

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6318]
April 10, 1969

REGULATION Z — TRUTH IN LENDING
Proposed Guidelines to Exempt State-Regulated Credit
Disclosures from Regulation Z

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

Printed below is an excerpt from the *Federal Register* of April 9, containing the text of a proposed Supplement II to Regulation Z that would establish guidelines for the exemption of State-regulated credit disclosures from Federal truth-in-lending requirements. Comments thereon should be submitted by April 30 and may be sent to our Bank Examinations Department.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Reg. Z]

TRUTH IN LENDING

State Exemption Procedures and
Criteria

The Board of Governors of the Federal Reserve System is considering the adoption of the following Supplement II to Part 226 (Regulation Z), containing procedures and criteria under which any State may apply for an exemption from Chapter 2 of the Truth in Lending Act, which is Title I of the Consumer Credit Protection Act (Public Law 90-321, 82 Stat. 146).

The Federal Truth in Lending Act, which becomes effective on July 1, 1969, provides in section 123 that the Board shall exempt from the requirements of Chapter 2 of the Act "any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed," by the Federal law, and "that there is adequate provision for enforcement." The Truth in Lending provisions relating to the advertising of credit do not fall within Chapter 2 of the Act, and consequently will remain subject to Federal jurisdiction although a State may otherwise have obtained an exemption for a class of credit transactions.

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.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Such comments should be submitted in writing to the

Board by April 30, either directly or through the 12 Federal Reserve Banks. (15 U.S.C. 1601-1605)

Dated at Washington, D.C., this 1st day of April 1969.

By order of the Board of Governors,

[SEAL] ROBERT P. FORRESTAL,
Assistant Secretary.

SUPPLEMENT II TO REGULATION Z

PROCEDURES AND CRITERIA UNDER WHICH ANY STATE MAY APPLY FOR EXEMPTION PURSUANT TO PARAGRAPH (A) OF § 226.12

(a) *Procedure.* Any State may make application to the Board for its determination that under the laws of that State,¹ any class of transactions within that State is subject to requirements substantially similar to those requirements imposed under Chapter 2 of the Act² and that there is adequate provision for enforcement. Such determination shall constitute an exemption of such class of transactions from the requirements of Chapter 2 of that Act. Any such application shall be:

(1) Made with respect to any class of transactions described in subparagraph (c)(1) which involves creditors who extend, arrange to extend, offer to extend, or offer to arrange to extend consumer credit in connection with such transactions within the State; and

(2) Made by letter addressed to the Board, signed by an appropriately authorized officer of the State, and submitted in triplicate of which only the original need be signed.

(b) *Supporting documents.* Each copy of the application shall be accompanied by:

(1) A copy of the authorization under which the application is filed;

(2) A copy of the laws of the State which the applicant maintains to be substantially

¹ Any reference to State law in Supplement II includes a reference to any regulations which implement State law, and to applicable judicial decisions.

² Any reference to Chapter 2 of the Act or any section thereof in Supplement II includes a reference to the implementing provisions of this part.

similar in requirements to those requirements imposed under Chapter 2 of the Act;

(3) A statement by legal counsel for the State setting forth detailed comparisons of the requirements of State law and the requirements of Chapter 2 of the Act with supporting opinions and reasons showing that applicable requirements of State law are substantially similar to those imposed under Chapter 2 of the Act, that any differences are not inconsistent with the requirements of Chapter 2 of the Act, and that there are no other State laws which are inconsistent with the requirements of Chapter 2 of the Act.

(4) A copy of the laws of the State which provide for enforcement of the State law referred to in subparagraph (2) of this paragraph; and

(5) A statement by legal counsel for the State with supporting opinion and reasons showing that provisions of State law referred to in subparagraph (4) of this paragraph with regard to administrative enforcement, criminal liability for willful and knowing violation, civil liability for failure to make required disclosures, and remedies for incorrect disclosures constitute adequate provision for enforcement.

(c) *Criteria for determination.* The Board will consider the following criteria in making a determination of whether the law of a State imposes requirements substantially similar to those requirements imposed under Chapter 2 of the Act, and whether there is adequate provision for enforcement of such laws:

(1) A class of transactions shall be:

(i) Transactions under open end consumer credit plans which are subject to the requirements of section 127 of the Act;

(ii) Consumer credit sale transactions not under open end credit plans which are subject to the requirements of section 128 of the Act; or

(iii) Consumer loan transactions not under open end credit plans which are subject to the requirements of section 129 of the Act.

(2) In order for requirements of State law to be substantially similar to requirements imposed under Chapter 2 of the Act, the provisions of State law³ shall require that:

³ This paragraph is not to be construed as indicating that the Board would consider

(OVER)

(i) Creditors make disclosures and deliver notices in form, content, and terminology and under definitions and rules of construction prescribed in this part;

(ii) Creditors make disclosures of the finance charge determined as prescribed in § 226.4;

(iii) Creditors make disclosures of the annual percentage rate determined as prescribed in § 226.5;

(iv) Customers shall have a right to rescind certain transactions and will be afforded remedies in event of rescission as provided in § 226.9;

(v) Creditors make delivery of required disclosures and notices in the circumstances and at the time prescribed in §§ 226.7, 226.8, and 226.9, as applicable, and if the Comparative Index of Credit Cost is permitted or required to be disclosed, in accordance with § 226.11; and

(vi) Creditors comply with general disclosure requirements prescribed in accordance with paragraphs (a), (d), and (i) of § 226.6.

(3) In determining whether provision for enforcement of State law referred to in subparagraph (2) of this paragraph is adequate, consideration will be given to the extent to which State law provides for:

(i) Administrative enforcement;

(ii) Criminal liability for willful and know-

adversely any additional requirements of State law which are not inconsistent with the purpose of the Act or the requirements imposed under Chapter 2 of the Act.

ing violation;

(iii) Civil liability for failure to make required disclosures; and

(iv) Remedies for incorrect disclosures.

(d) *Exemption from requirements of Chapter 2.* If the Board determines that under the law of a State any class of transactions is subject to requirements substantially similar to those requirements imposed under Chapter 2 of the Act and that under the law of that State there is adequate provision for enforcement, the Board will exempt such class of transactions in that State from the requirements of Chapter 2 of the Act in the following manner and subject to the following conditions:

(1) The proposed exemption will be published as a notice of proposed rule making in the FEDERAL REGISTER, and time will be allowed for written comments to be submitted to the Board;

(2) If and when the Board issues its exemption of a class of transactions within any State from the requirements imposed under Chapter 2 of the Act, the official who made application for such exemption will be so notified in writing, and notice of the exemption will be published in the FEDERAL REGISTER;

(3) During the time that any such exemption is in effect, in order that the Board may be in a position to determine whether the State law continues to impose requirements substantially similar to those requirements imposed under Chapter 2 of the Act with respect to the class of transactions to which the exemption applies, and that there con-

tinues to be adequate provision for enforcement of such law, any State which receives an exemption shall inform the Board within 30 days of the occurrence of any change in its related law, and shall file with the Board from time to time such reports as the Board may require. The report of any such change shall contain copies of that change together with statements setting forth the information and opinions with respect to that change as specified in subparagraphs (3) and (5) of paragraph (b).

(4) The Board will inform any State which receives an exemption of any subsequent amendments to Chapter 2 of the Act (or the implementing provisions of this part) which might call for amendment of State law or regulations;

(5) The Board reserves the right to revoke any such exemption issued to a State if upon review it finds that the law of that State no longer imposes requirements which are substantially similar to those requirements imposed under Chapter 2 of the Act or that under State law there is no longer adequate provision for enforcement; and

(6) In the event of revocation of any such exemption, notice of such revocation shall be published in the FEDERAL REGISTER and communicated to an appropriate State official, and the class of transactions affected within that State shall then be subject to the requirements of Chapter 2 of the Act.

[F.R. Doc. 69-4092; Filed, Apr. 8, 1969; 8:45 a.m.]