

IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 1963

Mr. RYAN of New York introduced the following bill: which was 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 by the untimely use of credit for
7 the acquisition of property and services. The untimely use
8 of credit results frequently from a lack of awareness of the

1 cost thereof to the user. It is the purpose of this Act to
2 assure a full disclosure of such cost with a view to preventing
3 the unformed use of credit to the detriment of the national
4 economy.

5 DEFINITIONS

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

7 (1) "Board" means the Board of Governors of the Fed-
8 eral Reserve System.

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

22 (3) "Finance charge" means the sum of all the charges
23 (including but not limited to interest, fees, service charges,
24 and discounts) which any person to whom credit is extended

1 incurs in connection with, and as an incident to, the extension
2 of such credit.

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

9 (5) "Person" means any individual, corporation, part-
10 nership, association, or other organized group of persons, or
11 the legal successor or representative of the foregoing, and
12 includes the United States or any agency thereof, or any
13 other government, or any of its political subdivisions, or any
14 agency of the foregoing.

15 DISCLOSURE OF FINANCE CHARGES

16 SEC. 4. (a) Except as provided in subsection (b),
17 any creditor shall furnish to each person to whom credit is
18 extended, prior to the consummation of the transaction, a
19 clear statement in writing setting forth, to the extent ap-
20 plicable and in accordance with rules and regulations pre-
21 scribed by the Board, the following information—

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

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

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

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

7 (5) the total amount to be financed ;

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

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

14 (b) Any creditor agreeing to extend credit to any person
15 pursuant to a revolving or open-end credit plan shall, in
16 accordance with rules and regulations prescribed by the Board
17 and in lieu of the information described in subsection (a) —

18 (1) furnish to such person, prior to agreeing to
19 extend credit under such plan, a clear statement in writ-
20 ing setting forth the simple annual percentage rate or
21 rates at which a finance charge will be imposed; and

22 (2) furnish to such person, at the end of each
23 monthly period (which need not be a calendar month)
24 following the entering into of any such agreement, a
25 clear statement in writing setting forth—

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

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

10 (C) the total amount received from, or credited
11 to the account of, such person during such period;

12 (D) the finance charge (in dollars and cents)
13 required for such period;

14 (E) the outstanding balance in the account of
15 such person as of the end of such monthly period;
16 and

17 (F) the simple annual percentage rate or rates
18 providing a yield equal to the finance charge imposed.

19 As used in this subsection, the term "revolving or open-end
20 credit plan" means a credit plan under which the total
21 amount of credit to be utilized, the dollar amount of the
22 finance charge to be assessed, and the amounts and times of
23 repayment are not specified at the time an agreement to ex-
24 tend credit pursuant to such plan is entered into.

REGULATIONS

1
2 SEC. 5. (a) The Board shall prescribe such rules and
3 regulations as may be necessary or proper in carrying out the
4 provisions of this Act. Such rules and regulations shall (1)
5 include a description of (A) the methods which may be used
6 in determining the "simple annual rate" or "simple annual
7 percentage rates" for the purpose of section 4, and (B) the
8 size of type or lettering which shall be used in setting forth
9 information required by such section, and (2) require that
10 such information be set forth with sufficient prominence to
11 insure that it will not be overlooked by the person to whom
12 credit is extended. Any rule or regulation prescribed here-
13 under may contain such classifications and differentiations,
14 and may provide for such adjustments and exceptions as in
15 the judgment of the Board are necessary or proper to effectu-
16 ate the purposes of this Act or to prevent circumvention or
17 evasion, or to facilitate the enforcement of this Act, or any
18 rule or regulation issued thereunder. In prescribing any ex-
19 ceptions hereunder with respect to any particular type of
20 credit transaction, the Board shall consider whether in such
21 transactions compliance with the disclosure requirements of
22 this Act is being achieved under any other Act of Congress.
23 The Board shall exempt those credit transactions involving
24 extensions of credit to business firms, governments, or gov-
25 ernmental agencies or instrumentalities as to which it deter-

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

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

9 **EFFECT ON STATE LAWS**

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

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

21 **PENALTIES**

22 **SEC. 7.** (a) Any creditor who in connection with any
23 credit transaction fails to disclose to any person any informa-
24 tion in violation of this Act or any regulation issued there-
25 under shall be liable to such person in the amount of \$100,

1 or in an amount equal to twice the finance charge required
2 by such creditor in connection with such transaction, which-
3 ever is the greater, except that such liability shall not exceed
4 \$2,000 on any credit transaction. Action to recover such
5 penalty may be brought by such person within one year
6 from the date of the occurrence of the violation, in any court
7 of competent jurisdiction. In any such action, no person
8 shall be entitled to recover such penalty solely as the result
9 of the erroneous computation of any percentage required by
10 section 4 (a) (7), 4 (b) (1), or 4 (b) (2) (F) of this Act to
11 be disclosed to such person, if the percentage disclosed to such
12 person pursuant to this Act was in fact greater than the per-
13 centage required by such section to be disclosed. In any
14 action under this subsection in which any person is entitled
15 to a recovery, the creditor shall be liable for reasonable
16 attorneys' fees and court costs as determined by the court.
17 As used in this subsection, the term "court of competent
18 jurisdiction" means either any Federal court of competent
19 jurisdiction regardless of the amount in controversy or any
20 State court of competent jurisdiction.

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

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

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

9 EFFECTIVE DATE

10 SEC. 8. This Act shall become effective on January 1,
11 1964.