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. Gurney, Mr. Hart, Mr. Inouye, Mr. Kennedy of Massachusetts, Mr. Kennedy of New York, Mr. Lauterer, Mr. Magnuson, Mr. McGurn, Mr. Mondale, Mr. Morse, Mr. Mondale, Mr. Perlow, Mr. Randolph, Mr. Tydings, Mr. Young of Ohio) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

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

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 Representatives of the United States of America in Congress assembled,

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

3 DECLARATION OF PURPOSE

4 SEC. 2. The Congress finds and declares that economic stabilization would be enhanced and that competition among

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the various financial institutions and other firms engaged in
lending or the extension of credit would be strengthened
by the informed use of credit for the acquisition of property
and services. The informed use of credit results from an
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 promoting the informed use of credit to the benefit
of the national economy.

DEFINITIONS

Sec. 8. 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 serv-
ices, 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 incurred by the borrower for the extension or use of credit and shall include, but not by way of limitation, loan fees, service and carrying charges, discounts, interest, time price differentials, and investigators' fees.

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

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

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

(7) "Period" means the time interval between the payments specified in the credit agreement for repayment of the total amount to be financed.

(8) "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.

(9) "Person" means any individual, corporation, part-
1. membership, 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.

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 appli-
cable and ascertainable and in accordance with rules and
regulations prescribed by the Board, the following infor-
mation—

(1) the cash price or delivered price of the prop-
erty 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 ex-
tension of credit;

(5) the total amount to be financed (the sum of
the amounts set forth under (3) and (4); above);
(6) the finance charge in dollars and cents;
(7) the finance charge expressed as an annual percentage rate to be computed as set forth in section 3(5);
(8) the time and amount of payments scheduled to repay the indebtedness; and
(9) the terms applicable in the event of advanced or delayed payments from those specified in (8) above.
(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—
(1) furnish to such person, prior to agreeing to extend credit under such plan, a clear statement in writing setting forth the following information:
   (i) the periodic dates of the balances against which a finance charge will be imposed;
   (ii) the percentage rate per period of the finance charge to be imposed; and
   (iii) the periodic rate of finance charge expressed as an annual percentage rate.
(2) furnish to such person, as of the end of each period following the entering into of any such agreement, a clear statement in writing setting forth to the extent applicable and ascertainable—
(A) the outstanding balance in the account of such person as of the beginning of such 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 and, unless previously furnished, 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 outstanding unpaid balance in the account of such person as of the end of such period;

(E) the annual percentage rate used to compute the finance charge for such period;

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

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

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

(e) If information disclosed in accordance with this
section and any regulations prescribed by the Board is subsequen\n
tly rendered inaccurate as the result of a prepayment,
late payment, or other adjustment in the credit agreement
through mutual consent of the parties, the inaccuracy result-
ing therefrom shall not constitute a violation of this section.

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. Such rules and regulations shall
(1) include a description of (A) the methods which may
be used in determining the annual percentage rate for the
purpose of section 4, and (B) the size of type or lettering
which shall be used in setting forth information required by
such section; (2) prescribe reasonable tolerances of accuracy
with respect to disclosing information under such section;
and (3) require that such information be set forth in bold
type and with sufficient prominence to insure that it will
not be overlooked by the person to whom credit is extended.
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.

(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.

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

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 con-
connection with credit transactions, except to the extent that
such laws are directly inconsistent with the provisions of
this Act or regulations issued thereunder.

(b) The Board shall by regulation exempt 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.

CIVIL AND CRIMINAL PENALTIES

Civil Penalties

Sec. 7. (a) Any creditor who in connection with any
credit transactions fails to disclose to any person any infor-
mation in violation of this Act or any regulation issued there-
under shall be liable to such person in the amount of $100,
or in any amount equal to twice the finance charge required
by such creditor in connection with such transaction, which-
ever 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
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section 4(a)(7), 4(b)(1), or 4(b)(2)(E) 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, or by the regulations prescribed by the Board, 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.

Criminal Penalties

(b) Any person who gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this Act or any regulation issued thereunder or who otherwise 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.

(c) 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.

(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.

EXCEPTIONS

Sec. 8. The provisions of this Act shall not apply to—

(1) credit transactions involving extensions of credit to business firms as such, governments, or governmental agencies or instrumentalities; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission.

EFFECTIVE DATE

Sec. 9. The provisions of this Act shall take effect upon the expiration of one hundred and eighty days after the date of its enactment; except that section 5 shall take effect immediately.

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

DECLARATION OF PURPOSE

Sec. 2. The Congress finds and declares that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the costs thereof by consumers. It is
the purpose of this Act to assure a full disclosure of such costs with a view to promoting the informed use of consumer credit to the benefit of the national economy.

DEFINITIONS

Sec. 3. For the purposes of this Act—

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

(b) "Credit" means the right granted by a creditor to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term "consumer credit sale".

(c) "Consumer Credit Sale" means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of
becoming, the owner of the goods upon full compliance with
the provisions of the contract.

(d)(1) “Finance charge” means the sum of all the
charges imposed directly or indirectly by a creditor, or payable
directly or indirectly by an obligor, as an incident to the
extension of credit, including loan fees, service and carrying
charges, discounts, interest, time price differentials, investiga-
tors' fees, costs of any guarantee or insurance protecting the
creditor against the obligor's default or other credit loss, and
any amount payable under a point, discount, or other system
of additional charges.

(2) If itemized and disclosed under section 4, the term
does not include amounts collected by a creditor, or included
in the credit, for (A) fees and charges prescribed by law
which actually are or will be paid to public officials for per-
factoring or releasing or satisfying any security related to a
credit transaction; (B) taxes; (C) charges or premiums for
insurance against loss of or damage to property related to a
credit transaction or against liability arising out of the owner-
ship or use of such property; or (D) if a clear and specific
statement is furnished to the obligor that such insurance is
optional and is not required as a condition for obtaining the
credit, credit life and accident and health insurance. If credit
life or accident and health insurance is required as a condi-
tion for obtaining the credit, such term shall include any part
of the amount required to be paid for such insurance which
represents a fee or commission payable, directly or indirectly,
to the creditor or for the benefit of the creditor.

(3) Where credit is secured in whole or in part by an
interest in real property, the term does not include, in addition
to the duly itemized and disclosed costs referred to in
clauses (A), (B), (C), and (D) of paragraph (2), the
costs of (i) title examination, title insurance, or corresponding
procedures; (ii) preparation of the deed, settlement statement,
or other documents; (iii) escrows for future payments
of taxes and insurance; (iv) notarizing the deed and other
documents; (v) appraisal fees; and (vi) credit reports.

(e) "Creditor" means any individual, or any partnership,
corporation, association, cooperative, or other entity, includ-
ing the United States or any agency or instrumentality
thereof, or any other government or political subdivision or
agency or instrumentality thereof, if such individual or en-
tity regularly engages in credit transactions, whether in
connection with the sale of goods and services or otherwise,
and extends credit for which the payment of a finance
charge is required.

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

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

(B) All payments are equal if every scheduled pay-
ment in the series of payments is equal except one which
may not be more than double any other scheduled pay-
ment in the series.

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

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

(3) For the purposes of section 4 (d), the term "equi-

valent annual percentage rate" means the rate or rates com-
puted by multiplying the rate or rates used to compute the
finance charge for any period by the number of periods in
a year.

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

(g) "Open-end credit plan" means a plan prescribing
the terms of credit transactions which may be made there-
under from time to time and under the terms of which a
finance charge may be computed on the outstanding unpaid
balance from time to time thereunder.

(h) "Installment open-end credit plan" means an open-
end credit plan which has one or more of the following
characteristics: (1) creates a security interest in, or provides
for a lien on, or retention of title to, any property (whether
real or personal, tangible or intangible), (2) provides for
a repayment schedule pursuant to which more than 60 per
centum of the unpaid balance at any time outstanding under
the plan is not required to be paid within twelve months, or
(3) provides that amounts in excess of required payments
under the repayment schedule are applied to future pay-
ments in the order of their respective due dates.

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

DISCLOSURE OF FINANCE CHARGES

Sec. 4. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

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

(1) the cash price of the property or service purchased;

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) the amount of the finance charge;

(5) the finance charge expressed as an annual percentage rate;

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

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

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms
of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due.

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

(2) Before opening any account under an open-end credit plan, the creditor shall disclose to the person who seeks to open the account—

(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

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

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

(D) the conditions under which any other charges may be imposed, and the method by which they will be determined.
For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose—

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

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

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

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

(E) the balance on which the finance charge was computed and a statement of how the balance was determined;

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

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

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

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

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

(g) If applicable State law requires disclosure of items of information substantially similar to those required by this Act, then a creditor who complies with such State law may comply with this Act by disclosing only the additional items of information required by this Act.

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

(i) Whenever a creditor is required under this section
to disclose a finance charge which includes any fee or com-
mission for credit life or accident and health insurance, he
shall, under procedures to be prescribed by the Board, dis-
close—

(1) the amount by which such finance charge is in-
creased as a result of the inclusion of such fee or com-
mission; and

(2) the total cost of such insurance.

(j)(1) Subject to paragraph (2)—

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

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

(2) On and after January 1, 1972, all rates required
to be disclosed by this section, shall be expressed as percentage
rates.

REGULATIONS

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

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

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

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

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

(1) The annual percentage rate may be rounded
to the nearest quarter of 1 per centum for credit transac-
tions payable in substantially equal installments when
a creditor determines the total finance charge on the
basis of a single add-on, discount, periodic, or other
rate, and such rates are converted into an annual
percentage rate under procedures prescribed by the
Board.

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

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

(4) In order to simplify compliance where irreg-
ular payments are involved, the Board may authorize
tolerances greater than those specified in paragraph (2).
(c) Any regulation prescribed hereunder may contain
such classifications and differentiations and may provide for
such adjustments and exceptions from this Act or the regu-
lations thereunder for any class of transactions, as in the
judgment of the Board are necessary or proper to effectuate
the purposes of this Act or to prevent circumvention or
evasion of, or to facilitate compliance by creditors with,
this Act or any regulation issued hereunder. In prescribing
exceptions, the Board may consider, among other things,
whether any class of transactions is subject to any State law
or regulation which requires disclosures substantially similar
to those required by section 4.

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

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

Section 6. (a) This Act shall not be construed to annul, alter or affect, 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 inconsistent with the provisions of this Act, or regulations issued thereunder, and then only to the extent of the inconsistency. This Act shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this Act be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

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

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

CIVIL AND CRIMINAL PENALTIES

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

(2) In any action brought under this subsection in which
it is shown that the creditor disclosed a percentage rate or
amount less than that required to be disclosed by section 4 or
regulations prescribed by the Board (after taking into ac-
count permissible tolerances), or failed to disclose information
so required, there shall be a rebuttable presumption that such
violation was made knowingly. Such presumption shall be
rebutted if the creditor shows by a preponderance of evidence
that the violation was not intentional and resulted from a
bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error: Provided, That a creditor shall have no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that such person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

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

(4) 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) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this Act or any regulation issued thereunder, or who otherwise know-
ingly and 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. The responsibility for enforcing this subsection is hereby assigned to the Attorney General.

(c) 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.

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

EXCEPTIONS

Sec. 8. The provisions of this Act shall not apply to—

(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments, or to governmental agencies or instrumentalities; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission;

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

(4) transactions involving extensions of credit secured by first mortgages on real estate.

REPORTS

Sec. 9. Not later than January 3 of each year commencing after the effective date of this Act, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this Act, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this Act, and regulations prescribed thereunder, is being achieved.

EFFECTIVE DATE

Sec. 10. The provisions of this Act shall take effect upon July 1, 1969; except that section 5 shall take effect immediately upon enactment.
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. Dorgo, Mr. Gruening, Mr. Hart, Mr. Inouye, Mr. Kennedy of Massachusetts, Mr. Kennedy of New York, Mr. Lausche, Mr. Magnuson, Mr. McGhee, 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