

1 lending or the extension of credit would be strengthened
2 by the informed use of credit for the acquisition of property
3 and services. The informed use of credit results from an
4 awareness of the cost thereof to the user. It is the purpose
5 of this Act to assure a full disclosure of such cost with a
6 view to promoting the informed use of credit to the benefit
7 of the national economy.

8 **DEFINITIONS**

9 SEC. 3. As used in this Act, the term--

10 (1) "Board" means the Board of Governors of the
11 Federal Reserve System.

12 (2) "Credit" means any loan, mortgage, deed of trust,
13 advance, or discount; any conditional sales contract; any
14 contract to sell or sale, or contract of sale of property or serv-
15 ices, either for present or future delivery, under which part
16 or all of the price is payable subsequent to the making of such
17' sale or contract; any rental-purchase contract; any contract
18 or arrangement for the hire, bailment, or leasing of property;
19 any option, demand, lien, pledge, or other claim against, or
20 for the delivery of, property or money; any purchase, or
21 other acquisition of, or any credit upon the security of, any
22 obligation or claim arising out of any of the foregoing; and
23 any transaction or series of transactions having a similar
24 purpose or effect..

25 (3) "Finance charge" means the sum of all the charges

1 incurred by the borrower for the extension or use of credit
2 and shall include, but not by way of limitation, loan fees,
3 service and carrying charges, discounts, interest, time price
4 differentials, and investigators' fees.

5 (4) "Total amount to be financed" means the total
6 credit extended, excluding the finance charge.

7 (5) "Annual percentage rate" means the percentage
8 rate per period expressed as a per centum per annum. It
9 shall be computed by multiplying the percentage rate per
10 period by the number of periods per year.

11 (6) "Percentage rate per period" means the percentage
12 ratio of the finance charge for the period for which the
13 charge is made to the unpaid balance of the total amount
14 to be financed.

15 (7) "Period" means the time interval between the pay-
16 ments specified in the credit agreement for repayment of the
17 total amount to be financed.

18 (8) "Creditor" means any person engaged in the busi-
19 ness of extending credit (including any person who as a
20 regular business practice makes loans or sells or rents prop-
21 erty or services on a time, credit, or installment basis, either
22 as principal or as agent) who requires, as an incident to the
23 extension of credit, the payment, of a finance charge.

24 (9) "Person" means any individual, corporation, part-
25 nership, association, or other organized group of persons, or

1 the legal successor or representative of the foregoing, and
2 includes the United States or any agency thereof, or any
3 other government, or any of its political subdivisions, or any
4 agency of the foregoing.

5 **DISCLOSURE OF FINANCE CHARGES**

6 SEC. 4. (a) Except as provided in subsection (b) , any
7 creditor shall furnish to each person to whom credit is
8 extended, prior to the consummation of the transaction, a
9 clear statement in writing setting forth, to the extent appli-
10 cable and ascertainable and in accordance with rules and
11 regulations prescribed by the Board, the following infor-
12 mation—

13 (1) the cash price or delivered price of the prop-
14 erty or service to be acquired;

15 (2) the amounts, if any, to be credited as down-
16 payment and/or trade-in;

17 (3) the difference between the amounts set forth
18 under clauses (1) and (2) ;

19 (4) the charges, individually itemized, which are
20 paid or to be paid by such person in connection with
21 the transaction but which are not incident to the ex-
22 tension of credit;

23 (5) the total amount to be financed (the sum of
24 the amounts set forth under (3) and (4) , above) ;

1 (6) the finance charge in dollars and cents;

2 (7) the finance charge expressed as an annual per-
3 centage rate to be computed as set forth in section 3 (5) ;

4 (8) the time and amount of payments scheduled to
5 repay the indebtedness; and

6 (9) the terms applicable in the event of advanced
7 or delayed payments from those specified in (8) above.

8 (b) Any creditor agreeing to extend credit to any per-
9 son pursuant to a revolving or open-end credit plan shall, in
10 accordance with rules and regulations prescribed by the
11 Board—

12 (1) furnish to such person, prior to agreeing to
13 extend credit under such plan, a clear statement in
14 writing setting forth the following information:

15 (i) the periodic dates of the balances against
16 which a finance charge will be imposed;

17 (ii) the percentage rate per period of the
18 finance charge to be imposed; and

19 (iii) the periodic rate of finance charge ex-
20 pressed as an annual percentage rate.

21 (2) furnish to such person, as of the end of each
22 period following the entering into of any such agree-
23 ment, a clear statement in writing setting forth to the
24 extent applicable and ascertainable—

1 (A) the outstanding balance in the account of
2 such person as of the beginning of such period;

3 (B) the amount of each extension of credit to
4 such person (including the cash price or delivered
5 price of any property or service acquired by such
6 person) during such period and, unless previously
7 furnished, the date thereof and a brief identification
8 of any property or services so acquired;

9 (C) the total amount received from, or credit-
10 ed to the account of, such person during such period;

11 (D) the outstanding unpaid balance in the ac-
12 count of such person as of the end of such period;

13 (E) the annual percentage rate used to com-
14 pute the finance charge for such period;

15 (F) the balance on which the periodic finance
16 charge was computed; and

17 (G) the finance charge (in dollars and cents)
18 imposed for such period.

19 As used in this subsection, the term "revolving or open-end
20 credit plan" means a credit plan prescribing the terms of
21 credit transactions which may be made thereunder from
22 time to time and under the terms of which a finance charge
23 may be computed on the outstanding unpaid balance from
24 time to time thereunder.

25 (c) If information disclosed in accordance with this

1 section and any regulations prescribed by the Board is sub-
2 sequently rendered inaccurate as the result of a prepayment,
3 late payment, or other adjustment in the credit agreement
4 through mutual consent of the parties, the inaccuracy result-
5 ing therefrom shall not constitute a violation of this section.

6 REGULATIONS

7 SEC. 5. (a) The Board shall prescribe such rules and
8 regulations as may be necessary or proper in carrying out
9 the provisions of this Act. Such rules and regulations shall
10 (1) include a description of (A) the methods which may
11 be used in determining the annual percentage rate for the
12 purpose of section 4, and (B) the size of type or lettering
13 which shall be used in setting forth information required by
14 such section, (2) prescribe reasonable tolerances of accuracy
15 with respect to disclosing information under such section,
16 and (3) require that such information be set forth in bold
17 type and with sufficient prominence to insure that it will
18 not be overlooked by the person to whom credit is extended.
19 Any rule or regulation prescribed hereunder may contain such
20 classifications and differentiations, and may provide for such
21 adjustments and exceptions as in the judgment of the Board
22 are necessary or proper to effectuate the purposes of this
23 Act or to prevent circumvention or evasion, or to facilitate
24 the enforcement of this Act, or any rule or regulation issued
25 thereunder. In prescribing any exceptions hereunder with

1 respect to any particular type of credit transaction, the Board
2 shall consider whether in such transactions compliance with
3 the disclosure requirements of this Act is being achieved
4 under any other Act of Congress.

5 (b) In the exercise of its powers under this section,
6 the Board shall request the views of other Federal agencies
7 exercising regulatory functions with respect to creditors, or
8 any class of creditors, which are subject to the provisions
9 of this Act, and such agencies shall furnish such views upon
10 request of the Board.

11 (c) The Board shall establish an advisory committee,
12 consisting of not more than nine members, to advise and con-
13 sult with it in the exercise of its powers under this section.
14 In appointing members to such committee the Board shall
15 seek to achieve a fair representation of the interest of sellers
16 of merchandise on credit, lenders, and the public. Such com-
17 mittee shall meet from time to time at the call of the Board,
18 and members thereof shall be paid transportation expenses
19 and not to exceed \$25 per diem in lieu of subsistence, as
20 authorized by section 5 of the Act of August 2, 1946 (5
21 U.S.C. 73b-2).

22 EFFECT ON STATE LAWS

23 SEC. 6. (a) This Act shall not be construed to annul,
24 or to exempt any creditor from complying with, the laws
25 of any State relating to the disclosure of information in con-

1 nection with credit transactions, except to the extent that
2 such laws are directly inconsistent with the provisions of
3 this Act or regulations issued thereunder.

4 (b) The Board shall by regulation exempt from the
5 requirements of this Act any credit transactions or class of
6 transactions which it determines are effectively regulated
7 under the laws of any State so as to require the disclosure
8 by the creditor of the same information as is required under
9 section 4 of this Act.

10 CIVIL AND CRIMINAL PENALTIES

11 Civil Penalties

12 SEC. 7. (a) Any creditor who in connection with any
13 credit transactions fails to disclose to any person any infor-
14 mation in violation of this Act or any regulation issued there-
15 under shall be liable to such person in the amount of \$100,
16 or in any amount equal to twice the finance charge required
17 by such creditor in connection with such transaction, which-
18 ever is the greater, except that such liability shall not exceed
19 \$2,000 on any credit transaction. Action to recover such
20 penalty may be brought by such person within one year from
21 the date of the occurrence of the violation, in any court of
22 competent jurisdiction. In any such action, no person shall
23 be entitled to recover such penalty solely as the result of
24 the erroneous computation of any percentage required by
25 section 4 (a) (7), 4 (b) (1), or 4 (b) (2) (E) of this Act

1 to be disclosed to such person, if the percentage disclosed
2 to such person pursuant to this Act was in fact greater than
3 the percentage required by such section, or by the regulations
4 prescribed by the Board, to be disclosed. In any action
5 under this subsection in which any person is entitled to a
6 recovery, the creditor shall be liable for reasonable attor-
7 neys' fees and court costs as determined by the court. As
8 used in this subsection, the term "court of competent juris-
9 diction" means either any Federal court of competent juris-
10 diction regardless of the amount in controversy or any State
11 court of competent jurisdiction.

12 Criminal Penalties

13 (b) Any person who gives false or inaccurate informa-
14 tion or fails to provide information required to be disclosed
15 under the provisions of this Act or any regulation issued
16 thereunder or who otherwise willfully violates any provision
17 of this Act or any regulation issued thereunder shall be fined
18 not more than \$5,000 or imprisoned not more than one year,
19 or both.

20 (c) Except as specified in subsection (a) of this sec-
21 tion, nothing contained in this Act or any regulation there-
22 under shall affect the validity or enforceability of any contract
23 or transaction.

24 (d) No punishment or penalty provided by this Act
25 shall apply to the United States, or any agency thereof, or

90TH CONGRESS
1ST SESSION

S. 5

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

By Mr. PROXMIRE, Mr. BARTLETT, Mr. BREWSTER, Mr. CASE, Mr. CLARK, Mr. DODD, Mr. GRUENING, Mr. HART, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LAUSCHE, Mr. MAGNUSON, Mr. MCGEE, Mr. MONDALE, Mr. MORSE, Mr. MOSS, Mr. NELSON, Mr. PELL, Mr. RANDOLPH, Mr. TYDINGS, Mr. YARBOROUGH, and Mr. YOUNG of Ohio

JANUARY 11, 1967

Read twice and referred to the Committee on
Banking and Currency