FEDERAL RESERVE
press release

For immediate release. June 23, 1969.

The Board of Governors of the Federal Reserve System today issued three 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

§ 226.605 Rate charts and tables unavailable

(a) Subject to certain conditions, § 226.6(f) of Regulation Z permits a creditor to use an estimate or approximation of information when the information is "unknown or not available to the creditor, and the creditor has made a reasonable effort to ascertain it."

(b) It appears that some creditors who require special charts or tables in order to operate with necessary efficiency in compliance with Regulation Z, and who have placed orders for such charts or tables with suppliers of them, may be unable to obtain such charts or tables by July 1, 1969, the effective date of Regulation Z.

(c) In the circumstances indicated, when the necessary charts or tables have been ordered prior to July 1, 1969, and are temporarily unavailable to a creditor who has thus made a reasonable effort to obtain them, § 226.6(f) permits the creditor to use an estimate or approximation of the annual percentage rate and other information during the interim until they become available, subject, of course, to the other requirements of that paragraph.

(Interprets and applies 15 U.S.C. 1631)

6/20/69

§ 226.810 Disclosures--variable interest rates

(a) In some cases a note, contract, or other instrument evidencing an obligation provides for prospective changes in the annual percentage rate or otherwise provides for prospective variation in the rate. The question arises as to what disclosures must be made under these circumstances when it is not known at the time of consummation of the transaction whether such change will occur or the date or amount of change.

(b) In such cases, the creditor shall make all disclosures on the basis of the rate in effect at the time of consummation of the transaction and shall also disclose the variable feature.

(c) If disclosure is made prior to the consummation of the transaction that the annual percentage rate is prospectively subject to change, the conditions under which such rate may be changed, and, if applicable, the maximum and minimum limits of such rate stipulated in the note, contract, or other instrument evidencing the obligation, such subsequent change in the annual percentage rate in accordance with the foregoing disclosures is a subsequent occurance under § 226.6(g) and is not a new transaction.

(Interprets and applies 15 U.S.C. 1634)

§ 226.903 Refinancing and Increasing--Disclosures and effects on the right of rescission

(a) In some cases the creditor of an obligation will refinance that obligation at the request of a customer by permitting the customer to execute a new note, contract, or other document evidencing the transaction under the terms of which one or more of the original credit terms, including the maturity date of the obligation, is changed. Although such refinancing constitutes a new transaction, and all disclosures required under § 226.8 must be made, the question arises as to whether that transaction is subject to the right of rescission under § 226.9 where the obligation is already secured by a lien on real property which is used or expected to be used as the principal residence of that customer.

(b) If the amount of such new transaction does not exceed the amount of the unpaid balance plus any accrued and unpaid finance charge on the existing obligation, § 226.9 does not apply to the transaction.

(c) If, however, the amount of such new transaction is for an increased amount, that is for an amount in excess of the amount of the unpaid balance plus any accrued and unpaid finance charge on the existing obligation, § 226.9 applies to the transaction. However, such right of rescission applies only to such excess and does not affect the existing obligation (or related security interest) for the unpaid balance plus accrued and unpaid finance charge.

(d) The provisions of paragraph (b) above do not apply in the event that the obligation is refinanced by a creditor other than the creditor of the existing obligation.

(Interprets and applies 15 U.S.C. 1635)

Dated at Washington, D. C., the 20th day of June, 1969.

By order of the Board of Governors.

(SEAL)

(Signed) Robert P. Forrestal
Robert P. Forrestal,
Assistant Secretary.