FEDERAL RESERVE

press release

For immediate release. June 10, 1969.

The Board of Governors of the Federal Reserve System announced today the approval of four interpretations of provisions in its Truth in Lending Regulation Z which goes into effect on July 1. A copy of each interpretation is attached.

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TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. Z]

PART 226 - TRUTH IN LENDING

Miscellaneous Interpretations

§ 226.503 Minor Irregularities-maximum irregular period limits

(a) Section 226.5(d) specifies certain minimums in determining what minor irregularities in first payment periods may be disregarded in determining the annual percentage rate. The question arises as to what maximum limits for such periods would still permit the irregular periods to be considered regular in computing the annual percentage rate.

(b) If the period from the date on which the finance charge begins to accrue and the date the final payment is due is not less than three months in the case of weekly payments, six months in the case of biweekly or semimonthly payments, or one year in the case of monthly payments, the maximum interval of time from the date the finance charge begins to accrue to the date the first payment is due is as follows:

(1) in the case of weekly payments, 12 days;

(2) in the case of biweekly or semimonthly payments, 25 days;

(3) in the case of monthly payments, 50 days.

(c) If the period from the date on which the finance charge begins to accrue and the date the final payment is due is less than three months in the case of weekly payments, six months in the case of biweekly or semimonthly payments, or one year in the case of monthly payments, the maximum interval of time from the date the finance charge begins to accrue to the date the first payment is due is as follows:

(1) in the case of weekly payments, 10 days;

(2) in the case of biweekly or semimonthly payments, 21 days;

(3) in the case of monthly payments, 42 days

(Interpets and applies 15 U.S.C. 1606)

§ 226.807 Assumption of an obligation--disclosures

(a) The question arises as to which disclosures are required to be made under § 226.8(k).

(b) For the purposes of § 226.8(k), an "assumption" occurs only when, by written agreement entered into between a subsequent customer and the creditor, that subsequent customer is or will be accepted by that creditor as an obligor on an existing evidence of debt. In such circumstances, disclosures shall be made as follows:

(1) If the finance charge originally imposed on the existing evidence of debt was an add-on or discount type finance charge, the creditor need only disclose:

(i) The unpaid balance of the obligation assumed;

(ii) The total amount of the charges imposed by the creditor, individually itemized, in connection with the assumption;

(iii) The number, amount, and due dates of remaining payments to be made after assumption, the total of such payments, and any other applicable information required under § 226.8(b)(3);

(iv) Identification of the type of security interest, if any, retained or to be acquired in any property of the assuming customer and a brief identification of that property;

(v) The information required to be disclosed under § 226.8(b)(4), (6) and (7);

(vi) If applicable in connection with the assumption, the disclosures required under § 226.4(a)(5) and (6); and

(vii) If that obligation was entered into on or after July 1, 1969, the annual percentage rate originally disclosed on the existing obligation.

(7) If the existing evidence of debt is subject to a finance charge computed from time to time by application of a percentage rate to an unpaid balance, the creditor shall make the disclosures required under § 226.8(b) and (d) and, if applicable in connection with the assumption, the disclosures required under § 226.4(a)(5) and (6), except that in determining the amount of the finance charge and the annual percentage rate to be disclosed to the customer who assumes the obligation, the creditor may disregard any prepaid finance charges paid by the original customer, but shall include in the finance charge as a "prepaid finance charge" the total amount of the charges imposed by the creditor, individually itemized, in connection with the assumption.

(Interprets and applies 15 U.S.C. 1638 and 15 U.S.C. 1639)

§ 226.808 Disclosure of amount of scheduled payments

(a) Section 226.8(b)(3) requires the creditor to disclose the "amount. . .of payments scheduled to repay the indebtedness." In certain transactions each payment consists of an equal amount to apply on principal and a finance charge which is determined by application of a rate to the decreasing unpaid balance. In such cases no two payments are equal in amount. The question arises as to whether it is necessary to list the respective dollar amount of each such payment to comply with this requirement of § 226.8(b)(3), or whether an optional disclosure is permitted.

(b) In any transaction in which the amount of each regularly scheduled payment (other than a first or last payment) includes an equal amount to be applied on principal and a finance charge computed by application of a rate to the decreasing unpaid balance, at the creditor's option the requirement of § 226.8(b)(3) with respect to the amount of each payment may be met by disclosing the following information:

(1) The amount of each payment to be applied on principal, and an identification of that amount as payment on principal;

(2) The respective amount of finance charge included in the first and last scheduled payments so described;

(c) If this option is utilized, the exceptions provided under paragraphs (b)(3), and (c)(8) and (d)(3) of § 226.8 shall not apply.

(Interprets and applies 15 U.S.C. 1638 and 15 U.S.C. 1639)

§ 226.809 Disclosures for certain student loans

Footnotes 10 and 11 to Regulation Z provide an exception from specified disclosure requirements for interim student loans under certain Federally insured student loan programs. These exceptions are applicable to other student loans of the same type, including those made to students under Federally supported loan programs or programs of loan guarantee, administered by or under agreement with the U.S. Department of Health, Education and Welfare. In all of such cases, however, all disclosures must be made prior to the time the final note is executed or repayment schedule is agreed upon.

(Interprets and applies 15 U.S.C. 1639)