

IN THE MATTER OF
EAST PROVIDENCE CREDIT UNION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND TRUTH IN LENDING
ACTS

Docket C-2906. Complaint, Oct. 27, 1977 — Decision, Oct. 27, 1977

This consent order, among other things, requires an East Providence, R.I. credit union to cease failing to provide consumers, in connection with the extension of credit, such material and disclosures as are required by Federal Reserve Board regulations.

Appearances

For the Commission: *William P. McDonough.*

For the respondent: *Albert B. West, Providence, R.I.*

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that East Providence Credit Union, a corporation, hereinafter referred to as respondent, has violated the provisions of said Acts and the implementing regulation promulgated under the Truth in Lending Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent East Providence Credit Union is a corporation organized, existing and doing business under and by virtue of the laws of the State of Rhode Island and Providence Plantations, with its principal office and place of business located at 15 Circle St., East Providence, Rhode Island.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the business of lending money to the general public.

PAR. 3. In the ordinary course and conduct of its business as aforesaid, respondent regularly extends, and for some time last past has regularly extended consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, respondent, in the ordinary course of its business, as aforesaid, has caused and is causing to be

extended consumer credit, as "consumer credit" is defined in Regulation Z, and has caused and is causing customers to execute a binding promissory note secured by a first mortgage not for the purpose of acquiring a home and for second mortgages. Credit cost disclosures made in conjunction with the execution of the promissory note are contained on one side of a separate statement entitled, "Consumer Credit Cost Disclosure Statement," hereinafter referred to as "Disclosure Statement."

By and through the use of the Disclosure Statement, respondent:

1. Failed to disclose the sum of payments scheduled to repay the indebtedness, using the term "total of payments" as required by Section 226.8(b) (3) of Regulation Z.

2. Failed to disclose the total amount of the finance charge, with descriptions of each amount included, using the term "finance charge," as required by Section 226.8(d) (3) of Regulation Z.

3. Failed to disclose a description of any penalty charge that may be imposed for prepayment of the principal of the obligation with an explanation of the method of computation of such penalty and the conditions under which it may be imposed, as required by Section 226.8(b)(6) of Regulation Z.

4. Failed to use the term "amount financed" to describe the amount of credit extended, including all charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge, as required by Section 226.8(d) (1) of Regulation Z.

PAR. 5. By and through the use of promissory notes secured by first mortgages not for the purposes of acquiring a dwelling and by second mortgages the respondent retains, creates, or acquires a security interest, as "Security Interest" is defined in Section 226.2(gg) of Regulation Z, in real property which is used or expected to be used as the principal residence of the purchaser. Retention or acquisition of these security interests gives customers who are extended consumer credit as "Consumer Credit" is defined in Section 226.2(p), of Regulation Z, the right to rescind the transaction until midnight of the third business day following the date of consummation of the transaction or the date of delivery of all disclosures required under this section and all other material disclosures required by Regulation Z, whichever is later, pursuant to Section 226.9(a) of Regulation Z.

By and through the above-described acts and practices respondent has in many instances since July 1, 1969:

1. Failed to furnish customers with two copies of a notice of the opportunity to rescind in the manner and form required by Section 226.9(b) of Regulation Z.

2. Failed to set forth the "Effect of rescission," as set forth by Section 226.9(d) of Regulation Z, in the manner and form required by Section 226.9(b) of Regulation Z.

PAR. 6. In the ordinary course of its business as aforesaid, respondent causes to be published advertisements as the term "advertisement" is defined in Regulation Z. These advertisements aid, promote or assist, directly or indirectly, extensions of consumer credit.

By and through the use of the advertisements, respondent:

States the amount of the loan, the number, amount, and period of payments scheduled to repay the indebtedness if the credit is extended, and the amount of the finance charge expressed as an annual percentage rate without also stating the following item in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d)(2) of Regulation Z:

The total of payments in the loan transaction.

PAR. 7. Pursuant to Section 103(q) of the Truth in Lending Act, respondent's aforesaid failures to comply with the provisions of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondent has thereby violated the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Boston Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Truth in Lending Act and the implementing regulation promulgated thereunder and violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of such agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, and that complaint should issue stating its

charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent East Providence Credit Union is a corporation organized, existing and doing business under and by virtue of the laws of the State of Rhode Island and Providence Plantations with its principal office and place of business located at 15 Circle St., East Providence, Rhode Island.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

It is ordered, That respondent East Providence Credit Union, a corporation, its successors and assigns, and its officers, agents, representatives and employees, directly or through any corporation, subsidiary, division or other device, in connection with any extension of consumer credit or advertisement to aid, promote or assist, directly or indirectly, any extension of consumer credit, as "consumer credit" and "advertisement" are defined in Regulation Z (12 C.F.R. 226) of the Truth in Lending Act (Pub. Law 90-321, 15 U.S.C. 1601, *et seq.*), do forthwith cease and desist from:

1. Failing to disclose the sum of payments scheduled to repay the indebtedness, using the term "total of payments," as required by Section 226.8(b)(3) of Regulation Z.

2. Failing to disclose the total amount of the finance charge, with description of each amount included, using the term "finance charge," as required by Section 226.8(d)(3) of Regulation Z.

3. Failing to provide a description of any penalty charge that may be imposed for prepayment of the principal with an explanation of the method of computation of such penalty and the conditions under which it may be imposed, as required by Section 226.8(b) (6) of Regulation Z.

4. Failing in any transaction in which respondent retains or acquires a security interest in real property which is used or expected to be used as the principal residence of the customer, to provide customers with two copies of the "Notice of Opportunity to Rescind" in the manner and form required by Section 226.9 of Regulation Z.

5. Failing to use the term "amount financed" to describe the amount of credit extended, including all charges, individually

itemized, which are included in the amount of credit extended but which are not part of the finance charge, as required by Section 226.8(d) (1) of Regulation Z.

6. Representing in any advertisement, directly or by implication, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for credit, unless all of the following items are clearly and conspicuously stated, in terminology prescribed under Section 226.8 of Regulation Z, as required by Section 226.10(d) (2) of Regulation Z:

- (a) the amount of the loan;
- (b) the number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended;
- (c) the amount of the finance charge expressed as an annual percentage rate; and
- (d) the total of payments.

7. Failing, in any consumer credit transaction or advertisement, to make all disclosures determined in accordance with Sections 226.4 and 226.5 of Regulation Z at the time and in the manner, form and amount required by Sections 226.6, 226.8, 226.9, and 226.10 of Regulation Z.

It is further ordered, That respondent deliver a copy of this order to cease and desist to all present and future personnel of respondent now or hereafter engaged in the consummation of any extension of consumer credit or in any aspect of the preparation, creation, or placing of advertising, and that respondent secure a signed statement acknowledging receipt of said order from each said person.

It is further ordered, That respondent notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent herein shall within sixty (60) days after service upon it of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Complaint

90 F.T.C.

IN THE MATTER OF
PUBLIC RELATIONS SOCIETY OF AMERICA, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-2907. Complaint, Oct. 27, 1977—Decision, Oct. 27, 1977

This consent order, among other things, requires a New York City trade association to cease promulgating rules that affect fee arrangements or business solicitations between members of the association and their clients and prospective clients.

Appearances

For the Commission: *Michele F. Crown.*

For the respondent: *Francis K. Decker, Forsyth, Decker, Murray & Hubbard, New York City.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Public Relations Society of America, Inc., a corporation subject to the jurisdiction of the Commission, has violated and is now violating the provisions of Section 5 of the Federal Trade Commission Act, as amended (15 U.S.C. 45), and it appearing that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

1. Respondent, Public Relations Society of America, Inc. ("PRSA"), is a not-for-profit membership corporation organized and existing under the laws of the State of New York, with its principal office located at 845 Third Ave., New York, New York.

2. PRSA is a trade association formed for the purposes, *inter alia*, of providing a forum for the interchange of ideas and information between members, to require adherence by members to certain standards of conduct, and to promote the business of public relations and those who practice it to business, professional and other groups, and to the public.

3. Respondent is a membership organization composed of approximately 8,400 persons. Many PRSA members are engaged in the business of providing public relations services for a fee. PRSA members may, and often do, upon successful completion of an examination given by respondent, receive accreditation and may, and often do, use the acronym "APR" after their name to indicate such accreditation.

4. The acts and practices of PRSA and its members are in or affect