

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9357]
[September 8, 1982]

TRUTH IN LENDING

— Extension of Comment Period on Seller's Points Proposals
— Exemptions for Maine and Connecticut

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

The Board of Governors of the Federal Reserve System has extended the comment period, to September 27, 1982, on its proposals regarding the treatment of seller's points and has granted exemptions, effective October 1, 1982, from certain parts of the Truth In Lending Act to the States of Maine and Connecticut.

Seller's points

Following is the text of a statement issued by the Board announcing the extension of the comment period on the seller's points proposals:

The Federal Reserve Board has announced extension, from August 27 to September 27, of the period for comment on its proposals made in July with respect to methods for the treatment of seller's points in disclosures made under revised Regulation Z (Truth in Lending).

Enclosed is the text of the Board's official notice in this matter. Comments must be submitted by September 27, 1982 and may be sent to our Consumer Affairs and Bank Regulations Department.

State exemptions

Following is the text of a statement issued by the Board regarding State exemptions:

The Federal Reserve Board has granted exemptions, effective October 1, 1982, from certain parts of the Federal Truth in Lending Act to the States of Maine and Connecticut. The Board also asked for public comment on requests for exemptions from the States of Massachusetts, Oklahoma and Wyoming.

Exemptions from certain requirements of the Truth in Lending Act were granted on the grounds that consumer credit protection legislation in the States of Maine and Connecticut met the standards of the Act for exemptions. Maine sought an exemption from chapters 2, 4, and 5 of the Act for transactions subject to the State's Consumer Credit Code. These chapters pertain to credit transactions, credit billing and consumer leasing, respectively. The State of Connecticut sought exemptions from two chapters of the Act for transactions that are subject to the Connecticut Truth in Lending Act. These are exemptions respecting credit transactions and credit billing.

(OVER)

The Board also requested comment, by September 15, 1982, on proposals to exempt the States of Massachusetts, Oklahoma and Wyoming from certain requirements of the Truth in Lending Act. The proposed exemptions are:

- Massachusetts seeks exemption from chapters 2 and 4, credit transactions and credit billing, for transactions that are subject to the State's Truth in Lending Act;
- Oklahoma seeks exemption from chapters 2 and 5, credit transactions and consumer leases, for transactions that are subject to the Oklahoma Consumer Credit Code, and;
- Wyoming seeks exemption from chapter 2 for transactions subject to the Wyoming Consumer Credit Code.

Enclosed is an excerpt from the *Federal Register* of August 24, 1982, containing the text of the Board's order relating to the Maine and Connecticut exemptions. Questions on this matter may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Reg. Z; Docket No. R-0413]

TRUTH IN LENDING

Treatment of Seller's Points;
Extension of Comment Period

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Extension of comment period.

SUMMARY: On July 27, 1982, the Board of Governors proposed for comment two methods for the treatment of seller's points under revised Regulation Z (47 FR 32433). The 30-day comment period ended on August 27, 1982. The Board has received numerous requests for extension of the comment period. In light of the Board's desire to encourage public participation in this matter, the comment period is extended to September 27, 1982.

DATE: Comments must be received on or before September 27, 1982.

ADDRESS: Comments (which should refer to Docket No. R-0413) may be mailed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or delivered to Room B-2223, 20th & Constitution Avenue, N.W., Washington, D.C., between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected in Room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays. All material submitted should refer to Docket No. R-0413.

FOR FURTHER INFORMATION CONTACT: Clarence B. Cain or Gerald P. Hurst, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, (202) 452-2412 or (202) 452-3667.

By order of the Board of Governors, acting through its Secretary under delegated authority, August 30, 1982.

(signed) William W. Wiles
William W. Wiles
Secretary of the Board

[SEAL]

[Enc. Cir. No. 9357]

FEDERAL RESERVE SYSTEM

[Regs. M and Z; Doc. No. R-0394]

Consumer Leasing, Truth In Lending; Order Granting Exemptions to the States of Maine and Connecticut

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Order.

SUMMARY: The Board has determined that the exemptions from the revised federal Truth in Lending Act requested by the states of Maine and Connecticut should be granted. Maine sought an exemption from chapters 2 (credit transactions), 4 (credit billing), and 5 (consumer leases) of the act for transactions subject to the Maine Consumer Credit Code, while Connecticut sought an exemption from chapters 2 and 4 of the act for transactions subject to the Connecticut Truth in Lending Act.

EFFECTIVE DATE: October 1, 1982.

FOR FURTHER INFORMATION CONTACT:

Rugenia Silver or Lynn Goldfaden, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 at (202) 452-3667 or (202) 452-3867.

SUPPLEMENTARY INFORMATION: (1)

General. Sections 123, 171, and 186 of the Truth in Lending Act (15 U.S.C. 1601 *et seq.*) direct the Board to exempt from the act's requirements transactions that are subject to comparable state laws, if certain conditions are met. For purposes of chapter 2 of the statute (credit transactions), the Board is directed to grant an exemption if it determines that the state law imposes requirements substantially similar to those imposed under chapter 2 and that there is adequate provision for enforcement. The exemption standards for chapter 4 (credit billing) and chapter 5 (consumer leases) are identical to those for chapter 2, with two modifications. Section 171(b), which sets forth exemption criteria for chapter 4, authorizes the Board to consider whether a state law gives greater protection to the consumer, while § 186(b), addressing the exemption criteria for chapter 5, authorizes the Board to consider whether the state law gives greater protection and benefit to the consumer.

The Truth in Lending Act was substantially revised by Congress on March 31, 1980 (Title VI of the Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. 96-221). Prior to the revision of the act, five states—Connecticut, Maine, Massachusetts, Oklahoma and Wyoming—had been granted exemptions from chapter 2 of the Truth in Lending Act. As of October 1, 1982,

those exemptions will expire unless renewed in accordance with the revised Truth in Lending Act.

The states of Maine and Connecticut applied to the Board for a continuation of their exemptions under the revised Truth in Lending Act. Notice of those exemption requests, with an opportunity for public comment, was published on April 15, 1982 (47 FR 16210).

Maine's exemption request covered chapters 2, 4 and 5 of the revised federal statute and Regulations Z (Truth in Lending) and M (Consumer Leasing). The comparable state provisions that form the basis for its exemption request are contained in Article VIII of the Maine Consumer Credit Code (Title 9-A, M.R.S.A.) and Rules of the Administrator (Rule 02-030-240), known as Regulation Z-2. In its notice, the Board noted six variations from federal Regulations Z and M that were not incorporated into Maine's regulation. In the Board's view, those variations were not substantial and would not adversely affect Maine's exemption request. The Board indicated its belief that Maine's law and regulation were substantially similar to the federal law and regulation and that the state had demonstrated adequate provision for enforcement. Therefore, subject to comment, the Board proposed to exempt transactions subject to the Maine Code and Regulation Z-2 from chapters 2, 4 and 5 of the federal Truth in Lending Act.

The state of Connecticut applied for an exemption from chapters 2 and 4 of the Truth in Lending Act. The basis for Connecticut's exemption request is the revised Connecticut Truth in Lending Act (Chapter 657 of the Connecticut General Statutes, sections 36-393 through 36-417 inclusive, as amended by Public Act 81-158). Subject to comment, the Board indicated its belief that Connecticut's law was substantially similar to the federal statute and that the state had demonstrated adequate provision for enforcement of that statute. Therefore, the Board proposed to exempt transactions subject to the Connecticut Truth in Lending Act from chapters 2 and 4 of the federal Truth in Lending Act.

The Board has received 20 comments regarding the exemption notices. Some comments addressed the specific exemption proposals and others discussed the more general issue of the Board's standards for measuring the substantial similarity of a state law. Several creditor groups were concerned by the Board's finding that substantial similarity does not require a mirror image of the federal law in order to support an exemption. The Board continues to believe that this definition properly interprets the congressional standard, balancing the needs of states to address local concerns with the needs of creditors and consumers for general

uniformity in truth in lending disclosures and protections. The Board notes that this standard, permitting certain minor variations in exempt states' laws, represents a continuation of the same standard applied in the original exemptions granted in 1970.

In accordance with Appendix B of Regulation Z and Appendix A of Regulation M, the Board reserves the right to revoke an exemption if at any time it determines that the standards required for an exemption are not met. The state receiving an exemption undertakes to inform the Board within 30 days of any change in its relevant law or regulations. The Board will inform the appropriate state official of any revisions in the federal statute or regulation that must be adopted by the state in the future in order to maintain its exemption. Should an amendment or other revision to a state law become necessary because of a corresponding congressional or Board action, the Board will allow sufficient time to the state to revise its laws and regulations in order to preserve substantial similarity.

(2) *Order of exemption.* The following order sets forth the terms of the Maine and Connecticut exemptions. Notice of the exemptions will be included in the official staff commentaries on Regulations Z and M.

Order

The states of Maine and Connecticut have applied for exemptions from the federal Truth in Lending Act as revised on March 31, 1980 (Title VI of the Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. 96-221). Pursuant to sections 123, 171, and 186 of the act, the Board has determined that the laws of those states are substantially similar to the federal law and that there is adequate provision for enforcement. The Board hereby grants those exemptions as follows:

Maine. Effective October 1, 1982, credit or lease transactions that are subject to Article VIII of the Maine Consumer Credit Code (Title 9-A, M.R.S.A.) and its implementing regulations are exempt from chapter 2 (credit transactions), chapter 4 (credit billing), and chapter 5 (consumer leases) of the federal Truth in Lending Act. This exemption does not apply to transactions in which a federally chartered institution is a creditor or lessor.

Connecticut. Effective October 1, 1982, credit transactions that are subject to the Connecticut Truth in Lending Act (Chapter 657 of the Connecticut General Statutes, sections 36-393 through 36-417 inclusive, as amended by Public Act 81-158) are exempt from chapter 2 (credit transactions) and chapter 4 (credit billing) of the federal Truth in Lending Act. This exemption does not apply to transactions in which a federally chartered institution is a creditor.

By order of the Board of Governors of the Federal Reserve System, August 20, 1982.

William W. Wiles,
Secretary of the Board.

[FR Doc. 82-23243 Filed 8-23-82; 8:45 am]