

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 6982  
August 1, 1972

PROPOSED AMENDMENTS TO REGULATION Z  
Credit Other Than Open End

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

The following statement was issued July 27 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced a proposed amendment to its Regulation Z—which implements the Truth in Lending Act—with the aim of helping home buyers to shop for the best available credit terms.

The amendment would require that creditors make the disclosures required by the Act to home buyers, or to those seeking to refinance a home, of the annual percentage rate and the other terms of their loan, "not less than 10 days before the date on which the customer executes the note or other evidence of debt." Provision is made for the customer to waive the 10-day notice period, or any part of it, in the event of a personal emergency.

In its proposal, the Board said:

"Presently, many creditors follow the practice of making disclosures at the time of settlement, which usually does not enable the customer to shop for more favorable credit terms. Under the proposal, the customer would have a reasonable period to compare credit terms before becoming obligated."

Interested persons were invited to submit comment, in writing, to the Secretary of the Board, or through any Federal Reserve Bank, not later than September 8, 1972.

Printed below is the text of the proposed amendments. Comments thereon should be submitted by September 8 and may be sent to our Regulations and Bank Analysis Department.

ALFRED HAYES,  
President.

(Reg. Z)  
TRUTH IN LENDING  
Credit Other Than Open End

1. Pursuant to the authority contained in the Truth in Lending Act (15 U.S.C. 1601 et. seq.) the Board of Governors proposes to amend Part 226 (Regulation Z), in the manner and for the reasons set forth below:

§ 226.8(a) would be amended and § 226.8(q) would be added to read as follows:

§ 226.8—CREDIT OTHER THAN OPEN END—  
SPECIFIC DISCLOSURES

(a) *General Rule.* Any creditor when extending

credit other than open end credit shall, in accordance with § 226.6 and to the extent applicable, make the disclosures required by this section with respect to any transaction consummated on or after July 1, 1969. Except as otherwise provided in this section, such disclosures shall be made before the transaction is consummated. At the time disclosures are made, the creditor shall furnish the customer with a duplicate of the instrument or a statement by which the required disclo-

(Over)



asures are made and on which the creditor is identified. Except as provided in paragraph (q) of this section, all of the disclosures shall be made together on either

(1) The note or other instrument evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature; or

(2) One side of a separate statement which identifies the transaction.

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(q) *Purchase or acquisition of a dwelling.* In any transaction involving the purchase or acquisition of a dwelling or subsequent refinancing of such transaction, the disclosures required by this section shall be delivered to the customer before consummation of the transaction but not less than 10 business days<sup>13g</sup> before the date on which the customer executes the note or other evidence of debt. Notwithstanding the provisions of paragraph (a) of this section, such disclosures may, at the creditor's option, be made on single sides of a multipaged statement which identifies the transaction. In the event of a bona fide personal emergency, the customer may waive all or a portion of the minimum 10 day period by furnishing the creditor with a separate dated and signed personal statement describing the personal emergency and stating the number of days being waived. The use of printed forms for such a waiver is prohibited.

2. The amendment to § 226.8(a) involves merely

<sup>13g</sup> For the purpose of this section, a business day is any calendar day except Sunday and those legal public holidays specified in section 6103(a) of Title 5 of the United States Code (New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day).

technical changes to accommodate the addition of the new paragraph § 226.8(q).

3. The new paragraph, § 226.8(q), relates only to a consumer credit transaction involving the purchase, acquisition or refinancing of a dwelling. Section 226.8(a) would provide that the required disclosures must be made before consummation of the transaction but not less than 10 business days before the customer executes a note or other evidence of debt. Presently, many creditors follow the practice of making disclosures at the time of settlement, which usually does not enable the customer to shop for more favorable credit terms. Under the proposal, the customer would have a reasonable period to compare credit terms before becoming obligated. The proposal would permit the customer to reduce or waive the 10 day disclosure period in bona fide personal emergencies. The proposal would also allow creditors in such transactions to use a multipage statement in making the 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 (12 CFR 262.2(a)).

To aid in the consideration of these matters by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or to any Federal Reserve Bank for transmittal to the Board, to be received at the Board not later than September 8, 1972. 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, July 20, 1972.