

Reason

(1) Cash buyers would pay taxes. Taxes are not an incident to credit.

3. Add new subsections (B), (C) and (D) to sec. 202(d) (1):

"(B) insurance against liability arising out of the ownership or use of property related to the credit transaction if the creditor has no economic or controlling interest in the insuring company or its agencies, or if the creditor receives no commission payable directly or indirectly for the sale of such insurance coverage; and

"(C) credit life, health and accident or other insurance on the obligor, if not required by the creditor as a condition for obtaining credit, or if the creditor has no economic or controlling interest in the insuring company or its agencies, or if the creditor receives no commission payable directly or indirectly for the sale of such insurance coverage; and

"(D) charges which are reasonable in relation to the benefits conferred on the obligor if they are of commensurate value to the obligor apart from the granting of credit and if they have been approved by the Board by rule or regulation.

Reasons

(1) Such insurance coverage primarily protects the obligor and he should have the option of carrying it.

(2) If the creditor chooses to make such insurance available or to finance its cost, he may do so.

(3) However, limitations are imposed to remove the temptation to offer credit services at a loss with the intention of recovering through profits on insurance.

(4) The Board should be authorized to broaden the exemptions from time to time.

4. Delete on page 5 subsection "(E) appraisal fees" and on page 6 "(F) credit reports" of section 202(d) (2).

Reason

(1) Both are an incident to credit and are not customarily incurred by a cash buyer.

5. Delete subsection (A) and substitute for (C) in sec. 202(F) (1):

(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, and if the number of payments is adjusted for such irregularly scheduled first payment by subtracting (if before) or adding (if after) the nearest number of full period equivalents in double the time by which the first payment differs from a full period.

Reasons

(1) Subsection (A) is not necessary.

(2) The substitute wording for (C) provides a more appropriate correction for deferred payments. A 3-month deferment would have been treated as one month, but more correctly as 6 months under the substitute wording.

6. Delete the words "or rates" on lines 10 and 11 of page 7 in section 202(f) (3).

Reasons

(1) Multiple rates, step rates or graduated rates should not be tolerated since they are contrary to the purpose of the bill: "To assure a meaningful disclosure of credit terms so that the consumer will be able to compare... credit terms..."

(2) Creditors choosing to employ graduated rates to compute the finance charge would disclose this system as their method under 203(d) (2) (B) on page 12, but would express the rate as required under 203(d) (3) (E) as a single blended rate.

(3) In practice, creditors using graduated rates would use a series of single rates applicable to specific levels of total indebtedness, for example:

18% if the balance is \$500 or less

17% if the balance is between \$501 and \$600

16% if the balance is between \$601 and \$700

15% if the balance is between \$601 and \$700

9% if the balance is \$1,500 or more