

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **9230**
January 13, 1982]

REGULATIONS M and Z

Mandatory Effective Date Postponed to October 1, 1982

*To All Depository Institutions in the Second
Federal Reserve District, and Others Concerned:*

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

The mandatory effective date of the Federal Reserve Board's Regulation M (Consumer Leasing) and Regulation Z (Truth in Lending), as these regulations were revised to implement the Truth in Lending Simplification and Reform Act, has been postponed until October 1, 1982.

This will conform the Board's regulations with an amendment to the Simplification Act, signed into law December 26, 1981, delaying the mandatory effective date of the Simplification Act from April 1, 1982 to October 1, 1982.

Enclosed is a copy of the Board's Order in this matter, which has been reprinted from the *Federal Register*. Questions thereon may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System

CONSUMER LEASING — REGULATION M

TRUTH IN LENDING — REGULATION Z

Deferral of Mandatory Effective Dates

12 CFR Parts 213 and 226.

[Regs. M and Z; Docket No. R-0381]

Consumer Leasing/Truth in Lending; Deferral of Date for Mandatory Compliance

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Deferral of mandatory effective dates.

SUMMARY: The Board is deferring until October 1, 1982, the mandatory effective date for compliance with Regulation M (Consumer Leasing) and revised Regulation Z (Truth in Lending), which implement the Truth in Lending Simplification and Reform Act. Although the revised regulations became effective on April 1, 1981, compliance originally was not required until April 1, 1982. In the interim, creditors were given a transition period during which they could comply with either the revised regulations or the previous Regulation Z. On December 26, 1981, the President signed into law an amendment to the Truth in Lending Simplification and Reform Act delaying the mandatory effective date for six months until October 1, 1982. Pursuant to this new statutory mandate, the Board is deferring the mandatory effective date for compliance with its revised regulations and continuing the transition period until October 1, 1982.

The Board is also deferring until October 1, 1982, rescission of certain provisions in the previous Regulation Z (implementing the Truth in Lending Act prior to the 1980 simplification amendments). The Board had permitted creditors to comply, effective January 10, 1980, with amendments to the previous regulation that provided greater flexibility and protection in disclosing the annual percentage rate and other terms. Creditors could, however, continue to comply with provisions of previous Regulation Z until April 1, 1982. Creditors may now continue to comply with the previous regulation until October 1, 1982.

EFFECTIVE DATE: December 31, 1981.

FOR FURTHER INFORMATION CONTACT: Barbara D. Ranagan, Staff Attorney (202-452-3667); Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: (1) *Introduction.* Effective April 1, 1981, the Board simplified its consumer credit rules in Regulation Z (12 CFR Part 226) and issued a revised regulation. The Board also extracted the consumer leasing rules from Regulation Z and placed them in Regulation M (12 CFR Part 213) (46 FR 20848, April 7, 1981). The resulting new regulations (hereinafter referred to as the "simplified regulations") reflect amendments made by the Truth in Lending Simplification and Reform Act (Title VI of the Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. 96-221, 94 Stat. 170, March 31, 1980). That act had a mandatory effective date of April 1, 1982, but permitted creditors to comply with the simplified regulations that the Board was required to promulgate by April 1, 1981. The previous Regulation Z (hereinafter referred to as "pre-simplification Regulation Z") and accompanying appendices, supplements and interpretations were to remain concurrently effective during the interim. By promulgating its simplified regulations in April of 1981, the Board provided a 1-year transition period during which creditors could choose to comply with either the simplified regulations or the pre-simplification Regulation Z until compliance became mandatory on April 1, 1982. The purpose of the transition period was to allow creditors sufficient time to modify their disclosure forms and adapt their procedures. The Official Staff Commentary to simplified Regulation Z was issued on October 6, 1981 (46 FR 50288, October 9, 1981) giving creditors who had waited for further clarification slightly less than six months to meet the April 1, 1982, mandatory compliance date.

On December 26, 1981, the President signed into law an amendment to the Truth in Lending Simplification and Reform Act delaying the mandatory effective date for six months to October 1, 1982 (Title III of the International Banking Facility Deposit Insurance Act, Pub. L. 97-110, 95 Stat. 1513). The deferral provides creditors and lessors additional time to achieve compliance and requires the Board to delay the mandatory compliance date of its simplified regulations. Accordingly, the Board is continuing the transition period so that creditors who wish to do so may continue to comply with pre-simplification Regulation Z and accompanying appendices, supplements, and interpretations until October 1, 1982. The Board is also making technical amendments to two footnotes in simplified Regulation Z that refer to the mandatory compliance date by changing the date to October 1, 1982.

The change being made is limited strictly to the deferral of the mandatory compliance date and does not alter the April 1, 1981, optional compliance date. It simply prolongs the transition period and does not in any way affect the substantive requirements in pre-simplified Regulation Z, the simplified regulations, or the transition rules discussed in 46 FR 20848. Technical amendments that conform the references in the Official Staff Commentary on Regulation Z to the deferred mandatory compliance date will be made when the commentary is revised.

Five states had been granted exemptions from pre-simplification Regulation Z. Those exemptions—to Connecticut, Maine, Massachusetts, Oklahoma, and Wyoming—were due to expire on April 1, 1982. They will now remain in effect until October 1, 1982, unless superseded by a new exemption granted under the simplified regulations. Any state, including the exempt states, may still seek an exemption from the simplified regulations before that date.

The Board is also deferring until October 1, 1982, rescission of certain provisions concerning the annual

percentage rate in pre-simplification Regulation Z. On December 31, 1979, the Board amended provisions in pre-simplification Regulation Z relating to the calculation and disclosure of annual percentage rate and other credit terms (44 FR 77139). Although these amendments had an effective date of January 10, 1980, creditors were given the option of complying with the new or the old provisions until October 1, 1980. The Board subsequently changed that date from October 1, 1980, to April 1, 1982, to coincide with the mandatory effective date of the Truth in Lending Simplification and Reform Act (45 FR 56795, August 26, 1980). The Board is now extending the optional compliance period until October 1, 1982, to coincide with the deferred effective date of the Truth in Lending Simplification and Reform Act.

The actions being taken are required by Pub. L. 97-110 enacted December 26, 1981. These actions facilitate implementation of the 1980 simplification act and do not impose any additional burden or liability. Therefore, publication of the changes for public comment and a delay in their effective

date are neither necessary nor required under 5 U.S.C. 553 (b) and (d), and immediate implementation is in the public interest.

(2) *Text of amendments.* In consideration of the foregoing and pursuant to the authority granted in section 105 of the Truth in Lending Act (15 U.S.C. 1604) as amended by Pub. L. 96-221, 94 Stat. 170 (March 31, 1980) and Pub. L. 97-110, 95 Stat. 1513 (December 26, 1981), the Board amends its regulations as follows:

1. The Board delays from April 1, 1982, to October 1, 1982, the mandatory effective date for compliance with simplified Regulations Z and M and the expiration of pre-simplification Regulation Z (12 CFR Part 226), appendices, supplements, Board and staff interpretations, and state exemptions. The April 1, 1981, effective date for optional compliance with simplified Regulations Z and M as described in 46 FR 20848 (April 7, 1981) remains unchanged.

2. The Board amends simplified Regulation Z (12 CFR Part 226) as

described in 46 FR 20848 (April 7, 1981) by changing the date in footnote 31a to § 226.14 and footnote 45a to § 226.22 from "April 1, 1982," to "October 1, 1982."

3. The Board delays from April 1, 1982, to October 1, 1982, rescission of § 226.5 (b) through (e), Board Interpretations §§ 226.502, 226.503 and 226.505, and Supplement I to pre-simplification Regulation Z (12 CFR Part 226), as described at 44 FR 77139 (December 31, 1979) and 45 FR 56795 (August 26, 1980). The January 10, 1980, effective date for revisions to § 226.5 and Supplement I, and new § 226.8 (r) and (s) remains unchanged.

(3) *Authority.* Sec. 105 of the Truth in Lending Act as amended by section 605, Pub. L. 96-221, 94 Stat. 170 (15 U.S.C. 1604). Board of Governors of the Federal Reserve System, acting by the Secretary of the Board pursuant to delegated authority under 12 CFR 265.2(a), December 31, 1981.

William W. Wiles,
Secretary of the Board.