IN THE SENATE OF THE UNITED STATES

April 27, 1961

Mr. Douglas (for himself, Mr. Proxmire, Mrs. Neuberger, Mr. Clark, Mr. Lausche, Mr. Case of New Jersey, Mr. Magnuson, Mr. Jackson, Mr. Yarborough, Mr. Young of Ohio, Mr. McNamara, Mr. Church, Mr. Morse, Mr. Gruening, Mr. McGee, Mr. Cannon, Mr. Hart, Mr. Bartlett, Mr. Long of Hawaii, Mr. Burdick, Mr. Smith of Massachusetts, and Mr. Long of Louisiana) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions 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 is threatened when credit is used excessively for
7. the acquisition of property and services. The excessive use
8. of credit results frequently from a lack of awareness of the
cost thereof to the user. It is the purpose of this Act to assure a full disclosure of such cost with a view to preventing the uninformed use of credit to the detriment of the national economy.

DEFINITIONS

Sec. 3. As used in this Act, the term—

(1) “Board” means the Board of Governors of the Federal Reserve System.

(2) “Credit” means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale, or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(3) “Finance charge” includes interest, fees, service charges, discounts, and such other charges incident to the extension of credit as the Board may by regulation prescribe.

(4) “Creditor” means any person engaged in the bus-
1 iness of extending credit (including any person who as a
2 regular business practice makes loans or sells or rents prop-
3 erty or services on a time, credit, or installment basis, either
4 as principal or as agent) who requires, as an incident to the
5 extension of credit, the payment of a finance charge.
6 (5) "Person" means any individual, corporation, part-
7 nership, association, or other organized group of persons,
8 or the legal successor or representative of the foregoing, and
9 includes the United States or any agency thereof, or any
10 other government, or any of its political subdivisions, or
11 any agency of the foregoing.

DISCLOSURE OF FINANCE CHARGES

SEC. 4. Any creditor shall furnish to each person to
whom credit is extended, prior to the consummation of the
transaction, a clear statement in writing setting forth, to
the extent applicable and in accordance with rules and regu-
lations prescribed by the Board, the following information—

(1) the cash price or delivered price of the property
or service to be acquired;

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

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

(4) the charges, individually itemized, which are
paid or to be paid by such person in connection with the
transaction but which are not incident to the extension of credit;

(5) the total amount to be financed;

(6) the finance charge expressed in terms of dollars and cents; and

(7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

REGULATIONS

SEC. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Any rule or regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder. In prescribing any exceptions hereunder with respect to any particular type of credit transaction, the Board shall consider whether in such transactions compliance with the disclosure requirements of this Act is being achieved under any other Act of Congress. The Board shall exempt those credit transactions between business firms as to which it deter-
5

mines adherence to the disclosure requirements of this Act is not necessary to carry out the purpose of this Act.

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

EFFECT ON STATE LAWS

Sec. 6. (a) This Act shall not be construed to annul, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are directly inconsistent with the provisions of this Act.

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

PENALTIES

Sec. 7. (a) Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Act or any regulation issued
thereunder shall be liable to such person in the amount of $100, or in an amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed $2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any action under this subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorneys' fees and court costs as determined by the court. As used in this subsection, the term “court of competent jurisdiction” means either any Federal court of competent jurisdiction regardless of the amount in controversy or any State court of competent jurisdiction.

(b) Except as specified in subsection (a) of this section, nothing contained in this Act or any regulation thereunder shall affect the validity or enforceability of any contract or transaction.

(c) Any person who willfully violates any provision of this Act or any regulation issued thereunder shall be fined not more than $5,000 or imprisoned not more than one year, or both.

(d) No punishment or penalty provided by this Act shall apply to the United States, or any agency thereof, or
to any State, any political subdivision thereof, or any agency of any State or political subdivision.

(e) A final judgment hereafter rendered in any criminal proceeding brought by or on behalf of the United States under this Act to the effect that a defendant has willfully violated this Act shall be prima facie evidence against such defendant in an action or proceeding brought by any other party against such defendant under this Act or by the United States under this Act as to all matters respecting which said judgment would be an estoppel as between the parties thereto.

EFFECTIVE DATE

SEC. 8. This Act shall become effective on January 1, 1963.