

II

Item 25

In lieu of Items 7 and 9:

Page 9, Lines 19-20—Sec. 203. (b) (7)—Revise to read:

"(7) the finance charge expressed as an annual percentage rate, if the amount of such charge is \$25.00 or more;"

Page 11, Lines 1-2—Sec. 203. (c) (5)—Revise to read:

"(5) the finance charge expressed as an annual percentage rate, if the amount of such charge is \$25.00 or more;"

In lieu of subsection (j) (1) (B) of Sec. 203, as proposed in Item 14:

"(B) the amount of any finance charge, which is not a minimum or fixed amount imposed as a finance charge under an open end credit plan, or, otherwise, \$25.00 or more, unless the annual percentage rate or equivalent annual percentage rate is also stated; or"

Purpose of Revisions: To increase from \$10 to \$25 the amount of finance charge which need not be disclosed as an annual percentage rate. It is believed that the reasons for exempting from an annual percentage rate disclosure requirement of a finance charge of \$10 or more apply equally to a finance charge of \$25 or more.

SUPPLEMENTARY COMMENTS

RE ITEM 4

Item 4 proposes to amend SEC. 302.(d) (1) to exclude from the definition of "finance charge" charges or premiums for insurance against loss or damage to property related to a credit transaction or against liability arising out of the ownership or use of such property and charges or premiums for credit life and accident and health insurance, to conform to SEC. 3.(d) (2) of S. 5 and H.R. 11602.

The following excerpts from the transcript [hereinafter called "S. 5 Transcript"] of the hearings on "Truth in Lending—1967" before the Subcommittee on Financial Institutions of the Senate Committee on Banking and Currency relate to this proposal:

EXCERPTS FROM STATEMENT OF WILLIAM J. PIERCE, PRESIDENT OF NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, AT PAGE 285

"5. The amount of credit service or finance charge to be included in the base for computing a uniform time rate to be disclosed should comprise only items like 'pure interest,' compensation for the creditor's risk of not being paid, and service charges for the credit extension and should not include other charges not directly related to these items.

"The credit service or finance charge should not include such items as governmental fees and taxes and insurance which is of benefit to the debtor. These, of course, must be carefully defined and limited in order to prevent possible overreaching. Their itemized disclosure, both as to nature and dollar cost involved, should be required. It is the opinion of the committee at this time that inclusion of charges not attributable to the cost of the credit in the credit service or finance charge would make a time rate comparison meaningless.

"For example, if these items are included in the credit service or finance charge, two auto dealers quoting the same total charges would be required to quote the same time rate although one dealer's total charges include insurance and the other dealer's only the credit service or finance charge."

EXCERPTS FROM STATEMENT OF HON. J. L. ROBERTSON, VICE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AT PAGE 665

"EXCLUSION FROM FINANCE CHARGE OF INSURANCE PREMIUMS, TAXES, AND OFFICIAL FEES

"One of the issues that has proved troublesome during these hearings has been the question of how to treat insurance premiums on policies taken out by borrowers as a condition of, and covering the amount of, the credit contract. * * *

"The fact remains, however, that any insurance provides a benefit to the borrower over and above the use of credit. To require that the finance charge