FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8805
April 21, 1980]

CONSUMER CREDIT RESTRAINT

Technical Amendments to Subpart A

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

The Board of Governors of the Federal Reserve System has issued two technical amendments to Subpart A of its regulation on "Credit Restraint." Subpart A of the regulation deals with consumer credit. Following is the text of the Board's announcement:

The Federal Reserve Board today announced two technical amendments to its consumer credit restraint program. They deal with changes in the terms of certain consumer credit accounts and with the relationship of the program to maximum finance charge rates permitted by State and Federal laws and Department of Energy rules.

The amendments are extensions of revisions in the consumer credit restraint regulations announced April 2 establishing uniform national rules for creditors to follow if they impose or increase finance or other charges or make certain other changes in the terms of consumer credit accounts.

The further revisions announced today, effective April 14:

1. Clarify that the requirements for changes in the terms of consumer credit accounts apply not only to open-end accounts (where the consumer may pay the balance due in installments), but also to open accounts (such as 30-day accounts where the consumer may incur new debt from time to time but is expected to pay the full amount due upon being billed).

2. Clarify that (a) the provisions for changes in the terms of consumer credit accounts do not affect the maximum finance charge permitted under State laws, or the maximum rates permitted under the Depository Institutions Deregulation and Monetary Control Act of 1980, but that (b) Federal finance charge limitations for other covered creditors, such as regulations governing oil company credit programs, are superseded to the extent they are inconsistent with the Board's rules.

Enclosed is the text of the amendments. Legal questions regarding the Consumer Credit Restraint Program may be directed to Donald L. Bittker, Assistant Counsel, Legal Department (Tel. No. 212-791-5036); other questions may be directed to the Consumer Credit Reports Unit (Tel. Nos. 212-791-7721 through 7725).

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System

CREDIT RESTRAINT

AMENDMENTS TO SUBPART A—CONSUMER CREDIT

(effective April 14, 1980)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: On April 2, 1980, the Board amended its consumer credit restraint regulation (45 Federal Register 24444, April 10, 1980) to permit covered creditors to change certain terms relating to certain credit accounts if two conditions were met. First, the creditor would have to mail or deliver a written notice of the proposed change to each affected account holder at least 30 days before the effective date of the change. Second, the creditor would have to allow the account holder to repay the balance outstanding on the effective date according to the existing terms unless the consumer made a credit purchase or obtained a credit advance on or after that date; in which case, the new terms would apply to the outstanding balance plus new credit.

The Board is now making two technical amendments to its April 2 amendment. The first makes clear that the change in terms requirements apply not only to open-end credit accounts where the consumer may pay the balance due in installments subject to a finance charge, but also to open accounts (such as so-called 30-day accounts referred to at 45 FR 17928) where the consumer may make credit purchases or obtain credit advances from time to time, yet is expected to pay in full upon being billed. The intent of the April 2 amendment was to cover both types of account.

The second technical amendment clarifies that the change in terms provision does not affect the maximum finance charge rate permitted by State law or, for depository institutions, the maximum rate allowed by Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980 (Public Law 96-221). It makes clear, however, that Federal finance charge limitations for other covered creditors, such as the Department of Energy's

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For this Regulation to be complete, retain:
1) Regulation pamphlet entitled "Credit Restraint," adopted effective March 14, 1980.
2) Subpart D, effective March 28, 1980.
3) Amendment to Subpart B, effective March 28, 1980.
4) Amendment to Subpart A *(Change in Terms of Open-End Credit Accounts)*, effective April 2, 1980.
5) Amendments to Subpart A *(Alternative Base)*, effective April 2, 1980.
6) This slip sheet.

regulations governing oil company credit programs, are superseded by § 229.6(a) of the credit restraint regulation to the extent that that provision authorizes an action otherwise prohibited by Federal law. That was the intent of the April 2 amendment as indicated in the Federal Register supplementary information (45 FR 24444).

EFFECTIVE DATE: April 14, 1980.

FOR FURTHER INFORMATION CONTACT: Nathaniel E. Butler, Associate Director, or David A. Myers, Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-3000).

SUPPLEMENTARY INFORMATION: Since the two amendments that are being made to the consumer credit restraint regulation are merely interpretative in nature and do not change the substance of the regulation, the Board finds that publication of the changes for public comment or a delay in their effectiveness is neither necessary nor required under 5 U.S.C. § 553(b). Therefore, pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201, the Board hereby amends 12 CFR Part 229, Subpart A, §§ 229.6(a) and (b)(1), effective April 14, 1980, as follows:

* * *

(a) Notwithstanding the terms of any credit agreement or the provision of any other law, a covered creditor, with respect to its open-end or other open credit accounts, may (1) impose or increase any finance or other charge, (2) change the method of computing the balance upon which charges are imposed, or (3) increase the required minimum periodic payment, if the following two conditions are met. ***

(b)(1) This section does not authorize a covered creditor to impose a rate of interest or finance charge in excess of the maximum permitted by State law, nor does it authorize a depository institution (as defined in section 19(b) of the Federal Reserve Act as amended by the Monetary Control Act of 1980) to impose a rate of interest or finance charge in excess of the maximum permitted by Federal law.

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