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. INOUYE, 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. RANDEPH, Mr. TYDINGS, Mr. YARBOUGH, and Mr. YOUNG of Ohio) 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 extension of credit.

1 Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,

2 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 a mong the various financial institutions and other firms engaged in

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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. 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
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, 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 ascertainable 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 downpayment 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 (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 prescribing 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.

(c) 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, or other adjustment in the credit agreement
through mutual consent of the parties, the inaccuracy resulting 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-
section 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 information in violation of this Act or any regulation issued thereunder 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 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)(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 attor-
neys' fees and court costs as determined by the court. As
used in this subsection, the term “court of competent juris-
diction” means either any Federal court of competent juris-
diction regardless of the amount in controversy or any State
court of competent jurisdiction.

Criminal Penalties

(b) Any person who gives false or inaccurate informa-
tion 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 sec-
tion, nothing contained in this Act or any regulation there-
under 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 govern-
mental agencies or instrumentalities; or
(2) transactions in securities or commodities in
accounts by a broker-dealer registered with the Secu-
rities 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.
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By Mr. Proxmire, Mr. Bartlett, Mr. Bristow, Mr. Case, Mr. Clark, Mr. Dodd, Mr. Gruening, Mr. Hart, Mr. Inouye, 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.

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