writing and addressed to the Director, Office of Labor-Management and Welfare-Pension Reports, Room 801, 8701 Georgia Avenue, Silver Spring, Md. 20910, and shall show wherein the person filing will be adversely affected by the proposed variation deemed objectionable and the grounds for the objections. If such interested person desires a hearing, he shall file a request for a hearing with his objections. Objections may be accompanied by a memorandum or brief in support thereof. All documents shall be filed in triplicate.

As proposed, the new §§ 462.39 and 462.40 and their preceding undesignated centerhead would read as follows:

CERTAIN EMPLOYEE BENEFIT PLANS UTILIZING THE JOHN HANCOCK MUTUAL LIFE INSURANCE CO.

§ 462.39 Rule of variation.

Every employee benefit plan which utilizes the John Hancock Mutual Life Insurance Co. (hereinafter referred to as "carrier") to provide benefits and which presently is required under section 7(d) (2) (A) of the Welfare and Pension Plans Disclosure Act to attach to its annual report filed with the Secretary of Labor pursuant to section 8(b) of the act, a copy of the financial report of the carrier will no longer be required to do so, subject to the following conditions.

§ 462.40 Conditions of variation.

(a) The carrier shall:

(1) Submit to the Office of Labor-Management and Welfare-Pension Reports, within 120 days after the end of its fiscal year, 10 copies of its latest financial report, including the company's complete name and address in each copy.

(2) Thereafter make timely written notification to each plan administrator of a participating employee benefit plan heretofore required to submit a copy of such financial report under section 7(d) (2) (A) of the act that the carrier has submitted its latest financial report to the Office of Labor-Management and Welfare-Pension Reports.

(b) In lieu of submitting to the Office of Labor-Management and Welfare-Pension Reports the financial report of the carrier, each plan administrator of an employee benefit plan to which this variation applies shall report in part III, section D of Department of Labor Annual Report Form D-2, or attachment thereto, the complete name and address of the carrier and shall place in Item 6 of said part and section the symbol "VAR" in the space provided for the code number.

(c) The carrier is cautioned that:

(1) This variation does not apply to any employee benefit plan for which the carrier maintains separate experience records, since such plans are not required to file financial reports of the carrier under section 7(d) (2).

(2) This variation does not affect the responsibilities of the carrier to comply with the certification requirements of section 7(g) of the Act (29 U.S.C. 306(g)) and Part 461 of this chapter.

Signed at Washington, D.C., this 29th day of June 1972.

W. J. USERY, Jr.,
Assistant Secretary for Labor-Management Relations.

[FR Doc.72-10348 Filed 7-5-72;8:53 am]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Food and Drug Administration

[21 CFR Part 191]

HAZARDOUS SUBSTANCES

Test for Eye Irritants; Extension of Time for Filing Comments on Proposal

The notice published in the FEDERAL REGISTER of April 28, 1972 (37 F.R. 8534), proposing amendment of the hazardous substances regulations (21 CFR 191.1 and 191.12) to revise the eye irritation test method, provided for the filing of comments thereon within 60 days after said publication date.

The Commissioner of Food and Drugs has received requests to extend such time and, good reason therefor appearing, the time for filing comments on the subject proposal is extended to September 25, 1972.

This action is taken pursuant to provisions of the Federal Hazardous Substances Act (sec. 10(a), 74 Stat. 378; 15 U.S.C. 1269) and under authority delegated to the Commissioner (21 CFR 2.120).

Dated: June 27, 1972.

SAM D. FINE,
Associate Commissioner for Compliance.

[FR Doc.72-10266 Filed 7-5-72;8:48 am]

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Reg. Z]

TRUTH IN LENDING

Open End Credit

1. Pursuant to the authority contained in the Truth in Lending Act (15 U.S.C. 1601 et seq.) the Board of Governors proposes to amend Part 226 (Regulation Z), in the manner and for the reasons set forth below:

Section 226.5(a) (3) would be amended to read as follows:

§ 226.5 Determination of annual percentage rate.

(a) *General rule—open end credit account.* * * *

(3) Where the finance charge imposed during the billing cycle is or includes:

(i) Any minimum, fixed, or other charge not due to the application of a periodic rate, other than a charge with respect to any specific transaction during the billing cycle by dividing the total finance charge for the billing cycle by the amount of the balance(s) to which applicable and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year; or

(ii) Any charge with respect to any specific transaction during the billing cycle (even if the total finance charge also includes any other minimum, fixed, or other charge not due to the application of a periodic rate), by dividing the total finance charge imposed during the billing cycle by the total of all balances and other amounts on which any finance charge was imposed during the billing cycle without duplication and multiplying the quotient (expressed as the percentage) by the number of billing cycles in a year;[5a] except that the annual percentage rate shall not be less than the largest rate determined by multiplying each periodic rate imposed during the billing cycle by the number of periods in a year.

(iii) Any minimum, fixed, or other charge not due to the application of a periodic rate and the total finance charge imposed during the billing cycle does not exceed $0.50 for a monthly or longer billing cycle, or the pro rata part of $0.50 for a billing cycle shorter than monthly, by multiplying each applicable periodic rate by the number of periods in a year, notwithstanding the provisions of subdivisions (i) and (ii) of this subparagraph.

* * * * *

[5a] In determining the denominator of the fraction under § 226.5(a) (3) (ii) no amount will be used more than once when adding the sum of the balances to which periodic rates apply to the sum of the amounts financed to which specific transaction charges apply. In every case the full amount of transactions to which specific transaction charges apply shall be included in the denominator. Other balances or parts of balances shall be included according to the manner of determining the balance to which a periodic rate is applied, as illustrated in the following examples of accounts on monthly billing cycles:

1. Previous balance—none.

A specific transaction of $100 occurs on first day of the billing cycle. The average daily balance is $100. A specific transaction charge of 3 percent is applicable to the specific transactions. The periodic rate is 1½ percent applicable to the average daily balance. The numerator is the amount of the finance charge, which is $4.50. The denominator is the amount of the transaction (which is $100), plus the amount by which the balance to which the periodic rate applies exceeds the amount of specific transactions (such excess in this case is 0), totaling $100.

The annual percentage rate is the quotient (which is 4.5 percent) multiplied by 12 (the number of months in a year), i.e., 54 percent.

2. Previous balance—$100.

A specific transaction of $100 occurs at midpoint of the billing cycle. The average daily balance is $150. A specific transaction charge of 3 percent is applicable to the specific transaction. The periodic rate is 1½ percent applicable to the average daily balance. The numerator is the amount of finance charge which is $5.25. The denominator

Footnote continued on next folio.

Sections 226.7(b)(5), (6), and (c) would be amended to read as follows:

§ 226.7 Open end credit accounts—specific disclosures.

* * * * *

(b) *Periodic statements required.* * * *

(5) Each periodic rate, using the term "periodic rate" (or "rates"), that may be used to compute the finance charge (whether or not applied during the billing cycle), the range of balances to which it is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year. The words "corresponding annual percentage rate," "corresponding nominal annual percentage rate" "nominal annual percentage rate" or "annual percentage rate" (or "rates") may be used to describe the corresponding annual percentage rate. The requirements of § 226.6(a) with respect to disclosing the term "annual percentage rate" more conspicuously than other required terminology shall be applicable to the disclosure made under this subparagraph, although such term (or words incorporating such term) may, at the creditor's option, be shown as conspicuously as the terminology required under subparagraph 6 of this paragraph. Where a minimum charge may be applicable to the account, the amount of such minimum charge shall be disclosed.[2a]

(6) When a finance charge is imposed during the billing cycle, the annual percentage rate or rates determined under § 226.5(a) using the term "annual percentage rate" (or "rates").

* * * * *

(c) *Location of disclosures.*—The disclosures required by paragraph (b) of this section shall be made on the face of the periodic statement, except that, at the creditor's option:

(1) Itemization of the amounts and dates of each extension of credit (or the dates such extensions of credit were debited to the account) required to be disclosed under paragraph (b)(2) of this section and of the "credits" disclosed under paragraph (b)(3) of this section, and itemization of the amount of any finance charge required to be disclosed under paragraph (b)(4) of this section, may be made on the reverse side of the periodic statement or on a separate accompanying statement(s), provided that the totals of such respective amounts are disclosed on the face of the periodic statement; and

(2) The disclosures required under paragraph (b)(5) and (8) of this section, except the balance on which the finance charge was computed, may be made on the reverse side of the periodic statement or on the face of a single supplemental statement which shall accompany the periodic statement.

(3) If the creditor exercises any of the options provided under this paragraph, the face of the periodic statement shall contain one of the following notices, as applicable: "NOTICE: See reverse side for important information" or "NOTICE: See accompanying statement(s) for important information" or "NOTICE: See reverse side and accompanying statement(s) for important information," and the disclosures shall not be separated so as to confuse or mislead the customer or obscure or detract attention from the information required to be disclosed.

* * * * *

2. These proposals, in part, are a republication of certain proposals issued for public comment on August 6, 1971. They have been modified on the basis of comments received on them and further study.

3. The amendment to § 226.5(a)(3) relocates the formula for computing annual percentage rates in the case of finance charges imposed with respect to specific transactions during the billing cycle—for example, one time fees on cash advances—to the section dealing with annual percentage rate computation. The formula was previously contained in § 226.7(b)(6) and Board interpretation § 226.704. This amendment would also clarify the fact that the Regulation does not require computation of the annual percentage rate by the quotient method when the total finance charge, including charges with respect to specific transactions, does not exceed $0.50.

4. A requirement has been added to § 226.7(b)(5) that the corresponding annual percentage rate for each periodic rate applicable to the account be shown on each periodic statement, whether or not a finance charge is imposed during the billing cycle. Many creditors have previously made this disclosure, which was permissible, although not required, under Regulation Z. A variety of specified wording may be used to describe these rates under the new proposal. The permitted use of optional wording is to allow creditors maximum freedom to choose wording to distinguish between rates which were actually applied during the billing cycle (required to be disclosed under § 226.7(b)(6)) and the prospective nominal rates required to be disclosed by this subparagraph, where those rates differ. The optional wording will also minimize the need for reprinting periodic statements where nominal rate disclosures have previously been made by the creditor. Whatever wording is chosen may, though need not be, used to satisfy the terminology requirements for the initial disclosures under § 226.7(a)(4) and advertising under § 226.10(c)(4). Although the "more conspicuous" requirement of § 226.6(a) for the term "annual percentage rate" will not be applicable to disclosures under § 226.7(b)(5), it will continue to apply to the term "annual percentage rate" in opening disclosures under § 226.7(a) and in advertising under § 226.10(c), even if the creditor chooses to make disclosures under § 226.7(a)(4) and § 226.10(c)(4) using optional wording which simply incorporates this term—e.g., "corresponding Annual Percentage Rate." No additional disclosures will be required by the new provisions for many open end creditors such as those who compute finance charges simply by the application of one or more periodic rates and who are already supplying this information.

The new provision also would require disclosure of minimum charges which may be imposed on accounts with balances below a certain amount. This new disclosure requirement does not compel creditors to disclose the range of balances to which the minimum charge may be applicable; creditors may continue to disclose ranges of balances to which periodic rates apply under § 226.7(b)(5) without specifically designating the portion of any such range to which the minimum charge, instead of the periodic rate, is applicable. For example, disclosure could be made that "a periodic rate of 1½ percent which is an Annual Percentage Rate of 18 percent will be applied to balances from $0 to $500, with a minimum charge of 50¢."

5. The amendment to § 226.7(b)(6) consists of the addition of the opening phrase "when a finance charge is imposed during the billing cycle." In addition, the words "and, where there is more than one rate, the amount of the balance to which each rate is applicable" have been deleted since the applicable

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is the amount of the transaction (which is $100), plus the amount by which the balance to which the periodic rate applies exceeds the amounts of specific transactions (such excess in this case is $50), totaling $150.

As explained in example 1, the annual percentage rate is 3.5 percent × 12=42 percent.

3. If, in example 2, the periodic rate applies only to the previous balance, the numerator is $4.50 and the denominator is $200 (the amount of the transaction, $100, plus the balance to which only the periodic rate is applicable, the $100 previous balance). As explained in example 1, the annual percentage rate is 2.25 percent × 12=27 percent.

4. If, in example 2, the periodic rate applies only to an adjusted balance (previous balance less payments and credits) and the customer made a payment of $50 at midpoint of billing cycle, the numerator is $3.75 and the denominator is $150 (the amount of the transaction, $100, plus the balance to which only the periodic rate is applicable, the $50 adjusted balance). As explained in example 1, the annual percentage rate is 2.5 percent × 12=30 percent.

5. Previous balance—$100.

A specific transaction (check) of $100 occurs at the midpoint of the billing cycle. The average daily balance is $150. The specific transaction charge is 25 cents per check. The periodic rate is 1½ percent applied to the average daily balance. The numerator is the amount of the finance charge, which is $2.50, and includes the 25 cents check charge and the $2.25 resulting from the application of the periodic rate. The denominator is the full amount of the specific transaction (which is $100) plus the amount by which the average daily balance exceeds the amount of the specific transaction (which in this case is $50), totaling $150. As explained in example 1, the annual percentage rate would be 1⅔ percent × 12=20 percent.

[2a] A creditor imposing minimum charges is not required to adjust the disclosure of the range of balances to which each periodic rate would apply in order to reflect the range of the balances below which the minimum charge applies. If a creditor does not impose a finance charge when the outstanding balance is less than a certain amount, the creditor is not required to disclose that fact or the balance below which no such charge will be imposed.

requirement is already contained in § 226.7(b)(5) which requires disclosure of the range of balances to which each rate is applicable. The amendment is primarily designed to clarify the fact that the annual percentage rate disclosures under this paragraph (as determined by § 226.5(a)) are only required when finance charges are imposed during the billing cycle. Material relating to computation of the annual percentage rate where transaction charges are imposed during the billing cycle has been removed from the provision and incorporated into the new § 226.5(a)(3)(ii).

6. The amendment of § 226.7(c), which deals with the location of required disclosures on periodic statements, would simplify placement of the disclosures in a way in which is expected to be more meaningful and useful to the customer and minimize confusion. The amendment incorporates Board interpretation § 226.702.

If the proposed amendments are adopted, the Board will issue the amendments in final form with an appropriate prospective date so as to permit such changes in printed forms and procedures as may be necessary for compliance in an orderly manner.

This notice is published pursuant to section 553(b) of title 5, United States Code, and § 262.2(a) of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

To aid in the consideration of these matters by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or to any Federal Reserve Bank for transmittal to the Board, to be received at the Board not later than July 31, 1972. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors, June 21, 1972.

[SEAL] MICHAEL A. GREENSPAN,
Assistant Secretary.

[FR Doc.72-10240 Filed 7-5-72;8:46 am]