

## Calendar No. 378

90TH CONGRESS  
1ST SESSION

# S. 5

[Report No. 392]

---

### IN THE SENATE OF THE UNITED STATES

JANUARY 11, 1967

Mr. PROXMIRE (for himself, 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) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

JUNE 29, 1967

Reported by Mr. PROXMIRE, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

---

## A BILL

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

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 ~~That this Act may be cited as the "Truth in Lending Act".~~

4 **DECLARATION OF PURPOSE**

5 **SEC. 2.** The Congress finds and declares that economic  
6 ~~stabilization~~ would be enhanced and that competition among

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

9

## DEFINITIONS

10 ~~SEC. 3.~~ As used in this Act, the term—

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

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

1       ~~(3)~~ "Finance charge" means the sum of all the charges  
2 incurred by the borrower for the extension or use of credit  
3 and shall include, but not by way of limitation, loan fees,  
4 service and carrying charges, discounts, interest, time price  
5 differentials, and investigators' fees.

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

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

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

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

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

25       ~~(9)~~ "Person" means any individual, corporation, part-

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

6 DISCLOSURE OF FINANCE CHARGES

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

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

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

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

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

24 ~~(5)~~ the total amount to be financed (the sum of  
25 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 describing 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           ~~(e)~~ 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

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

#### 13 Criminal Penalties

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

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

25 ~~(d)~~ No punishment or penalty provided by this Act



1 *costs with a view to promoting the informed use of consumer*  
2 *credit to the benefit of the national economy.*

3 *DEFINITIONS*

4 *SEC. 3. For the purposes of this Act—*

5 *(a) "Board" means the Board of Governors of the*  
6 *Federal Reserve System.*

7 *(b) "Credit" means the right granted by a creditor to*  
8 *a person other than an organization to defer payment of*  
9 *debt or to incur debt and defer its payment, where the debt*  
10 *is contracted by the obligor primarily for personal, family,*  
11 *household, or agricultural purposes. The term does not in-*  
12 *clude any contract in the form of a bailment or lease except*  
13 *to the extent specifically included within the term "consumer*  
14 *credit sale".*

15 *(c) "Consumer Credit Sale" means a transaction in*  
16 *which credit is granted by a seller in connection with the sale*  
17 *of goods or services, if such seller regularly engages in credit*  
18 *transactions as a seller, and such goods or services are pur-*  
19 *chased primarily for a personal, family, household, or agri-*  
20 *cultural purpose. The term does not include any contract in*  
21 *the form of a bailment or lease unless the obligor contracts to*  
22 *pay as compensation for use a sum substantially equivalent to*  
23 *or in excess of the value of the goods or services involved, and*  
24 *unless it is agreed that the obligor is bound to become, or for*  
25 *no other or a merely nominal consideration has the option of*

1 *becoming, the owner of the goods upon full compliance with*  
2 *the provisions of the contract.*

3       *(d)(1) "Finance charge" means the sum of all the*  
4 *charges imposed directly or indirectly by a creditor, and pay-*  
5 *able directly or indirectly by an obligor, as an incident to the*  
6 *extension of credit, including loan fees, service and carrying*  
7 *charges, discounts, interest, time price differentials, investi-*  
8 *gators' fees, costs of any guarantee or insurance protecting the*  
9 *creditor against the obligor's default or other credit loss, and*  
10 *any amount payable under a point, discount, or other system*  
11 *of additional charges.*

12       *(2) If itemized and disclosed under section 4, the term*  
13 *does not include amounts collected by a creditor, or included*  
14 *in the credit, for (A) fees and charges prescribed by law*  
15 *which actually are or will be paid to public officials for deter-*  
16 *mining the existence of or for perfecting or releasing or satis-*  
17 *fying any security related to a credit transaction; (B) taxes;*  
18 *(C) charges or premiums for insurance against loss of or*  
19 *damage to property related to a credit transaction or against*  
20 *liability arising out of the ownership or use of such property;*  
21 *and (D) charges or premiums for credit life and accident*  
22 *and health insurance.*

23       *(3) Where credit is secured in whole or in part by an*  
24 *interest in real property, the term does not include, in addi-*  
25 *tion to the duly itemized and disclosed costs referred to in*

1 clauses (A), (B), (C), and (D) of paragraph (2), the  
2 costs of (i) title examination, title insurance, or correspond-  
3 ing procedures; (ii) preparation of the deed, settlement state-  
4 ment, or other documents; (iii) escrows for future payments  
5 of taxes and insurance; (iv) notarizing the deed and other  
6 documents; (v) appraisal fees; and (vi) credit reports.

7 (e) "Creditor" means any individual, or any partner-  
8 ship, corporation, association, cooperative, or other entity, in-  
9 cluding the United States or any agency or instrumentality  
10 thereof, or any other government or political subdivision or  
11 agency or instrumentality thereof, if such individual or en-  
12 tity regularly engages in credit transactions, whether in  
13 connection with the sale of goods and services or otherwise,  
14 and extends credit for which the payment of a finance  
15 charge is required.

16 (f)(1) "Annual percentage rate" means, for the pur-  
17 poses of sections 4(b) and 4(c), the nominal annual rate  
18 determined by the actuarial method (United States rule).  
19 For purposes of this calculation it may be assumed that:

20 (A) The total time for repayment of the total amount  
21 to be financed is the time from the date of the trans-  
22 action to the date of the final scheduled payment.

23 (B) All payments are equal if every scheduled pay-  
24 ment in the series of payments is equal except one which

1     *may not be more than double any other scheduled pay-*  
2     *ment in the series.*

3             *(C) All payments are scheduled at equal intervals,*  
4     *if all payments are so scheduled except the first payment*  
5     *which may be scheduled to be paid before, on, or after*  
6     *one period from the date of the transaction. A period of*  
7     *time equal to one-half or more of a payment period may*  
8     *be considered one full period.*

9             *(2) The Board may prescribe methods other than the*  
10    *actuarial method, if the Board determines that the use of*  
11    *such other methods will materially simplify computation while*  
12    *retaining reasonable accuracy as compared with the rate*  
13    *determined under the actuarial method.*

14            *(3) For the purposes of section 4(d), the term "equiv-*  
15    *alent annual percentage rate" means the rate or rates com-*  
16    *puted by multiplying the rate or rates used to compute the*  
17    *finance charge for any period by the number of periods in*  
18    *a year.*

19            *(4) Where a creditor imposes the same finance charge*  
20    *for all balances within a specified range, the annual percent-*  
21    *age rate or equivalent annual percentage rate shall be com-*  
22    *puted on the median balance within the range for the pur-*  
23    *poses of sections 4(b), 4(c), and 4(d).*

24            *(g) "Open-end credit plan" means a plan prescribing*

1 *the terms of credit transactions which may be made there-*  
2 *under from time to time and under the terms of which a*  
3 *finance charge may be computed on the outstanding unpaid*  
4 *balance from time to time thereunder.*

5 (h) *“Installment open-end credit plan” means an open-*  
6 *end credit plan which has one or more of the following*  
7 *characteristics: (1) creates a security interest in, or provides*  
8 *for a lien on, or retention of title to, any property (whether*  
9 *real or personal, tangible or intangible), (2) provides for*  
10 *a repayment schedule pursuant to which less than 60 per*  
11 *centum of the unpaid balance at any time outstanding under*  
12 *the plan is required to be paid within twelve months, or*  
13 *(3) provides that amounts in excess of required payments*  
14 *under the repayment schedule are applied to future pay-*  
15 *ments in the order of their respective due dates.*

16 (i) *“First mortgage” means such classes of first liens as*  
17 *are commonly given to secure advances on, or the unpaid*  
18 *purchase price of, real estate under the laws of the State in*  
19 *which the real estate is located.*

20 (j) *“Organization” means a corporation, government*  
21 *or governmental subdivision or agency, business or other*  
22 *trust, estate, partnership, or association.*

23 **DISCLOSURE OF FINANCE CHARGES**

24 **SEC. 4. (a)** *Each creditor shall furnish to each person*  
25 *to whom credit is extended and upon whom a finance charge*



1 is or may be imposed the information required by this  
2 section, in accordance with regulations prescribed by the  
3 Board.

4 (b) This subsection applies to consumer credit sales  
5 other than sales under an open-end credit plan. For each  
6 such sale the creditor shall disclose, to the extent applicable—

7 (1) the cash price of the property or service pur-  
8 chased;

9 (2) the sum of any amounts credited as down-  
10 payment (including any trade-in);

11 (3) the difference between the amounts set forth in  
12 paragraphs (1) and (2);

13 (4) all other charges, individually itemized, which  
14 are included in the amount of the credit extended but  
15 which are not part of the finance charge;

16 (5) the total amount to be financed (the sum of  
17 the amounts disclosed under (3) and (4) above);

18 (6) the amount of the finance charge (such charge,  
19 or a portion of such charge, may be designated as a  
20 time-price differential or as a similar term to the extent  
21 applicable);

22 (7) the finance charge expressed as an annual  
23 percentage rate, if the amount of such charge is \$10.00  
24 or more;

1           (8) the number, amount, and due dates or periods  
2       of payments scheduled to repay the indebtedness; and

3           (9) the default, delinquency, or similar charges pay-  
4       able in the event of late payments.

5       *Except as otherwise hereinafter provided, the disclosure re-*  
6       *quired by this subsection shall be made before the credit is ex-*  
7       *tended. Compliance may be attained by disclosing such infor-*  
8       *mation in the contract or other evidence of indebtedness to be*  
9       *signed by the obligor. Where a seller receives a purchase order*  
10      *by mail or telephone without personal solicitation by a repre-*  
11      *sentative of the seller and the cash price and deferred payment*  
12      *price and the terms of financing, including the annual per-*  
13      *centage rate, are set forth in the seller's catalog or other*  
14      *printed material distributed to the public, the disclosure shall*  
15      *be made on or before the date the first payment is due.*

16      (c) *This subsection applies to extensions of credit other*  
17      *than consumer credit sales or transactions under an open-end*  
18      *credit plan. Any creditor making a loan or otherwise extend-*  
19      *ing credit under this subsection shall disclose, to the extent*  
20      *applicable—*

21           (1) *the amount of credit of which the obligor will*  
22      *have the actual use, or which is or will be paid to him or*  
23      *for his account or to another person on his behalf;*

24           (2) *all charges, individually itemized, which are*

1 included in the amount of the credit extended but which  
2 are not part of the finance charge;

3 (3) the total amount to be financed (the sum of items  
4 (1) and (2) above);

5 (4) the amount of the finance charge;

6 (5) the finance charge expressed as an annual per-  
7 centage rate, if the amount of such charge is \$10.00 or  
8 more;

9 (6) the number, amount, and due dates or periods of  
10 payments scheduled to repay the indebtedness; and

11 (7) the default, delinquency, or similar charges  
12 payable in the event of late payments.

13 Except as otherwise hereinafter provided, the disclosure re-  
14 quired by this subsection shall be made before the credit is  
15 extended. Compliance may be attained by disclosing such in-  
16 formation in the note or other evidence of indebtedness to be  
17 signed by the obligor. Where a creditor receives a request for  
18 an extension of credit by mail or telephone without personal  
19 solicitation by a representative of the creditor and the terms  
20 of financing, including the annual percentage rate for repre-  
21 sentative amounts of credit, are set forth in the creditor's  
22 printed material distributed to the public, or in the contract  
23 of loan or other printed material delivered to the obligor,

1 *the disclosure shall be made on or before the date the first*  
2 *payment is due.*

3 *(d) (1) This subsection applies to open-end credit plans.*

4 *(2) Before opening any account under an open-end*  
5 *credit plan, the creditor shall, to the extent applicable, disclose*  
6 *to the person to whom credit is to be extended—*

7 *(A) the conditions under which a finance charge*  
8 *may be imposed, including the time period, if any, within*  
9 *which any credit extended may be repaid without incur-*  
10 *ring a finance charge;*

11 *(B) the method of determining the balance upon*  
12 *which a finance charge will be imposed;*

13 *(C) the method of determining the amount of the*  
14 *finance charge (including any minimum or fixed amount*  
15 *imposed as a finance charge), the percentage rate per*  
16 *period of the finance charge to be imposed if any, and,*  
17 *in the case of an installment open-end credit plan, the*  
18 *equivalent annual percentage rate; and*

19 *(D) the conditions under which any other charges*  
20 *may be imposed, and the method by which they will be*  
21 *determined.*

22 *(3) For each billing cycle at the end of which there is an*  
23 *outstanding balance under any such account, the creditor*  
24 *shall disclose to the extent applicable—*

1           (A) the outstanding balance in the account at the  
2 beginning of the billing period;

3           (B) the amount and date of each extension of credit  
4 during the period and, if a purchase was involved, a  
5 brief identification (unless previously furnished) of the  
6 goods or services purchased;

7           (C) the total amount credited to the account during  
8 the period;

9           (D) the amount of any finance charge added to the  
10 account during the period, itemized to show the amount,  
11 if any, due to the application of a percentage rate and  
12 the amount, if any, imposed as a minimum or fixed  
13 charge;

14           (E) the balance on which the finance charge was  
15 computed and a statement of how the balance was de-  
16 termined;

17           (F) the rate, if any, used in computing the finance  
18 charge and, in the case of an installment open-end credit  
19 plan, the equivalent annual percentage rate;

20           (G) the outstanding balance in the account at the  
21 end of the period; and

22           (H) the date by which, or the period (if any) within  
23 which, payment must be made to avoid additional finance  
24 charges.

1       (4) *If a creditor adds to this billing under an open-end*  
2 *credit plan one or more installments of other indebtedness*  
3 *from the same obligor, the creditor is not required to dis-*  
4 *close under this subsection any information which has been*  
5 *disclosed previously in compliance with subsection (b) or*  
6 *(c).*

7       (e) *Written acknowledgment of receipt by a person to*  
8 *whom a statement is required to be given pursuant to this*  
9 *section shall be conclusive proof of the delivery thereof and,*  
10 *unless the violation is apparent on the face of the statement,*  
11 *of compliance with this section in any action or proceeding*  
12 *by or against an assignee of the original creditor without*  
13 *knowledge to the contrary by such assignee when he acquires*  
14 *the obligation. Such acknowledgment shall not affect the rights*  
15 *of the obligor in any action against the original creditor.*

16       (f) *If there is more than one obligor, a creditor may*  
17 *furnish a statement of required information to only one of*  
18 *them. Required information need not be given in the sequence*  
19 *or order set forth in this section. Additional information or*  
20 *explanations may be included. So long as it conveys sub-*  
21 *stantially the same meaning, a creditor may use language or*  
22 *terminology in any required statement different from that*  
23 *prescribed by this Act.*

24       (g) *If applicable State law requires disclosure of items*  
25 *of information substantially similar to those required by this*

1       (4) *If a creditor adds to this billing under an open-end*  
2 *credit plan one or more installments of other indebtedness*  
3 *from the same obligor, the creditor is not required to dis-*  
4 *close under this subsection any information which has been*  
5 *disclosed previously in compliance with subsection (b) or*  
6 *(c).*

7       (e) *Written acknowledgment of receipt by a person to*  
8 *whom a statement is required to be given pursuant to this*  
9 *section shall be conclusive proof of the delivery thereof and,*  
10 *unless the violation is apparent on the face of the statement,*  
11 *of compliance with this section in any action or proceeding*  
12 *by or against an assignee of the original creditor without*  
13 *knowledge to the contrary by such assignee when he acquires*  
14 *the obligation. Such acknowledgment shall not affect the rights*  
15 *of the obligor in any action against the original creditor.*

16       (f) *If there is more than one obligor, a creditor may*  
17 *furnish a statement of required information to only one of*  
18 *them. Required information need not be given in the sequence*  
19 *or order set forth in this section. Additional information or*  
20 *explanations may be included. So long as it conveys sub-*  
21 *stantially the same meaning, a creditor may use language or*  
22 *terminology in any required statement different from that*  
23 *prescribed by this Act.*

24       (g) *If applicable State law requires disclosure of items*  
25 *of information substantially similar to those required by this*

1 *Act, then a creditor who complies with such State law may*  
2 *comply with this Act by disclosing only the additional items*  
3 *of information required by this Act.*

4 *(h) If information disclosed in accordance with this*  
5 *section and any regulations prescribed by the Board is sub-*  
6 *sequently rendered inaccurate as the result of a prepayment,*  
7 *late payment, adjustment, or amendment of the credit agree-*  
8 *ment through mutual consent of the parties or as permitted*  
9 *by law, or as the result of any act or occurrence subsequent*  
10 *to the delivery of the required disclosures, the inaccuracy re-*  
11 *sulting therefrom shall not constitute a violation of this section.*

12 *(i) (1) Subject to paragraph (2)—*

13 *(A) whenever an annual percentage rate is re-*  
14 *quired to be disclosed by this section, such rate may be*  
15 *expressed either as a percentage rate per year, or as a*  
16 *dollars per hundred per year rate of the average unpaid*  
17 *balance; and*

18 *(B) whenever a rate other than an annual rate is*  
19 *used to compute a finance charge and is required to be*  
20 *disclosed under subsection (d), such rate may be ex-*  
21 *pressed either as a percentage rate per period of the bal-*  
22 *ance upon which the finance charge is computed, or as a*  
23 *dollars per hundred per period rate of such balance.*

24 *(2) On and after January 1, 1972, all rates required*



1 to be disclosed by this section shall be expressed as percentage  
2 rates.

3 **REGULATIONS**

4 *SEC. 5. (a) The Board shall prescribe regulations to*  
5 *carry out this Act, including provisions—*

6 *(1) describing the methods which may be used in*  
7 *determining annual percentage rates under section 4,*  
8 *including, but not limited to, the use of any rules, charts,*  
9 *tables, or devices by creditors to convert to an annual*  
10 *percentage rate any add-on, discount or other method of*  
11 *computing a finance charge;*

12 *(2) prescribing procedures to ensure that the in-*  
13 *formation required to be disclosed under section 4 is set*  
14 *forth clearly and conspicuously; and*

15 *(3) prescribing reasonable tolerances of accuracy*  
16 *with respect to disclosing information under section 4.*

17 *(b) In prescribing regulations with respect to reasonable*  
18 *tolerances of accuracy as required by subsection (a)(3), the*  
19 *Board shall observe the following limitations:*

20 *(1) The annual percentage rate may be rounded*  
21 *to the nearest quarter of 1 per centum for credit transac-*  
22 *tions payable in substantially equal installments when*  
23 *a creditor determines the total finance charge on the*  
24 *basis of a single add-on, discount, periodic, or other*  
25 *rate, and such rates are converted into an annual*

1     *percentage rate under procedures prescribed by the*  
2     *Board.*

3             *(2) The use of rate tables or charts may be author-*  
4     *ized in cases where the total finance charge is determined*  
5     *in a manner other than that specified in paragraph*  
6     *(1). Such tables or charts may provide for the dis-*  
7     *closure of annual percentage rates which vary up to 8*  
8     *per centum of the rate as defined by section 3(f). How-*  
9     *ever, any creditor who willfully and knowingly uses*  
10    *such tables or charts in such a manner so as to con-*  
11    *sistently understate the annual percentage rate, as defined*  
12    *by section 3(f), shall be liable for criminal penalties*  
13    *under section 7(b) of this Act.*

14            *(3) In the case of creditors determining the annual*  
15    *percentage rate in a manner other than as described*  
16    *in paragraph (1) or (2), the Board may authorize*  
17    *other reasonable tolerances.*

18            *(4) In order to simplify compliance where irreg-*  
19    *ular payments are involved, the Board may authorize*  
20    *tolerances greater than those specified in paragraph (2).*

21            *(c) Any regulation prescribed hereunder may contain*  
22    *such classifications and differentiations and may provide for*  
23    *such adjustments and exceptions from this Act or the regu-*  
24    *lations thereunder for any class of transactions, as in the*  
25    *judgment of the Board are necessary or proper to effectuate*

1 *the purposes of this Act or to prevent circumvention or*  
2 *evasion of, or to facilitate compliance by creditors with,*  
3 *this Act or any regulation issued hereunder. In prescribing*  
4 *exceptions, the Board may consider, among other things,*  
5 *whether any class of transactions is subject to any State law*  
6 *or regulation which requires disclosures substantially similar*  
7 *to those required by section 4.*

8 *(d) In the exercise of its powers under this Act, the*  
9 *Board may request the views of other Federal agencies which*  
10 *in its judgment exercise regulatory functions with respect*  
11 *to any class of creditors, and such agencies shall furnish*  
12 *such views upon request of the Board.*

13 *(e) The Board shall establish an advisory committee,*  
14 *to advise and consult with it in the exercise of its powers*  
15 *under this Act. In appointing such members to such com-*  
16 *mittee the Board shall seek to achieve a fair representation*  
17 *of the interests of sellers of merchandise on credit, lenders,*  
18 *and the public. Such committee shall meet from time to time*  
19 *at the call of the Board, and members thereof shall be paid*  
20 *transportation expenses and not to exceed \$100 per diem.*

21 **EFFECT ON STATE LAWS**

22 *SEC. 6. (a) This Act shall not be construed to annul,*  
23 *alter or affect, or to exempt any creditor from complying*  
24 *with, the laws of any State relating to the disclosure of*  
25 *information in connection with credit transactions, except*

1 to the extent that such laws are inconsistent with the provi-  
2 sions of this Act, or regulations issued thereunder, and then  
3 only to the extent of the inconsistency. This Act shall not  
4 otherwise be construed to annul, alter or affect in any manner  
5 the meaning, scope or applicability of the laws of any  
6 State, including, but not limited to, laws relating to the  
7 types, amounts or rates of charges, or any element or elements  
8 of charges, permissible under such laws in connection with the  
9 extension or use of credit, nor to extend the applicability of  
10 such laws to any class of persons or transactions to which such  
11 laws would not otherwise apply, nor shall the disclosure of  
12 the annual percentage rate in connection with any consumer  
13 credit sale as required by this Act be evidence in any action  
14 or proceeding that such sale was a loan or any transaction  
15 other than a credit sale.

16 (b) The Board shall by regulation exempt from the  
17 requirements of this Act any class of credit transactions which  
18 it determines are subject to any State law or regulation which  
19 requires disclosures substantially similar to those required  
20 by section 4, and contains adequate provisions for enforce-  
21 ment.

22 (c) Except as specified in section 7, nothing contained in  
23 this Act or any regulations issued thereunder shall affect the  
24 validity or enforceability of any contract or obligation under  
25 State or Federal law.

1                    *CIVIL AND CRIMINAL PENALTIES*

2            *SEC. 7. (a) (1) Any creditor who, in connection with*  
3 *any credit transaction, knowingly fails in violation of this*  
4 *Act, or any regulation issued thereunder, to disclose any*  
5 *information to any person to whom such information is*  
6 *required to be given shall be liable to such person in the*  
7 *amount of \$100, or in any amount equal to twice the finance*  
8 *charge required by such creditor in connection with such*  
9 *transaction, whichever is the greater, except that such lia-*  
10 *bility shall not exceed \$1,000 on any credit transaction.*

11            *(2) In any action brought under this subsection in which*  
12 *it is shown that the creditor disclosed a percentage rate or*  
13 *amount less than that required to be disclosed by section 4 or*  
14 *regulations prescribed by the Board (after taking into ac-*  
15 *count permissible tolerances), or failed to disclose information*  
16 *so required, there shall be a rebuttable presumption that such*  
17 *violation was made knowingly. Such presumption shall be*  
18 *rebutted if the creditor shows by a preponderance of evidence*  
19 *that the violation was not intentional and resulted from a*  
20 *bona fide error notwithstanding the maintenance of proce-*  
21 *dures reasonably adapted to avoid any such error: Provided,*  
22 *That a creditor shall have no liability under this subsection if*  
23 *within fifteen days after discovering the error, and prior to*  
24 *the institution of an action hereunder or the receipt of writ-*  
25 *ten notice of the error, the creditor notifies the person con-*

1 *cerned of the error and makes whatever adjustments in the*  
2 *appropriate account as are necessary to ensure that such*  
3 *person will not be required to pay a finance charge in excess*  
4 *of the amount or percentage rate so disclosed.*

5 *(3) Any action under this subsection may be brought in*  
6 *any court of competent jurisdiction within one year from the*  
7 *date of the occurrence of the violation. In any such action in*  
8 *which a person is entitled to recover a penalty as prescribed*  
9 *in paragraph (1), the defendant shall also be liable for*  
10 *reasonable attorneys' fees and court costs as determined by*  
11 *the court.*

12 *(4) As used in this subsection, the term "court of com-*  
13 *petent jurisdiction" means either any Federal court of com-*  
14 *petent jurisdiction regardless of the amount in controversy,*  
15 *or any State court of competent jurisdiction.*

16 *(b) Any person who knowingly and willfully gives*  
17 *false or inaccurate information or fails to provide informa-*  
18 *tion required to be disclosed under the provisions of this Act*  
19 *or any regulation issued thereunder, or who otherwise know-*  
20 *ingly and willfully violates any provision of this Act or any*  
21 *regulation issued thereunder, shall be fined not more than*  
22 *\$5,000 or imprisoned not more than one year, or both. The*  
23 *responsibility for enforcing this subsection is hereby assigned*  
24 *to the Attorney General.*

1       (c) *No punishment or penalty provided by this Act shall*  
2 *apply to the United States, or any agency thereof, or to any*  
3 *State, any political subdivision thereof, or any agency of any*  
4 *State or political subdivision.*

5       (d) *No person shall be subject to punishment or penalty*  
6 *under this Act solely as the result of the disclosure of a*  
7 *finance charge or percentage which is greater than the amount*  
8 *of such charge or percentage required to be disclosed by such*  
9 *person under section 4, or regulations prescribed by the*  
10 *Board.*

11                                   *EXCEPTIONS*

12       *SEC. 8. The provisions of this Act shall not apply to—*

13               (1) *credit transactions involving extensions of credit*  
14 *for business or commercial purposes, or to governments*  
15 *or governmental agencies or instrumentalities, or to orga-*  
16 *nizations; or*

17               (2) *transactions in securities or commodities in ac-*  
18 *counts by a broker-dealer registered with the Securities*  
19 *and Exchange Commission;*

20               (3) *credit transactions, other than real property*  
21 *transactions, in which the total amount to be financed*  
22 *exceeds \$25,000; or*

23               (4) *transactions involving extensions of credit se-*  
24 *cured by first mortgages on real estate.*

## REPORTS

1  
2       *SEC. 9. Not later than January 3 of each year com-*  
3 *mencing after the effective date of this Act, the Board of*  
4 *Governors of the Federal Reserve System and the Attorney*  
5 *General shall, respectively, make reports to the Congress con-*  
6 *cerning the administration of their functions under this Act,*  
7 *including such recommendations as the Board and the Attor-*  
8 *ney General, respectively, deem necessary or appropriate.*  
9 *In addition, reports of the Board of Governors of the Federal*  
10 *Reserve System shall include the Board's assessment of the*  
11 *extent to which compliance with the provisions of this Act,*  
12 *and regulations prescribed thereunder, is being achieved.*

## EFFECTIVE DATE

13  
14       *SEC. 10. The provisions of this Act shall take effect upon*  
15 *July 1, 1969; except that section 5 shall take effect immedi-*  
16 *ately upon enactment.*



Calendar No. 378

90TH CONGRESS  
1ST SESSION

**S. 5**

[Report No. 392]

---

---

## 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

JUNE 29, 1967

Reported with an amendment