FEDERAL RESERVE

press release

RECORDS SECTION
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For immediate release

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The Board of Governors of the Federal Reserve System has approved an interpretation of Regulation Z (Truth in Lending) simplifying procedures for credit card issuers which bill customers in full on a transaction-by-transaction basis and impose no finance charges.

Most credit cards extend open-end credit, such as the credit available with a bank credit card, or a department store card, and customers are billed, usually monthly, for their purchases. A debt balance may be left after the customer makes a payment. Certain credit card issuers, however, such as some automobile rental companies, require payment in full for each transaction, and send bills only when there has been a transaction. No finance charges are imposed.

The interpretation permits such credit card issuers to continue sending bills to their customers only when a transaction has occurred. The interpretation also requires such card issuers to conform only to provisions of Regulation Z that are clearly consistent with their type of billing.

The text of the Board's interpretation is attached.

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