

DISCLOSURE OF CREDITOR'S RATE OF RETURN

The House bill did not mention disclosure of the creditor's rate of return. Section 127(a)(5) specifically authorizes any creditor under an open end consumer credit plan to disclose his average effective annual percentage rate of return or, where that would not be feasible or practical or would be misleading or meaningless, to disclose a projected rate of return. Calculation of both actual and projected rates would be subject to regulations of the Board consistent with commonly accepted standards for accounting or statistical procedures.

MINIMUM CHARGE EXEMPTIONS

The House bill contained no exemptions from the annual rate disclosure requirement, either as to open end accounts or other transactions. The Senate bill did not require rate disclosure with respect to monthly minimum or fixed charges in connection with open end plans, and also provided an absolute exemption from rate disclosure for finance charges less than \$10 in connection with transactions not under open end plans.

Under section 127(b)(6) of the conference substitute, the actual rate need not be disclosed in the periodic statement with respect to an account under an open end plan if the total finance charge does not exceed 50 cents for a billing period of a month or more. In any statement of an account under an open end plan under which a rate may be used to compute the finance charge (even though, for the particular month, the rate may yield a charge below the minimum and thus be inapplicable) the creditor must state the periodic rate and the "nominal" annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

Under sections 128(a)(7) and 129(a)(5), where the amount financed does not exceed \$75, the percentage rate applicable to a finance charge not exceeding \$5 need not be disclosed, and where the amount financed exceeds \$75, the rate applicable to a finance charge not exceeding \$7.50 need not be disclosed. Section 128(a)(7) applies to sales, and section 129(a)(5) to loans, and both prohibit creditors from artificially dividing transactions to avoid the rate disclosure requirement. It is expected that the Board will by regulation deal with the loan renewal problem, as section 129(a)(5) is not intended as a loophole through which creditors may escape rate disclosure by making short-term loans with multiple renewals.

CREDIT ADVERTISING

In general, the substance of the provisions of the House passed bill with respect to advertising were retained, the only changes in conference being to make entirely clear that where any specific credit terms on any type of credit are advertised, all of the material terms must be set forth. The House had provided authority to the Federal Reserve Board to exempt residential real estate advertisements from the advertising requirements of title I. This authority is retained in the conference substitute.