

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 19, 2007

**BANKING SUPERVISION AND REGULATION:
REQUEST FOR COMMENT**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Request for Comment on Amendments to Regulation Z

The Federal Reserve Board issued for public comment proposed amendments to Regulation Z (Truth in Lending) that are intended to improve the effectiveness of the disclosures consumers receive in connection with credit card accounts and other revolving credit plans by ensuring that information is provided in a timely manner and in a form that is readily understandable.

“The goal of the proposed revisions is to make sure that consumers get key information about credit card terms in a clear and conspicuous format and at a time when it would be most useful to them,” said Federal Reserve Board Chairman Ben S. Bernanke. “Greater clarity in credit disclosures allows consumers to make more-informed credit decisions and enhances competition among credit card issuers.”

The proposed amendments principally focus on the rules for open-end credit accounts that are not home-secured, chiefly general-purpose and retail credit card plans. The proposal would require changes to the format, timing, and content requirements for credit card applications and solicitations and for the disclosures that consumers receive throughout the life of an open-end account, including account-opening and periodic statements. These changes largely reflect the result of consumer testing conducted on behalf of the Board as part of its comprehensive review of the open-end credit rules.

“One significant novel aspect of the Regulation Z review has been the extent of consumer testing by the Board,” said Federal Reserve Board Governor Randall S. Kroszner. “Although we have used consumer focus groups in the past to study the effectiveness of consumer disclosures, the proposed changes are based on one-on-one consumer interviews to assess consumer understanding and use of disclosures. This testing helped us to identify the key information consumers need to make informed choices about how they use their accounts.”

Disclosures accompanying credit card applications and solicitations would highlight fees and the reasons penalty rates might be applied, such as for paying late. Creditors would be required to summarize key terms at account opening and when terms are changed. Periodic statements would break out costs for interest and fees. Two alternatives are proposed regarding the “effective” or “historical” annual percentage rate disclosed on periodic statements. The proposal would also expand the circumstances under which consumers receive written notice of changes in the terms applicable to their accounts, including requiring an advance notice before a penalty is required, and increase the amount of time these notices must be sent before the change becomes effective.

The proposal follows the Board’s comprehensive review of the open-end credit rules (other than home-secured) and takes into consideration comments from the public on two previously issued advance notices of proposed rulemaking.

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

FEDERAL RESERVE BANK OF SAN FRANCISCO

Attachments: [Section 1 \(198 KB PDF\)](#)
[Section 2 \(682 KB PDF\)](#)
[Section 3 \(522 KB PDF\)](#)
[Section 4 \(699 KB PDF\)](#)
[Design and Testing of Effective Truth-in-Lending Disclosures Report Statement by Governor Randall S. Kroszner](#)
[Submit comment on this proposal](#)
[View comments on this proposal](#)

Model forms and samples:

1. [G-10 \(A\)](#) Applications and solicitations model form (credit cards)
2. [G-10 \(B\)](#) Applications and solicitations sample (credit cards)
3. [G-10 \(C\)](#) Applications and solicitations sample (credit cards)
4. [G-10 \(D\)](#) Applications and solicitations model form (charge cards)
5. [G-10 \(E\)](#) Applications and solicitations sample (charge cards)
6. [G-17 \(A\)](#) Account-opening model form
7. [G-17 \(B\)](#) Account-opening sample
8. [G-17 \(C\)](#) Account-opening sample
9. [G-18 \(A\)](#) Periodic statement transactions: interest charges; fees sample
10. [G-18 \(B\)](#) Periodic statement fee-inclusive APR sample
11. [G-18 \(E\)](#) Periodic statement new balance, due date, late payment, and minimum payment sample (credit cards)
12. [G-18 \(F\)](#) Periodic statement new balance, due date, and late payment sample (open-end plans (non-credit-card accounts))
13. [G-18 \(G\)](#) Periodic statement form
14. [G-18 \(H\)](#) Periodic statement form
15. [G-19](#) Checks accessing a credit card sample
16. [G-20](#) Change-in-terms sample
17. [G-21](#) Penalty rate increase sample