FEDERAL RESERVE

press release

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For immediate release August 24, 1978

The Board of Governors of the Federal Reserve System today announced three actions affecting its Truth in Lending Regulation Z.

These are:

1. The Board adopted an amendment intended to facilitate the computation of the annual percentage rate in long-term credit transactions involving minor irregularities in the repayment schedule. An example would be graduated payment mortgages, in which mortgage payments increase annually during the early years of the mortgage. The amendment adopted applies to any credit transaction of 10 years or more with minor variations in the monthly repayment schedule.

Adoption of this amendment will simplify use of annual percentage rate (APR) computation tables prepared by HUD for homes bought on its plan for graduated payment mortgages.

The Board proposed such an amendment to Regulation Z on May 24. The proposed amendment was adopted with certain changes, chiefly, to make it applicable to all long-term credit transactions (not only mortgage credit) with minor irregularities in the repayment schedule, and with a maturity of 10 years or more (not 15 years).

2. The Board proposed for comment through September 29 an interpretation of Regulation Z that requires disclosure of loss of interest when a time deposit is used as security for a loan. Under the interpretation the amount of such a loss, when caused by State law, need not be disclosed.

When a time deposit is used as security for a loan, Federal law requires that the interest on the loan be at least 1 percentage point more than the interest the customer is receiving on the time deposit. That is, if the time deposit pays 7½ per cent interest, the interest on a loan for which the time deposit is collateral must be at least 8½ per cent.

However, some State laws fix maximum interest rates. In certain cases, the State maximum would be less than the creditor would be required to charge on a loan secured by a time deposit. For example, the State interest rate maximum might be 8¼ per cent. That would be less than the 8½ per cent interest rate required to maintain the 1 percentage point differential in the example above. In such a case, the rate being paid on the time deposit must be reduced (from 7½ to 7¼ per cent). In this way, when the mandatory 1 percentage point differential for a loan secured by a time deposit is added, the interest charged the customer on the loan remains within the State maximum of 8¼ per cent.

Such cases have resulted in questions whether the consequent loss of interest on the time deposit should be disclosed as a part of the finance charge.

The proposed interpretation would rule that it need not be made a part of the finance charge or be disclosed as such, but that the creditor must disclose that there will be a loss of interest.

3. The Board amended Regulation Z with respect to the disclosure of the complete payment schedule in any credit transaction with monthly repayments that are made in varying amounts (such as a mortgage with mortgage insurance in which the monthly payment amount declines). The

amendment provides that the required disclosure may be made on a separate sheet (or more than one sheet) of paper to be included in the disclosure document required by Truth in Lending. A proposed revision of an interpretation (No. 226.808) on this subject was published April 24. The interpretation that would have been amended remains unchanged.

The Board's orders in these matters are 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; Docket No. R-0164]

PART 226--TRUTH IN LENDING

Minor Irregularities - Maximum Irregular Period Limits

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final interpretation.

SUMMARY: The Board hereby adopts an amendment to Interpretation § 226.503 of Regulation Z, which permits certain irregular payment amounts and payment periods to be considered regular for purposes of calculating the annual percentage rate on consumer credit transactions. This amendment provides that in transactions payable monthly with a term of 10 years or more, an irregular first period of up to 62 days may be treated as though it were a regular period and the resulting payment irregularities may be disregarded. It is intended to simplify computation of the annual percentage rate in long term transactions involving unequal payments, including graduated payment mortgages.

EFFECTIVE DATE: Upon publication in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Glenn E. Loney, Section Chief
Division of Consumer Affairs
Board of Governors of the Federal
Reserve System
Washington, D.C. 20551
(202) 452-3867

SUPPLEMENTARY INFORMATION: On June 1, 1978, the Board of Governors published for comment an amendment to Regulation Z Interpretation § 226.503 which would expand its coverage to include certain long term real property transactions, such as graduated payment mortgages. The former version of § 226.503 allowed first payment periods between 20 and 50 days to be treated as if they were regular for purposes of the annual percentage rate calculation, only in transactions otherwise payable in equal instalments. Since graduated payment mortgages by their very nature involve unequal instalments, creditors offering such mortgages, for example, under the HUD/FHA Section 245 Experimental Financing Program, were formerly unable to take advantage of the minor irregularities provision.

This amendment will now allow first periods of up to 62 days to be treated as if they were regular for purposes of computing annual percentage rates in all transactions which are payable monthly and which have a scheduled term of 10 years or more, whether or not the monthly instalments are equal. The Board believes that this expansion of the minor irregularities provision will simplify rate computations in such transactions while having a negligible effect on the accuracy of the rate.

When the amendment was originally proposed, comment was specifically solicited on whether the restrictions placed on application of the amendment should be relaxed or strengthened. In light of the comments, the amendment has been revised in its final form in four ways:

(1) It has been expanded to apply to all types of transactions instead of being limited to real property transactions. As pointed out by several commenters, the accuracy of the annual percentage rate depends on the time periods and payment amounts involved rather than on the character of the underlying transaction. Therefore, the Board sees no reason to limit this special rule to transactions secured by real property.

(2) The minimum term of a transaction qualifying for use of this special rule has been reduced from 15 years to 10 years. The Board considers that disregarding these slight irregularities will have a negligible impact on the accuracy of the rate, even in transactions with 10 year terms.

(3) It has been expanded to apply to irregularities in payment amounts resulting from the payment period irregularities. The amendment as proposed dealt only with irregular first periods and not with irregular payment amounts. However, the initial payment will often be irregular as a result of a first period irregularity, for example, when interest for the extra days in the first period is collected, not at closing, but either with the first payment or one month prior to the first regular payment. The final amendment has been revised to provide that such payment irregularities may also be disregarded.

(4) It has been revised to clarify that this special rule applies to certain long term transactions even if they convert to demand status in less than 10 years. As revised, the amendment applies when the "scheduled amortization" of the obligation is at least 10 years.

This revision was felt necessary to clarify that the special rule would apply to long term mortgages with demand features, but would not apply to short term ballon payment mortgages. Some mortgages are due and payable at the end of a stated period, for example, five years, but since the payments are based on a 20-year amortization schedule, a large "balloon payment" must be made at the end of five years. Such transactions are not covered by the amendment. Other mortgages, however, are written for a stated period, for example, one year, with the provision that they shall be payable on demand thereafter, provided that until demand is made, payments based on a longer amortization schedule shall continue to be made until the obligation is paid in full. Creditors offering this type of transaction are currently permitted, pursuant to Board Interpretation § 226.816, to make disclosures based on the longer amortization schedule (provided it is also stated that the loan is payable on demand after one year and that disclosures are based on the longer period). Creditors choosing to disclose on this basis, therefore, will be permitted to take advantage of the amendment to § 226.503, provided the specified amortization period is at least 10 years and the other criteria are met.

All of the commenters who addressed the question of whether the amendment should be limited to programs requiring customers to pay interest for the irregular portion of the first period opposed such a restriction, and the Board concurs. Although such a requirement would ensure somewhat greater accuracy of the calculated rate, the Board

believes it unwise to impose that restriction for several reasons: (a) it does not have a great impact on accuracy of the rate, whether interest for the irregular period is paid or not; (b) such a requirement does not apply to transactions falling within the original minor irregularities provisions; and, perhaps most importantly, (c) it seems undesirable to require creditors to charge customers where they otherwise might not do so, in order to qualify for this special treatment.

A few commenters questioned whether the amendment was intended to eliminate the 20-day minimum for the first period, and urged that this minimum be kept so as to avoid any understatement of the annual percentage rate. The Board believes that this restriction is unnecessary since treating even a first period of one day as if it were regular will have a negligible effect on the rate in long term transactions. The amendment, therefore, will allow any first period from zero to 62 days to be considered regular.

Accordingly, in consideration of the foregoing and pursuant to the authority granted in 15 U.S.C. § 1604 (1968), the Board amends Official Board Interpretation of Regulation Z, 12 C.F.R. Part 226.503, effective immediately, by adding to the end thereof the following:

SECTION 226.503 - Minor Irregularities - Maximum Irregular Period Limits

* * *

Notwithstanding the above or the language in § 226.5(d) that limits the minor irregularities provisions to transactions that are "otherwise payable in equal instalments scheduled at equal intervals," the following rule may apply.

An initial payment period of 62 days or less may be treated as though it were regular and an irregular initial payment or any portion thereof resulting from the application of a rate to the balance for such an irregular period may be disregarded if:

1) the scheduled amortization of the obligation (the date from which the finance charge begins to accrue to the date of the final scheduled payment) is at least 10 years, and

2) the obligation is otherwise payable in monthly instalments.

By the order of the Board of Governors, August 23, 1978.

(signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

[12 CFR 226]

[Reg. Z; Docket No. R-0177]

Truth in Lending

Interest Reduction on Time Deposits Used to Secure Loans

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed interpretation.

SUMMARY: The proposed interpretation provides that an interest reduction on a time deposit used to secure a loan must be disclosed for Truth in Lending purposes. It would not, however, require disclosure of the amount of the interest reduction as a component of the finance charge or in other items on which the finance charge has a bearing -- such as the annual percentage rate, schedule of payments, and total of payments. The interpretation would apply only in cases where a creditor must reduce the interest rate on the time deposit in order to comply with both a State loan rate ceiling and a percentage differential required by Federal or State law as to loans secured by time deposits. If a lending institution could maintain the percentage differential by increasing the interest charged on the loan, but chose instead to reduce the interest payable on the time deposit, the amount of the interest forfeited by the customer would have to be included in the finance charge and taken into account in other applicable Truth in Lending disclosures.

DATE: Comment must be received on or before September 29, 1978.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

FOR FURTHER INFORMATION CONTACT: Dolores S. Smith, Section Chief
Division of Consumer Affairs
Board of Governors of the Federal Reserve System
Washington, D.C. 20551
(202-452-2412)

SUPPLEMENTARY INFORMATION:

(1) Regulation Z requires that "all charges, payable directly or indirectly by the customer, and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, whether paid or payable by the customer, seller, or any other person on behalf of the customer" be included in the finance charge.

An interpretation has been requested as to whether this requirement applies to interest that is forfeited on a time deposit used by the depositor to secure a loan. Under regulations of the Federal Reserve Board (Regulation Q) and the other financial regulatory agencies, loans secured by time deposits are subject to a requirement that the lending institution maintain a one percent differential in the interest rates. That is, the lending institution must charge the customer an interest rate on the loan that is not less than one percent in excess of the interest rate being paid to the customer on the time deposit. The differential is intended to prevent evasion of regulations which impose a mandatory penalty

on depositors for early withdrawal of a time deposit, by discouraging loans that enable a depositor indirectly to obtain use of the funds before maturity.

In some States the maximum rate of interest allowed on certain types of loans is fixed by statute at a rate that is less than one percent in excess of the rate on the time deposit. This means that in order to maintain the differential, a lending institution must reduce the interest rate on the time deposit for the duration of the loan. For example, if the maximum rate is 8.50% for loans and the interest on the time deposit is 7.75%, the lender will pay the borrower a reduced rate of 7.50% on the time deposit. A lender that fails to maintain the differential will be in violation of Federal, and perhaps State, law.

The proposed interpretation would apply only in those cases where the combination of a loan rate ceiling and a differential requirement makes an interest reduction necessary. Where the interest rate ceiling on a loan is fixed by State law at a level that is one percent or more in excess of the rate on the time deposit, a lending institution can comply with the differential requirement without reducing the interest on the time deposit. If a lender could permissibly charge an increased rate on the loan, but chose instead to reduce the rate on the time deposit, the lender would have to include the lost interest in the finance charge, as well as in all other applicable Regulation Z disclosures.

(2) To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, comments, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received no later than September 29, 1978, and should include the docket number R-0177. The material submitted will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information (12 C.F.R. 261.6(a)).

(3) Pursuant to the authority granted in 15 U.S.C. § 1064 (1968), the Board proposes to revise Regulation Z, 12 C.F.R. Part 226, by adding the following interpretation:

SECTION 226.408 - INTEREST REDUCTION ON TIME DEPOSITS USED TO SECURE LOANS

Section 226.4(a) requires that the amount of the finance charge in a credit transaction be determined as the sum of "all charges, payable directly or indirectly by the customer, and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit."

The question is whether this requirement applies to interest forfeited by a depositor on a time deposit because of a percentage differential mandated by Federal or State laws, or both, for loans secured by such deposits. In some States, the interest rate ceiling

on loans secured by time deposits is such that the lender can comply with the differential requirement only by reducing the interest rate on the time deposit for the duration of the loan. For example, where the ceiling for loans is fixed at 8.50% and the interest rate on the time deposit is 7.75%, a reduction on the time deposit to 7.50% will be necessary to comply with the present one per cent differential requirement.

It can be argued that in these cases any interest reduction results from a combination of the fixed loan interest rate and the mandatory percentage differential and, thus, is not a condition of the transaction imposed by the creditor. The Board concludes, however, that the interest forfeiture is so directly related to the loan transaction that it must be deemed to constitute a finance charge. To ignore the forfeiture altogether would result in an incomplete and misleading disclosure for purposes of Truth in Lending.

Although the Board concludes that the lost interest is a finance charge, a requirement that creditors disclose the amount as part of the finance charge, in a form that would be meaningful to the consumer, raises certain practical problems. These problems occur, in part, because of the fact that the consumer will not be paying out the lost interest, but rather will be foregoing its receipt. To require disclosure of the lost interest as a part of the finance charge would therefore require disclosing this and other amounts (such as the amount of scheduled payments and the total of payments) in hypothetical terms.

The Board believes the purposes of Truth in Lending will better be satisfied by a disclosure of the interest forfeiture as a credit term on the Truth in Lending disclosure statement. A creditor may satisfy this requirement, for example, by disclosing that "The interest rate on the time deposit offered as security for this loan will be reduced from 7.75% to 7.50% for the duration of this loan."

This exception, which permits a lender to omit the amount of the interest forfeiture in computing the finance charge and in other disclosures that relate in some way to the finance charge, is available only if the interest reduction results from the need to comply with a loan rate ceiling in combination with a differential requirement. If a lending institution could maintain the percentage differential by increasing the interest rate charged on the loan, but chose instead to reduce the interest rate payable to the depositor, any lost interest would represent a condition of the transaction imposed by the creditor. In these latter instances the amount of the interest forfeited by the consumer must be included in the finance charge and taken into account in other applicable disclosures.

By order of the Board of Governors, August 23, 1978.

(signed) Theodore E. Allison

Theodore A. Allison
Secretary of the Board

[SEAL]

Title 12 -- Banks and Banking

CHAPTER II -- FEDERAL RESERVE SYSTEM

SUBCHAPTER A -- BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Reg. Z; Docket No. R-0152)

PART 226 -- TRUTH IN LENDING

Disclosure of Varying Payments Scheduled to Repay the Indebtedness

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: On April 24, 1978, the Board of Governors published a proposed revision of Interpretation § 226.808 of Regulation Z (43 FR 17363). It would have permitted disclosure of the complete payment schedule (as required by § 226.8(b)(3)) on the reverse of the disclosure document or on a separate page or pages in any transaction in which the payment amounts vary, or, in certain enumerated transactions, disclosure of an abbreviated schedule that indicated the progression of the payment amounts. The Board has determined that the proposed revision of the interpretation should be withdrawn and the first alternative, disclosure of a complete payment schedule on the reverse of the disclosure document or on a separate page, should be incorporated into § 226.8(a) of Regulation Z by amendment of that subsection, effective immediately. The present interpretation will remain unchanged, and official staff

interpretations and public information letters permitting its use in types of transactions other than that described in the present interpretation will remain in effect. The proposed abbreviated payment schedules will not be permitted.

EFFECTIVE DATE: Upon publication in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Dolores S. Smith, Section Chief
Division of Consumer Affairs
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551
(202) 452-2412

SUPPLEMENTARY INFORMATION: (1) In response to a number of inquiries regarding the proper method of disclosure (pursuant to § 226.8(b)(3) of Regulation Z) of payments scheduled to repay the indebtedness in consumer credit transactions in which the amounts of such payments vary, the Board of Governors proposed a revision of Interpretation § 226.808 for public comment. The interpretation would have permitted the creditor 1) in any transaction which the amounts scheduled to repay the indebtedness vary, to provide the customer with a complete payment schedule on the reverse of the disclosure statement or on a separate page or pages (conspicuously referenced in the disclosure statement), notwithstanding the requirement of § 226.8(a) that all disclosures be made on one side of a single page, or 2) in certain enumerated transactions, to give the customer an abbreviated schedule of payments that would disclose the number of payments, the amount of certain payments,

and a description of the variation in the payment amounts. In addition, the interpretation would have provided that non-credit items (such as certain credit life and disability insurance premiums) that are not included in the amount financed or in the finance charge must be excluded from the total of payments scheduled to repay the indebtedness. Finally, a number of public information letters and official staff interpretations would have been rescinded.

Eighty-two comments on the proposal were received by the Board. A majority of the comments favored adoption of the proposal with modifications, although a significant number of the comments expressed opposition to the proposal for policy reasons. Based on the comments received and its own analysis, the Board has decided to withdraw the proposed revision of the interpretation (including the position stated therein concerning inclusion of non-credit items in the total of payments). Instead, the Board is amending Regulation Z to permit the first alternative (disclosure of a complete payment schedule on as many pages as necessary) in any transaction in which the payment amounts vary. The public information letters and official staff interpretations that the Board had proposed to rescind will remain in effect. These changes and the reasons therefor are discussed in greater detail below.

(2) The disclosure of a complete payment schedule on the reverse of the disclosure document or on a separate page or pages was favored by the majority of commenters. The Board finds that provision

of such a schedule would not detract from, and in some cases may even enhance, the value of the disclosures to consumers. Comments were divided on whether or not there would be operational difficulties in providing a complete schedule of payments to customers. It should be pointed that the provision of a separate schedule of payments is an alternative method of disclosure; creditors that would encounter operational difficulties may continue to give the schedule of payments with the other required disclosures.

The Board also wishes to point out that the bracketed words in the amendment to § 226.8(a) are to be used alternatively, i.e., the inappropriate bracketed words should be deleted when making the disclosure.

(3) The Board finds that use of additional examples in the interpretation would not serve to facilitate compliance with the regulation's requirements nor provide consumers with sufficient understandable information about their credit transactions. Therefore, the proposed revision of the interpretation is withdrawn.

A number of significant problems with respect to the examples in the interpretation were brought to the Board's attention by commenters. A number of comments addressed the need for more examples. First, graduated payment mortgages (such as the HUD-FHA program recently authorized by Section 245 of the National Housing Act) have increasing payments for the first years of the note and, in the case of the FHA program, decreasing payments after the first 6 or 11 years (as a result of decreases in required mortgage insurance premiums). Commenters expressed their

desire for examples to fit such programs.

Second, the examples did not incorporate one type of credit transaction with mortgage insurance premiums for which dislosure in accordance with the present interpretation had been approved in an official staff interpretation. Third, Example II, Transaction B permitted the use of an abbreviated schedule in transactions with irregular first or last payments. Commenters felt that similar deviations should be permitted for the other examples. Finally, a number of commenters suggested other, more irregular transactions (e.g., simple interest loans with monthly finance charge payments and quarterly principal payments) as proper subjects for abbreviated schedules.

The Board has determined that even if additional examples were provided only for GPM transactions, for other mortgage insurance transactions and for irregular first or last payments in the enumerated transactions, the number of examples would be at least doubled. Such a result appears unwarranted, particularly in light of present efforts to simplify the Truth in Lending Act and Regulation Z.

Furthermore, while examples could be adapted to accommodate the present programs of creditors, developments in lending practices would invariably result in their inadequacy for disclosure under new programs. The Board would be faced with the alternatives of constant amendment of the interpretation or repetition of the present situation, whereby staff interpretations have expanded the scope of the current § 226.808 to permit its use in transactions other than those specifically set forth.

Commenters noted that verification of the accuracy of the annual percentage rate (APR) disclosure (either by the enforcement authorities or consumers) for creditors disclosing in accordance with the proposed examples would be impossible because there would be no disclosure of actual payment amounts. This verification problem exists now, but the proposal would have increased significantly the number of transactions in which abbreviated disclosures would be permitted. The solutions to this enforcement problem (requiring complete payment schedules at consummation or the ability to reproduce the estimated payment amounts at a later date) would be extremely burdensome to creditors.

Based on the concerns raised by commenters and its own opinion that the examples provide insufficient flexibility for the development of new lending programs, the Board has determined that withdrawal of the proposed interpretation, with provision of the complete payment schedule as an alternative, will provide creditors with a simple method of compliance in varying payment transactions. In addition, this alternative will provide the greatest amount of information to consumers in a readily understandable format.

(4) The proposed interpretation stated the position that the "total of payments scheduled to repay the indebtedness" included only the amount financed and the finance charge. This position was contrary to a number of public information letters issued by the staff that permit the inclusion in the total of payments of premiums for optional,

cancellable credit life and disability insurance that are not financed and that are excluded from the finance charge by compliance with § 226.4(a)(5).

The comments on this portion of the proposal were negative. Commenters cited their reliance on the staff's position in developing their loan programs and criticized the disruption of these programs should the interpretation be adopted. Creditors that now offer these types of credit life and disability insurance programs stated that they would either begin requiring insurance coverage of the customer or finance the premiums, which would result in increased finance charges to customers. Creditors also stated that calculation of the amounts of the varying payments at consummation would be extremely difficult with existing rate and payment charts.

The Board has decided that the permissibility of the inclusion of non-credit items in the total of payments will be given further consideration by the staff and will be addressed in an official staff interpretation.

(5) The Board had also proposed rescinding a number of public information letters and official staff interpretations that would have conflicted with the proposed interpretation. None of these letters and interpretations will now be rescinded. The letters dealing with the inclusion of credit life and disability insurance premiums in the total of payments (169, 632, 684, 735, 799, 833, the final paragraph of 834, and 850) will remain in effect pending issuance of an official staff interpretation on the subject.

Public Information Letters 1021 and 1186 will not be rescinded, as they are consistent with the Board's position concerning the treatment of mortgage insurance premiums. Public Information Letters 1158 and 1164 and Official Staff Interpretations FC-0003, 0025, 0030, 0031, and 0104 will not be rescinded because the Board is reluctant to disrupt creditor practices in the disclosure of insurance premiums. It should be pointed out, however, that the Board believes that further expansion of the scope of the present interpretation through staff letters has been obviated by the amendment to § 226.8(a) permitting the schedule to be placed on a separate page, and the staff does not intend to respond favorably to future requests for such expansion.

(6) In accordance with 5 U.S.C. § 553(d)(i), the effective date of the amendment need not be delayed because it is a substantive rule that relieves a restriction.

(7) Therefore, pursuant to the authority granted in 15 U.S.C. § 1604 (1970), the Board hereby amends 12 C.F.R. Part 226, effective upon publication in the Federal Register, by adding the following to the end of § 226.8(a):

§ 226.8--CREDIT OTHER THAN OPEN END--SPECIFIC DISCLOSURES

(a) General Rule.

* * * * *

Notwithstanding the provisions of paragraphs (1) and (2) of this subsection, a creditor may, in any transaction in which the payments scheduled to repay the indebtedness vary, satisfy the requirements of § 226.8(b)(3)

with respect to the number, amount, and due dates or periods of payments by disclosing the required information on the reverse of the disclosure statement or on a separate page(s), provided that the following notice appears with the other required disclosures: "NOTICE: See [reverse side] [accompanying statement] for the schedule of payments."

By order of the Board of Governors, August 23, 1978.

(signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]