment consists of the addition of a second sentence to existing § 226.4(c). That sentence would incorporate into the regulation itself the substance of an interpretation (§ 226.-401) issued by the Board on April 22, 1969, which states the proper treatment of charges that are labeled late payment, delinquency, default and reinstatement, when imposed on an account which is or may be debited from time to time for purchases or other obligations. Such accounts might be either so-called 30-day accounts or open end credit accounts. The proposed amendment—like the interpretation—specifies the circumstances in which such charges are, in fact, considered finance charges requiring dis-

closures under § 226.7 "Open end credit accounts—specific disclosures."

This notice is published pursuant to section 553(b) of title 5, United States Code, and § 262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System.

To aid in the consideration of this matter by the Board and to assist the Board in determining whether any changes should be made in the future treatment of these or similar charges, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than May 22, 1970. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors,
April 9, 1970.

KENNETH A. KENYON,
Deputy Secretary.

[SEAL]

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