

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7660]
June 24, 1975

PROPOSED AMENDMENTS TO REGULATION Z
Disclosure Requirements on Credit Billing Statements

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

Following is the text of a statement issued June 17 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today invited comment on a regulatory amendment that would provide for minimum disclosure requirements on periodic billing statements for transactions made in the account of an open-end credit customer.

The amendment to the Board's Regulation Z would implement a provision of Public Law 93-495 that was enacted last October 28. The amendment becomes effective on October 28, 1975.

Comment on the proposed amendment should be received by July 18.

On April 28, 1975, the Board proposed several amendments to Regulation Z to implement the provisions of the Fair Credit Billing Act, which was enacted to protect consumers against inaccurate and unfair credit billing and credit card practices. Such proposed amendments, certain sections of which are related to the Board's current proposal, were included with our Circular No. 7628, sent to you on May 9, 1975. Printed below is the text of the Board's current proposal, to provide minimum disclosure requirements with respect to periodic credit billing statements. Comments on the proposal should be submitted by July 18, 1975, and may be sent to our Bank Regulations Department.

ALFRED HAYES,
President.

[Reg. Z]

[12 CFR PART 226]

TRUTH IN LENDING

Description of Transactions

In order to implement the amendment to § 127(b)(2) of the Truth in Lending Act (15 U.S.C. §§ 1601-1681) contained in § 411 of Title IV (Amendments to the Truth in Lending Act) of Public Law 93-495, the Board of Governors of the Federal Reserve System (Board herein) proposes to amend § 226.7(b)(2) and (c) of Regulation Z. While the statutory provision which the proposed amendment seeks to implement is not part of the Fair Credit Billing Act, for which the Board published proposed regulation on May 5, 1975, in Vol. 40 of the *Federal Register*, No. 87, page 19489, these amendments are related to that Act and have the same effective date of October 28, 1975. These changes would amend and revise Regulation Z to provide minimum disclosure requirements with respect to periodic credit billing statements in the following manner:

1. With respect to transactions reflected on a statement for which an actual copy of the document evidenc-

ing the transaction accompanies the statement (so called "country club" billing), the creditor must disclose (a) the amount of the transaction and, either (b) the date of the transaction or (c) the date on which the transaction is debited to the customer's account. This change is proposed in order to clear up any ambiguity which may exist regarding the phrase "date of each extension of credit" which appears in § 226.7(b)(2) of the current regulation.

2. With respect to transactions reflected on a statement for which no actual copy of the document evidencing the transaction accompanies the statement but, rather, for which a description is provided on or with the statement (so called "descriptive" billing), such description must contain at least (a) the date of the transaction, and (b) the amount of the transaction. Additionally, in two-party credit systems a brief description of any goods or services purchased must be

disclosed, whereas, in three-party credit systems, the vendor's name and the address (city and state, or foreign country) where the transaction took place must be disclosed. When the date of the transaction, a description of goods or services purchased, or the vendor's name and address is not available to the creditor despite the maintenance of procedures reasonably adapted to obtain such information in each case, a sales voucher number which appears on the customer's copy of the document evidencing the transaction must be supplied.

3. Changes of a nonsubstantive nature are proposed with respect to § 226.7(c)(1) to reflect the wording and numbering changes proposed for § 226.7(b).

4. This notice is published pursuant to § 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 C.F.R. 262.2(a)).

Interested persons are invited to submit relevant data, views, or arguments concerning this proposal including possible effects on the cost and availability of consumer credit. Additionally, interested persons are invited to submit comments proposing solutions to any difficulties foreseen with respect to the proposed regulation. Particularly, comments are sought with respect to any difficulties foreseen in procuring address information from national chain retailers, such as petroleum companies and airlines, which centrally process three-party sales vouchers before sending them to the creditor. 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 July 18, 1975. Such material will be made available for inspection and copying on request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

Pursuant to the authority granted in 15 U.S.C. 1604 (1968), the Board proposes to amend Regulation Z (12 C.F.R. Part 226) as follows:

1. To accommodate changes in § 226.7(b) previously proposed, by order of the Board, dated April 28, 1975, and published in Vol. 40 of the *Federal Register*, No. 87, page 19489, on May 5, 1975, § 226.7(b)(2) would be redesignated § 226.7(b)(1)(ii).

2. To implement the amended § 127(b)(2), the redesignated § 226.7(b)(1)(ii) would be revised, and § 226.7(c)(1) amended as set forth below.

SECTION 226.7—OPEN END CREDIT ACCOUNTS—SPECIFIC DISCLOSURES

* * *

(b) Periodic statements required. * * *

(1) * * *

(ii) (A) In cases in which an actual copy of the document evidencing the credit transaction accompanies the periodic statement, the amount of the transaction and either the date of the transaction or the date that the transaction is debited to the customer's account; and

(B) In cases in which an actual copy of the document evidencing the credit transaction does not accompany the periodic statement, at least:

(1) the date on which the transaction took place,⁷ and the amount of the transaction; provided, that, with respect to transactions in which the creditor and the vendor are not the same person or related persons,^{7a} the creditor may rely upon and disclose the information supplied by the vendor with respect to the date and amount of the transaction; and

(2) a brief identification^{7b} of the goods or services purchased in cases in which the creditor and the vendor are the same person or related persons, or the vendor's name and the address (city and state, or foreign country) where the transaction took place (using understandable and generally accepted abbreviations if the creditor so desires) in cases in which the creditor and the vendor are not the same person or related persons.

(C) In a case in which any of the information with regard to the date of the transaction, the description of the goods and services purchased, or the vendor's name and address as required by subparagraph (B) is not available to the creditor, an identifying number or symbol which appears on the document evidencing the credit transaction given to the customer at the time of the transaction must be disclosed instead of such information. The provisions of the first sentence of this subparagraph shall not relieve the creditor from responsibility for maintaining procedures reasonably adapted to procure such information in each case.

* * *

(c) Location of disclosures. * * *

(1) The information required to be disclosed under paragraph (b)(1)(ii) of this section and itemization of the amount of the "credits" disclosed under paragraph (b)(1)(iii) of this section, and of the amount of any finance charge required to be disclosed under paragraph (b)(1)(iv) of this section, may be made on the reverse side of the periodic statement or on a separate accompanying statement(s), provided that the totals of such respective amounts are disclosed on the face of the periodic statement; and

* * *

⁷ With respect to transactions which are not billed in full on any single statement but for which precomputed instalments are billed periodically, the date the transaction takes place for purposes of this subparagraph shall be deemed to be the date on which the amount is debited to the customer's account.

^{7a} For purposes of this subparagraph, a person is not related to the creditor simply because he and the creditor have an agreement or contract pursuant to which he is authorized to honor the creditor's credit card under the terms specified in the agreement or contract.

^{7b} For purposes of this subparagraph, designations such as "merchandise" or "miscellaneous" shall not be considered sufficient identification of goods or services, but a reference to a department in a sales establishment which accurately conveys the identification of the type(s) of goods or services which are available in such department shall be sufficient under this subparagraph. Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.