IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1965

Mr. CYAN 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 Representatives of the United States of America in Congress assembled,

2 That this Act may be cited as the "Truth in Lending Act".

3 SEC. 2. The Congress finds and declares that economic stabilization is threatened by the untimely use of credit for the acquisition of property and services. The untimely use 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 uniformed 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" means the sum of all the charges (including but not limited to interest, fees, service charges, and discounts) which any person to whom credit is extended
incurs in connection with, and as an incident to, the extension of such credit.

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

(5) "Person" means any individual, corporation, partnership, association, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing.

DISCLOSURE OF FINANCE CHARGES

Sec. 4. (a) Except as provided in subsection (b), 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 regulations 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 average outstanding unpaid balance of the obligation. 

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

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

(2) furnish to such person, at the end of each monthly period (which need not be a calendar month) following the entering into of any such agreement, a clear statement in writing setting forth—
(A) the outstanding balance in the account of such person as of the beginning of such monthly period;

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

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

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

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

and

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

As used in this subsection, the term "revolving or open-end credit plan" means a credit plan under which the total amount of credit to be utilized, the dollar amount of the finance charge to be assessed, and the amounts and times of repayment are not specified at the time an agreement to extend credit pursuant to such plan is entered into.
The Board shall examine those credit transactions involving transactions commenced with the disclosure requirements of credit transactions, the Board shall consider whether in such exceptions hereunder with respect to any particular type of rule or regulation issued hereunder. In prescribing any exception or regulation, or to facilitate the enforcement of this Act, or any provision, or in any manner to prevent circumvention of the purposes of this Act or to prevent circumvention of the intent of the Board are necessary to proper to effectuate and may provide for such qualifications and exceptions as in under any condition such circumstances and differentiations, credit is extended, any rule or regulation prescribed here- such information be set forth with sufficient prominence to information required by such section, and (8) require that information required by section 4, and (b) the percentage rules for the purpose of section 4, and (c) the determination the "simple annual rate" or "simple annual interest at a rate that shall be used in setting forth the provisions of this Act, such rules and regulations shall (1) include a description of (v) the methods which may be used (2) regulations as may be necessary or proper in carrying out the requirements of (6) the Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the requirements of (2) the Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the requirements of (6) the Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the requirements of (2) the Board shall prescribe such rules and
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 such action, no person shall be entitled to recover such penalty solely as the result of the erroneous computation of any percentage required by section 4 (a) (7), 4 (b) (1), or 4 (b) (2) (F) of this Act to be disclosed to such person, if the percentage disclosed to such person pursuant to this Act was in fact greater than the percentage required by such section to be disclosed. 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 enforcibility 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.

EFFECTIVE DATE

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