FEDERAL RESERVE
press release

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For immediate release

August 17, 1976

The Board of Governors of the Federal Reserve System today proposed an interpretation of its Truth in Lending Regulation Z to state that where a dealer and a creditor share in the interest on a consumer credit contract such participation need not be separately stated in disclosures given to the consumer.

The Board requested comment by September 27, 1976.

A participation is a part of a total finance charge paid by a creditor to a seller of automobiles or other major consumer goods, where the creditor either buys the dealer's instalment contract with the consumer, or provides direct consumer financing through the dealer. In such cases the creditor and the seller typically share in the interest received.

The Board was requested to issue an official position in a recent court action.

In proposing the interpretation the Board said it does not believe that separate disclosure of a dealer participation is required under the Truth in Lending Act or Regulation Z. The Board noted that the finance charge includes interest received by both the dealer and the creditor. "The present length and complexity of Truth in Lending disclosures argue against any additional disclosure which is not clearly mandated by the letter and the spirit of Truth in Lending and which may in fact detract from consumers' awareness of important credit terms," the Board said in issuing its proposal.

The interpretation will become effective upon further notice by the Board.

A copy of the Board's proposal is attached.

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