

closure provisions are those contained in §§ 226.7(a) (1), (2), (3), and (4). The revised regulation provides that the disclosure statement accompanying the blank checks may be limited to the provisions of § 226.7(a) (1), (2), (3), and (4). Alternatively, the revised regulation provides that a full statement of the requirements of § 226.7(a) be provided with the provisions of subsections (1), (2), (3), and (4) clearly and conspicuously referenced on or accompanying that statement. For example, if the full statement of the provisions of § 226.7(a) is subdivided into terms covering credit sale and cash advance transactions, reference may be made in the accompanying material to the terms covering cash advance transactions. Likewise, if the terms covering cash advance transactions are numbered, the accompanying material may refer to the appropriate numbered terms.

The provisions of § 226.7(f) are to become effective January 1, 1978.

§ 226.7 Open-end credit accounts—specific disclosures.

(f) *Supplemental credit devices for use in open-end credit accounts.* If, subsequent to 30 days after delivering the disclosures required under paragraph (a) of this section, a creditor of an open-end credit account mails or delivers, other than as a renewal or resupply, a blank check, payee designated check, blank draft or order or other similar credit device other than a credit card, to an existing customer or cardholder for use in connection with such account, such device shall be accompanied by a single written statement setting forth clearly and conspicuously those disclosures of paragraph (a) of this section which specifically relate to the use of such device. Such disclosure statement shall either be limited to the disclosures of paragraphs (a) (1), (2), (3), and (4) of this section or contain all disclosures required of such paragraph with the pertinent disclosures clearly and conspicuously referenced on or accompanying that disclosure statement. Such disclosure statement shall not appear on any promotional material mailed or delivered at the same time. The requirements of this paragraph shall not be applicable to checks to be used in conjunction with a checking account even though such checks may also activate a cash advance under an open-end credit account.

By order of the Board of Governors.
September 10, 1975.

[SEAL] THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc. 75-24981 Filed 9-18-75; 8:45 am]

[Reg. Z]

PART 226—TRUTH IN LENDING

Fair Credit Billing, Description of Transactions

On May 5, 1975, the Board of Governors published for comment in the FEDERAL REGISTER (40 FR 19489) proposed

regulations implementing the Fair Credit Billing Act (Title III of Pub. L. 93-495). The comment period on this proposal was initially set to terminate on May 30 and was subsequently extended through June 20, 1975 (40 FR 23896). On June 24, 1975, the Board of Governors published for comment in the FEDERAL REGISTER (40 FR 26571) proposed regulations to implement section 411 of Title IV of Pub. L. 93-495, which, though not technically a part of the Fair Credit Billing Act, is related to it in some respects and shares the same effective date. The comment period on this proposal terminated on July 18, 1975.

Following the receipt of approximately 300 comments on the proposal published on May 5 and approximately 110 comments on the proposal published on June 24, the Board on July 24, 1975, announced in the FEDERAL REGISTER (40 FR 30986) its intent to publish for comment revised regulations implementing these same statutory provisions and to hold informal hearings August 5 and 6, 1975, on these revised proposals.

On August 1, 1975, the Board published in the FEDERAL REGISTER (40 FR 32350) the revised regulations referenced in the July 24 publication. The comment period on these revised regulations, initially set to terminate on August 12, was extended to August 18, 1975.

On August 5, public hearings were held regarding the revised proposal. Ten interested parties were represented by witnesses at these hearings. Approximately 150 written comments were received and analyzed by the Board.

In response to the testimony and written comments received by the Board, some changes in the provisions previously published were made. Many are of a technical nature. An explanation of the most substantive changes follows:

1. *Transition periods.* Transition periods for compliance with certain portions of the regulation have been provided in § 226.6(k). These portions generally are those which require the printing of new forms or substantial technical program or operational changes which cannot be accomplished by October 28, 1975. In most cases the transition period is 6 months. The transition section covers the new disclosure requirements for periodic statements including showing dates of payment, indicating credit balances, and identifying the address to which billing errors must be sent. The prohibition against disclosing inconsistent State laws will also be delayed for 6 months to allow creditors to use up existing forms.

2. *Short notice of rights.* Many comments were made about the length of the notice of customer rights and creditor responsibilities required by § 226.7(a) (9) and (d). A shortened version of this notice may be included with every periodic statement as an alternative to the twice-yearly mailing of the full notice: *Provided*, That the creditor must supply the customer with a full notice upon request or whenever the customer submits a proper written notification of a billing error.

3. *Time for payments after resolution of a billing error.* Earlier drafts of the regulation would have required creditors to provide a free period for payment without the imposition of finance charges after completion of the error resolution procedure, even when the creditor did not make an error or did not offer a free ride period generally. The regulation in § 226.14(b) (3) has been rewritten to require a free period only when the creditor has made an erroneous billing on the disputed item and the terms of the credit plan normally provide a free period for payment of such items. In all other cases the creditor must promptly notify the customer of how much is owed with regard to a disputed item after the completion of the error resolution procedure.

4. *Identification of transactions.* Many comments were received citing computer reprogramming and other data collection problems which would make compliance with § 226.7(b) (1) (ii) impossible by October 28, 1975. In order to facilitate compliance the Board has provided a gradual phase-in of the full impact of this section. Until July 1, 1976, creditors will be able to identify transactions in the same way as is presently required.

By October 28, 1977, the section will be fully effective. At that time, the regulation requires creditors who bill "descriptively" on their periodic statements to provide a transaction date. In addition, for two-party creditors, a description of any goods or services purchased or, for three-party creditors, the merchant's name and the address where the transaction took place would be required. If any of the primarily required information is not available to the creditor despite the maintenance of procedures reasonably adapted to procure it in the first instance, a voucher number or identifying symbol which appears on the document evidencing the transaction must be disclosed.

Between July 1, 1976, and October 28, 1977, the creditor may in all cases substitute the date of debiting the transaction to the customer's account for the primarily required date if the latter date is unavailable. Also, the creditor may substitute a voucher number or other identifying symbol which appears on the document evidencing the transaction for the description of goods or services or the merchant's name and address when they are unavailable.

5. *Inconsistent State laws.* Section 226.6(b) (2) has been revised to provide greater clarity and certainty for consumers and creditors.

The regulation now provides that any State credit billing law which differs from the error resolution procedure and credit reporting prohibitions of sections 161 and 162 of the Act and their implementing provisions in the regulation is inconsistent and, thus, preempted in its entirety. This determination was made because of the many internal steps with varying time limits and other requirements which are found in the processes embodied in Federal and State law regarding billing error resolution procedures. To do otherwise would cause

confusion among creditors and consumers alike, especially with respect to informing consumers of their rights and obligations regarding the resolution of disputes. As an exception to this rule, the regulation provides that any State law which allows the customer to make inquiry concerning a billing error after the time for doing so under the Act and the regulation has expired is not inconsistent, and thus is not preempted, to the extent that it allows such later inquiry. In those cases in which the State law allows such later inquiry, any inquiry submitted after the time allowed by Federal law has expired is to be handled under the State procedure.

With respect to the other provisions of the Act and regulation, a State law is not inconsistent with the Federal law if the creditor can comply with it without violating the Federal law.

The regulation prescribes limitations on notification to consumers of State law and sets up a procedure whereby a State may ask the Board for a determination that its law provides greater protection to consumers or is otherwise not inconsistent with Federal law.

6. *Discounts for payments in cash.* The regulation provides that a discount offered by merchants of up to five per cent of the tagged, posted, or advertised price of an item for payment in cash in lieu of use of a credit card does not constitute a finance charge for purposes of § 226.4. However, if an amount is added to the tagged, posted or advertised price of an item and imposed on a customer who pays by use of a credit card, such amount is not a discount and is to be treated as a finance charge subject to § 226.4 and disclosed in accordance with § 226.7(e).

The major provisions of the regulation provide:

1. A procedure to be used in attempting to correct alleged billing errors in open end credit accounts. The regulation imposes a forfeiture penalty on creditors who fail to comply with the procedure whether or not a billing error has in fact been made. The regulation also defines a billing error and specifies procedures for customers to follow in raising billing inquiries.

2. For the method of treating minimum periodic payments and finance charges with respect to the disputed amount for the period during which the error resolution procedure is in operation.

3. Prohibitions against threatening to report or in fact reporting adversely regarding a customer's credit standing during the pendency of the dispute resolution procedure; and provides for correction or updating of adverse credit reports made on disputed amounts, in certain cases, to show the fact that the amount is in dispute.

4. That in those cases in which an open-end credit account provides a time period during which the customer can make payment without incurring an additional finance charge, with certain exceptions, the periodic statement must be

mailed or delivered to the customer at least 14 days before the date of the payment is due.

5. For crediting payments made on an open-end account as of the date of its receipt by the creditor at the creditor's designated location. In certain circumstances creditors who cannot meet the requirements of the regulation because of operational limitations must post payments promptly (in no case more than 5 days from receipt), until October 28, 1976. Provision is also made for crediting payments received at a creditor's branch or other remote location within 5 days of receipt by the creditor and for refunding or crediting any finance charges imposed because the creditor failed to comply with the section.

6. A system for refunding or crediting excess payments made by customers.

7. For prompt notification of a creditor by a seller of credit refunds made for returned goods or forgiveness of debt for services and prompt crediting of such refunds by the creditor.

8. That a discount for use of cash or similar means of payment in lieu of use of a credit card of up to five per cent of the tag, posted or otherwise generally available price offered by a merchant does not constitute a finance charge. The discount must be available to all customers and be disclosed as provided in the regulation. Agreements or contracts by credit card issuers prohibiting merchants from offering such discounts are prohibited, and within one month of the effective date of the Regulation card issuers must notify all merchants with whom they have such prohibited agreements that they are no longer in effect.

9. That a credit card issuer may not require a merchant who honors its card to maintain a deposit account with the card issuer or procure any other service from the card issuer not essential to the credit card plan. Any card issuers who do have such prohibited agreements must, within one month of the regulation's effective date, inform the merchant that the agreement is no longer in effect.

10. That a card issuer may not offset the customer's indebtedness against the cardholder's funds held by the card issuer on deposit except as a means of periodic payment agreed to by the customer or pursuant to a court order under a procedure constitutionally available to all creditors generally.

11. That, with certain limitations, a customer may assert against the card issuer claims and defenses he may have regarding goods or services purchased by use of a credit card and for which he cannot obtain satisfaction from the seller.

12. A method for dealing with and reconciling with the Act and the regulation State laws which are similar to the regulation but different in some respects. A method of determining whether such laws are consistent with the Act and regulation is prescribed.

13. The minimum disclosures necessary to identify transactions which are billed on a customer's periodic statement.

Regulations to implement section 409 of Title IV of Pub. L. 93-495 will be issued by the Board at a later date.

In consideration of the testimony and comments received and pursuant to the authority granted in 15 U.S.C. 1604, Part 226 of Chapter II of Title 12 of the Code of Federal Regulations is amended as follows, effective October 28, 1975.

1. To implement section 102, § 226.1(a) is amended as follows:

a. Section 226.1(a)(1) is revised as set forth below.

b. Section 226.1(a)(2) is amended by inserting the following sentence immediately before the last sentence to read as set forth below.

§ 226.1 Authority, scope, purpose, etc.

(a) *Authority, scope, and purpose.* (1) This part comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to Title I (Truth in Lending Act) and Title V (General Provisions) of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 et seq.). Except as otherwise provided herein, this part, within the context of its related provisions, applies to all persons who are creditors, as defined in paragraph(s) of § 226.2.

(2) " " " In addition, this part is designed to assist the customer to resolve credit billing disputes in a fair and timely manner, to regulate certain billing and credit card practices, and to strengthen the legal rights of consumers.

2. Certain paragraphs of §§ 226.2 and 226.13 are redesignated as shown below.

Old section No.:	New section No.
226.13(a)(1) -----	226.2(a)
226.13(a)(2) -----	226.2(c)
226.13(a)(3) -----	226.2(i)
226.13(a)(4) -----	226.2(m)
226.13(a)(6) -----	226.2(r)
226.13(a)(7) -----	226.2(ii)
226.2(a) -----	226.2(b)
226.2(b) -----	226.2(d)
226.2(c) -----	226.2(e)
226.2(d) -----	226.2(f)
226.2(e) -----	226.2(g)
226.2(f) -----	226.2(h)
226.2(g) -----	226.2(i)
226.2(h) -----	226.2(k)
226.2(i) -----	226.2(n)
226.2(j) -----	226.2(o)
226.2(k) -----	226.2(p)
226.2(l) -----	226.2(q)
226.2(m) -----	226.2(s)
226.2(n) -----	226.2(t)
226.2(o) -----	226.2(u)
226.2(p) -----	226.2(v)
226.2(q) -----	226.2(w)
226.2(r) -----	226.2(x)
226.2(s) -----	226.2(y)
226.2(t) -----	226.2(z)
226.2(u) -----	226.2(aa)
226.2(v) -----	226.2(bb)
226.2(w) -----	226.2(dd)
226.2(x) -----	226.2(ee)
226.2(y) -----	226.2(ff)
226.2(z) -----	226.2(gg)
226.2(aa) -----	226.2(hh)
226.2(bb) -----	226.2(jj)
226.2(cc) -----	226.2(kk)
226.2(dd) -----	226.2(ll)

RULES AND REGULATIONS

3. To implement sections 103 and 161, in § 226.2, redesignated paragraphs (h), (p), (q), (s), (u), and (x) are revised and new paragraphs (j) and (cc) are added as set forth below:

§ 226.2 Definitions and rules of construction.

(h) "Arrange for the extension of credit" means to provide or offer to provide consumer credit which is or will be extended by another person under a business or other relationship pursuant to which the person arranging such credit.

(1) Receives or will receive a fee, compensation, or other consideration for such service, or

(2) Has knowledge of the credit terms and participates in the preparation of the contract documents required in connection with the extension of credit.

It does not include honoring a credit card or similar device where no finance charge is imposed at the time of that transaction.

(j) "Billing error" means:

(1) A reflection on or with a periodic statement of an extension of credit which (i) was not made to the customer, or (ii) was made to a person who did not have actual, implied, or apparent authority of the customer to use the account and from which use the customer received no benefit, or (iii) if made, was misidentified, insufficiently identified, or was not in the amount indicated, or on the date specified on or with the periodic statement, or

(2) A reflection on a periodic statement of an extension of credit or indebtedness for which the customer requests explanation or clarification, including requests for copies of documentary evidence of the indebtedness reflected thereon, or

(3) A reflection on a periodic statement of an extension of credit for property or services not accepted by the customer or his designee, or not delivered to the customer or his designee in accordance with any agreement made in connection with the transaction, or

(4) Any failure to properly reflect on a periodic statement, a payment or other credit to the customer's account, or

(5) A computational error or similar error of an accounting nature made by the creditor on a periodic statement, including errors in computing finance charges, late payment charges, or other charges, or

(6) A failure to mail or deliver a customer's periodic statement to his current

designated address, if the creditor has received notification of any change of address at least 10 days prior to the closing date of the billing cycle for which the periodic statement was incorrectly mailed or delivered.

(p) "Consumer credit" means credit offered or extended to a natural person, in which the money, property, or service which is the subject of the transaction is primarily for personal, family, household, or agricultural purposes. "Consumer loan" is one type of "consumer credit."

(q) "Credit" means the right granted by a creditor to a customer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment therefor. (See also paragraph (j) of this section.)

(s) "Creditor" means a person who in the ordinary course of business regularly extends or arranges for the extension of consumer credit, or offers to extend or arrange for the extension of such credit, which is payable by agreement in more than four instalments, or for which the payment of a finance charge is or may be required, whether in connection with loans, sales of property or services, or otherwise. For purposes of the requirements of §§ 226.7(a) (6), (7), (8), and (9); 226.7(b) (1) (i), (ii), (iii), (ix), and (x); 226.7(b) (2); 226.7 (c), (d), (f), (g), (h), and (i); 226.13; and 226.14, the term "creditor" shall also include card issuers, whether or not the payment of a finance charge is or may be required. For purposes of the requirements of §§ 226.4(i) and 226.13(k) the term "creditor" shall include any person who honors a credit card.

(u) "Customer" means (1) a cardholder or (2) a natural person to whom consumer credit is offered or to whom it is or will be extended, and includes a comaker, endorser, guarantor, or surety for such natural person who is or may be obligated to repay the extension of consumer credit.

(x) "Open end credit" means consumer credit extended on an account pursuant to a plan under which (1) the creditor may permit the customer to make purchases or obtain loans, from time to time, directly from the creditor or indirectly by use of a credit card, check, or other device, as the plan may provide; (2) the customer has the privilege of paying the balance in full or in instalments; and (3) a finance charge may be computed by the creditor from time to time on an outstanding unpaid balance. For purposes of the requirements of §§ 226.7(a) (6), (7), (8), and (9); 226.7(b) (1) (i), (ii), (iii), (ix), and (x); 226.7(b) (2); 226.7 (c), (d), (f), (g), (h), and (i); 226.13 (i), (j), and (k); and 226.14, the term includes consumer credit extended on an account by use of a credit card, whether or not a finance charge may be imposed. The term does not in-

clude negotiated advances under an open-end real estate mortgage or a letter of credit.

(cc) "Proper written notification of a billing error" is any written notification (other than notice on a payment medium or other material accompanying the periodic statement if the creditor so stipulates in the disclosure required by § 226.7 (a) (9), (d), and (i)) received at the address disclosed under § 226.7(b) (1) (x) within 60 days of the first mailing or delivering to the customer's current designated address (as required in § 226.7 (b)) of the periodic statement on which the disputed item(s) or amount(s) is reflected in which the customer—

(1) Sets forth or otherwise enables the creditor to identify the name and account number (if any) of the customer;

(2) Indicates the customer's belief that the periodic statement contains a billing error and the suspected amount of such error, and

(3) Sets forth the reasons for such belief to the extent applicable or known by the customer.

§ 226.3 [Amended]

4. Footnote in § 226.3 is redesignated as follows:

Footnote 1 is redesignated 1a, footnote 1a is redesignated 1b, and new footnote 1 is added as set forth in § 226.2(j) (3) *supra*.

5. To implement section 167, § 226.4(i) is added as follows:

§ 226.4 Determination of finance charge.

(i) *Discounts for payments in cash.*
(1) Notwithstanding any other provision of this section, a discount which a creditor offers, allows, or otherwise makes available for the purpose of inducing payment for a purchase by cash, check, or similar means rather than by use of an open-end credit card account, whether or not a credit card is physically used, is not a finance charge, *Provided, That:*

(i) Such discount does not exceed five percent when computed or expressed as a percentage of the tag, posted, or advertised price of the property or services which are the subject of the transaction.

(ii) Such discount is available to all prospective buyers, whether or not they are cardholders, and such fact is clearly and conspicuously disclosed by a sign or display posted at or near each public entrance to the seller's place of business wherein such discount is offered, and at all locations within the place of business where a purchase may be paid for, and

(iii) If an offer of property or services is advertised in any medium or if offers are invited or accepted through the mail, over the telephone, or by means other than personal contact between the customer and the creditor offering such a discount, and if customers are allowed to pay by use of a credit card or its underlying account and such fact is disclosed in the advertisement, telephone contact, or in other correspondence, the

¹ The delivery of property or services different from that described in any agreement, the delivery of the wrong quantity, late delivery, or delivery to the wrong location shall be considered to be a billing error subject to this paragraph, but any dispute with respect to the quality of property in the physical possession of the customer or services performed for the customer shall not be considered to be a billing error under this paragraph.

availability of a discount for payments in cash must be clearly and conspicuously disclosed in any advertisement for such offerings and, in any case, before the transaction has been completed by use of the credit card or its underlying account.

(2) With respect to any such discount for cash which is greater than five per cent, the total amount of such discount shall constitute a finance charge under § 226.4(a) to be disclosed in accordance with § 226.7(e).

(3) The availability of any discount may be limited by the creditor offering such discount to certain types of property or services or to certain outlets maintained by that creditor provided that such limitations are clearly and conspicuously disclosed.

(4) Notwithstanding anything contained in the foregoing paragraph to the contrary, any amount added to the tag, posted, or advertised price of property or services offered by a creditor which is imposed by such creditor as a condition or consequence of the use of the credit card with respect to a transaction involving such property and services, shall be a finance charge subject to the requirements of this section and § 226.7(e).

6. To implement section 171(a) and to provide a transition period to obtain new forms, § 226.6 is amended as follows:

§ 226.6 General disclosure requirements.

(b) *Inconsistent State requirements.*
(1) With respect to the requirements of this part, State law is inconsistent with the requirements of the Act and this part, within the meaning of section 111(a) of the Act to the extent that it:

(i) Requires a creditor to make disclosures or take actions different from the requirements of this part with respect to form, content, terminology, or time of delivery;

(ii) Requires disclosure of the amount of the finance charge determined in any manner other than that prescribed in § 226.4; or

(iii) Requires disclosure of the annual percentage rate of the finance charge determined in any manner other than that prescribed in § 226.5.

(2)(i) A State law with respect to credit billing practices which is similar in nature, purpose, scope, intent, effect, or requisites of the provisions of sections 161 or 162, or both, of the Act is inconsistent with the Act and this part within the meaning of section 171(a) of the Act, and is preempted, if it provides procedures or imposes rights or responsibilities upon either customers or creditors which are different from those required by sections 161 or 162, or both, of the Act and their implementing provisions in this part; except that, any such State law which allows a customer to make inquiry concerning an open end credit account and imposes upon the creditor an obligation to respond to such an inquiry after the time allowed in this part for the customer to submit a proper written notification

of a billing error shall not be preempted as to any situation in which the time period for making a proper written notification of a billing error as provided in this part has expired.

(ii) A State law which is similar in nature, purpose, scope, intent, effect, or requisites of a section of Chapter 4 of the Act other than sections 161 or 162 is not inconsistent with the Act or this part within the meaning of section 171(a) of the Act if the creditor can comply with the State law without violating this part. If the creditor cannot comply with a State law without violating a provision of this part which implements a section of Chapter 4 of the Act other than sections 161 or 162, such State law is inconsistent with the requirements of the Act and this Part within the meaning of section 171(a) of the Act and is preempted.

(iii) A State law which requires disclosure or notification to customers of provisions of State law which are inconsistent with Chapter 4 of the Act and its implementing provisions in this part within the meaning of 171(a) of the Act is inconsistent with the Act and this part within the meaning of 111(a) and 171(a) of the Act, and the creditor shall not make such a disclosure or provide such a notice. When a creditor gives written notice to a customer of the customer's rights under any provision of State law which would permit a customer to inquire concerning an open end credit account after the time period allowed in this part for submission of a proper written notification of a billing error has expired, the creditor shall clearly and conspicuously set forth in the notice that relevance upon the longer time period available under State law may result in the customer losing important rights which could be preserved by acting more promptly under Federal law and that the State law provisions only become operative upon the expiration of the time period provided by this part for submitting a proper written notification of a billing error. If such a disclosure is made on the same side of a sheet of paper as the disclosures required by §§ 226.7(a)(d), and (i), such State disclosures shall appear separately and below the disclosures required by § 226.7(a)(d), and (i); the disclosures required by §§ 226.7(a), (d), and (i) shall be clearly and conspicuously identified by a heading indicating they are made in compliance with Federal law and the disclosures of State law shall appear separately and below a conspicuous demarcation line.

(iv) A State, through its Governor, Attorney General, or other appropriate official having primary enforcement or interpretive responsibilities for its credit billing practices law, may apply to the Board for a determination that the State law offers greater protection to customers than a comparable provision(s) of Chapter 4 of the Act and its implementing provision(s) in this part, or is otherwise not inconsistent with Chapter 4 of the Act and this part, or for a determination with respect to any issues not clearly covered by § 226.6(b)(2)(i), (ii), (iii)

as to the consistency or inconsistency of a State law with Chapter 4 of the Act or its implementing provisions in this part.

(k) *Transition period.* Any creditor who can demonstrate that he has taken bona fide steps, prior to October 28, 1975, to obtain printed forms which are necessary to comply with the requirements of this part may, until such forms are received but in no event later than April 30, 1976, utilize existing supplies of printed forms for the purpose of complying with the disclosure requirements of this part: *Provided*, That such forms are altered or supplemented as necessary to assure that all of the items of information the creditor is required to disclose to the customer are set forth clearly and conspicuously in every case except:

(1) Where a creditor has, prior to October 28, 1975, prepared the § 226.7(a) disclosures without the notice and statement required by § 226.7(a)(9) and dispersed them to remote locations, as in the case of mail order catalogs, the statement required by § 226.7(a)(9) may be made separately from the other § 226.7(a) disclosures until April 30, 1976, so long as the § 226.7(a)(9) statement is mailed or delivered to the customer no later than the date the first payment is due. For the purpose of this paragraph the creditor may disregard the required notice in § 226.7(a)(9) until April 30, 1976;

(2) Where a creditor's forms must be adapted to comply with the disclosure requirements of § 226.7(b)(1)(x), the creditor need not supplement or alter his forms if there is only one address listed on or with the periodic statement. In the case where a creditor has more than one address listed on or with the periodic statement and the creditor has not complied with the requirements of § 226.7(b)(1)(x), the creditor must accept as properly received any proper written notification of a billing error at any of the addresses listed on or with the periodic statement. New forms which comply with the requirements of § 226.7(b)(1)(x) must be in use no later than April 30, 1976;

(3) Where a creditor's forms must be adapted to comply with the disclosure requirements of § 226.7(g), the creditor need not supplement or alter his forms; however, complying forms must be in use no later than April 30, 1976;

(4) Where a creditor is disclosing inconsistent State law provisions within the meaning of section 171(a) of the Act and § 226.6(b)(2) or is making disclosures not in compliance with § 226.6(b)(2)(iii) on or with the disclosure required by this part, the creditor need not alter or supplement his forms; however, complying forms must be in use not later than April 30, 1976; and

(5) Where, because of operational limitations, a creditor is unable to comply with the disclosure requirements in § 226.7(b)(1)(i) and (ix), which require appropriate identification of credit balances, or with the disclosure requirement in § 226.7(b)(1)(iii), which re-

quires the dates of payments and credits, the creditor need not supplement or alter his forms; however, complying forms and procedures must be in use not later than April 30, 1976.

7. To implement sections 127(a) (8), 127(b) (11), 127(c), 163, 164, 165, and 167, § 226.7 is amended as follows:

a. Paragraph (a) (9) is added as set forth below.

b. The text following the heading of paragraph (b) is redesignated as paragraph (b) (1).

c. Paragraphs (b) (1) through (9) are redesignated as paragraphs (b) (1) (i) through (ix).

d. Paragraph (b) (1) (x) is added as set forth below.

e. Redesignated paragraphs (b) (1) (i), (ii), (iii), (v), and (ix) are revised as set forth below.

f. Paragraph (b) (2) is added as set forth below.

g. Paragraphs (c) (1) and (2) are revised, and old paragraph (c) (3) is redesignated as paragraph (c) (4). New paragraph (c) (3) is added.

h. Paragraphs (d) and (e) are redesignated as paragraphs (e) and (f); new paragraphs (d), (g), (h), and (i) are added. Redesignated paragraph (e) is revised as set forth below.

§ 226.7 Open end credit accounts—specific disclosures.

(a) . . .

(9) The following notice:

NOTICE: See accompanying statement for important information regarding your rights to dispute billing errors

and a separate statement containing substantially the following text,⁶⁶ as applicable, written clearly and conspicuously, shall accompany the statement required by paragraph (a) of this section; or the following text without the preceding notice may be included on the statement required by paragraph (a) of this section if disclosed clearly and conspicuously; or the following text may be included on the reverse side of the statement required by paragraph (a) of this section with the following notice on the face of the statement:

NOTICE: See reverse side for important information regarding your rights to dispute billing errors.

IN CASE OF ERRORS OR INQUIRIES ABOUT YOUR BILL

The Federal Truth in Lending Act requires prompt correction of billing mistakes.

1. If you want to preserve your rights under the Act, here's what to do if you think your bill is wrong or if you need more information about an item on your bill:

a. Do not write on the bill. On a separate sheet of paper write [Alternate: Write on the bill or other sheet of paper] (you may telephone your inquiry but *doing so will not preserve your rights under this law*) the following:

i. Your name and account number (if any).

ii. A description of the error and an explanation (to the extent you can explain) why you believe it is an error.

If you only need more information, explain the item you are not sure about and,

⁶⁶ Wherever the word "creditor" appears or is referred to in the statement, the creditor may substitute appropriate references, such as "company," "bank," "we" or a specific name.

If you wish, ask for evidence of the charge such as a copy of the charge slip. Do not send in your copy of a sales slip or other document unless you have a duplicate copy for your records.

iii. The dollar amount of the suspected error.

iv. Any other information (such as your address) which you think will help the creditor to identify you or the reason for your complaint or inquiry.

b. Send your billing error notice to the address on your bill which is listed after the words: "Send Inquiries To:" or similar wording. [Alternate: Send your billing error notice to: (creditor's name and address).]

Mail it as soon as you can, but in any case, early enough to reach the creditor within 60 days after the bill was mailed to you. If you have authorized your bank to automatically pay from your checking or savings account any credit card bills from that bank, you can stop or reverse payment on any amount you think is wrong by mailing your notice so the creditor receives it within 16 days after the bill was sent to you. However, you do not have to meet this 16-day deadline to get the creditor to investigate your billing error claim.

2. The creditor must acknowledge all letters pointing out possible errors within 30 days of receipt, unless the creditor is able to correct your bill during that 30 days. Within 90 days after receiving your letter, the creditor must either correct the error or explain why the creditor believes the bill was correct. Once the creditor has explained the bill, the creditor has no further obligation to you even though you still believe that there is an error, except as provided in paragraph 5 below.

3. After the creditor has been notified, neither the creditor nor an attorney nor a collection agency may send you collection letters or take other collection action with respect to the amount in dispute; but periodic statements may be sent to you, and the disputed amount can be applied against your credit limit. You cannot be threatened with damage to your credit rating or sued for the amount in question, nor can the disputed amount be reported to a credit bureau or to other creditors as delinquent until the creditor has answered your inquiry. However, you remain obligated to pay the parts of your bill not in dispute.

4. If it is determined that the creditor has made a mistake on your bill, you will not have to pay any finance charges on any disputed amount. If it turns out that the creditor has not made an error, you may have to pay finance charges on the amount in dispute, and you will have to make up any missed minimum or required payments on the disputed amount. Unless you have agreed that your bill was correct, the creditor must send you a written notification of what you owe; and if it is determined that the creditor did make a mistake in billing the disputed amount, you must be given the time to pay which you normally are given to pay undisputed amounts before any more finance charges or late payment charges on the disputed amount can be charged to you.

5. If the creditor's explanation does not satisfy you and you notify the creditor in writing within 10 days after you receive his explanation that you still refuse to pay the disputed amount, the creditor may report you to credit bureaus and other creditors and may pursue regular collection procedures. But the creditor must also report that you think you do not owe the money, and the creditor must let you know to whom such reports were made. Once the matter has been settled between you and the creditor, the creditor must notify those to whom the creditor reported you as delinquent of the subsequent resolution.

6. If the creditor does not follow these rules, the creditor is not allowed to collect the first \$50 of the disputed amount and finance charges, even if the bill turns out to be correct.

7. If you have a problem with property or services purchased with a credit card, you may have the right not to pay the remaining amount due on them, if you first try in good faith to return them or give the merchant a chance to correct the problem. There are two limitations on this right:

a. You must have bought them in your home state or if not within your home state within 100 miles of your current mailing address; and

b. The purchase price must have been more than \$50.

However, these limitations do not apply if the merchant is owned or operated by the creditor, or if the creditor mailed you the advertisement for the property or services.

(b) *Periodic statements required.* (1) Except in the case of an account which the creditor deems to be uncollectible or with respect to which delinquency collection procedures have been instituted, the creditor of any open end credit account shall mail or deliver to the customer, for each billing cycle at the end of which there is an outstanding undisputed debit or credit balance in excess of \$1 in that account or with respect to which a finance charge is imposed, a statement or statements which the customer may retain, setting forth in accordance with paragraph (c) of this section each of the following items to the extent applicable:

(i) The outstanding balance in the account at the beginning of the billing cycle, using the term "previous balance," and in the case of a credit balance, an appropriate identification as such.

(ii) (A) In cases in which an actual copy of the document evidencing the credit transaction (which does not include a so-called "facsimile draft") accompanies the periodic statement on which the transaction is first reflected, the amount of the transaction and either the date of the transaction or the date the transaction is debited to the customer's account; or

(B) In cases in which an actual copy of the document evidencing the credit transaction does not accompany the periodic statement, then on or with the periodic statement on which the credit transaction is first reflected at least:

(1) The date on which the transaction took place and the amount of the transaction; and

(2) A brief identification⁶⁷ of the

⁶⁷ With respect to transactions which are not billed in full on any single statement but for which precomputed instalments are billed periodically, the date the transaction takes place for purposes of this paragraph shall be deemed to be the date on which the amount is debited to the customer's account.

⁶⁸ For purposes of this paragraph, designations such as "merchandise" or "miscellaneous" shall not be considered sufficient identification of property or services, but a reference to a department in a sales establishment which accurately conveys the identification of the type(s) of property or services which are available in such department shall be sufficient under this paragraph. Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.

property or services purchased in cases in which the creditor and the seller are the same person or related persons, or the seller's name (as disclosed on the document evidencing the transaction provided to the customer) and the address (city and state or foreign country, using understandable and generally accepted abbreviations if the creditor so desires) where the transaction took place in cases in which the creditor and the seller are not the same person or related persons.

(C) Notwithstanding the provisions of §§ 226.7(b)(1)(ii)(A) and 226.7(b)(1)(ii)(B), in cases in which a transaction involving nonsale credit, such as a cash advance or an overdraft or other checking plan transaction, is reflected on the periodic statement, at least:

(1) An actual copy of the document evidencing the transaction which shows the dollar amount of the transaction and either the date of the transaction, the date the transaction was debited to the customer's account, or the date placed on the document or instrument by the customer (if the customer signed the document or instrument); or

(2) An identification of the transaction, which characterizes it as a cash advance, loan, overdraft loan, or other designation as appropriate, and which includes the amount and the date of the transaction⁷⁰ or the date which appears on the document evidencing the transaction (if the customer signed the document or instrument).

(D) In a case in which any of the information with regard to the date of the transaction, the date placed on a document signed by the customer, the description of the property and services purchased, or the seller's name and address as required by §§ 226.7(b)(1)(ii)(B) and 226.7(b)(1)(ii)(C) is not available to the creditor, an identifying number or symbol which appears on the document evidencing the credit transaction given to or used by the customer at the time of or in connection with the transaction. The provisions of the first sentence of this paragraph shall not relieve the creditor of responsibility for maintaining procedures reasonably adapted to enable the creditor to obtain the primarily required information at the time the amount of the transaction is transmitted to the creditor for debiting to the customer's account.

(E) In complying with the disclosure requirements of paragraphs (b)(1)(ii)(A), (B), (C), and (D) of this section:

(1) In cases in which the creditor and the seller are not the same or related

persons,⁷⁰ the creditor may rely upon and disclose the information supplied by the seller with respect to the date and amount of the transaction.

(2) Notwithstanding the provisions of paragraph (b)(1)(ii)(D) of this section, from July 1, 1976, to October 28, 1977, the date of debiting the amount of the transaction to the customer's account may be substituted for the date of the transaction or the date placed on the document evidencing a credit transaction when either such date is unavailable to the creditor; and an identifying number or symbol which appears on the document evidencing the credit transaction given to or used by the customer at the time of or in connection with the transaction may be substituted for the seller's name and address or description of the property or services purchased when such information is unavailable to the creditor.

(3) The effective date of §§ 226.7(b)

(1)(ii)(A) through 226.7(b)(1)(ii)(E)

(2), inclusive, is July 1, 1976. Until July 1, 1976, the creditor shall disclose the date of each extension of credit or the date such extension of credit is debited to the account during the billing cycle, the amount of such extension of credit and, unless previously furnished, a brief identification⁷¹ of any goods or services purchased or other extension of credit.

(iii) The amounts and dates of crediting to the account during the billing cycle for payments, using the term "payments," and for other credits including returns, rebates of finance charges, and adjustments, using the term "credits," and unless previously furnished a brief identification⁷² of each of the items included in such other credits.

(v) 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

⁷⁰ For purposes of this paragraph, a person is not related to the creditor simply because he and the creditor have an agreement or contract pursuant to which he is authorized to honor the creditor's credit card under the terms specified in the agreement or contract. Franchised or licensed sellers of a creditor's product shall be considered to be related to the creditor for purposes of this paragraph. Sellers who assign or sell open end customer sales accounts to a creditor or arrange for such credit under an open end credit plan which allows the customer to use the credit only in transactions with that seller shall be considered related to the creditor for purposes of this paragraph.

⁷¹ Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.

⁷² Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.

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 not be applicable to the disclosure made under this paragraph, although such term (or words incorporating such term) may, at the creditor's option, be shown as conspicuously as the terminology required under paragraph (b)(1)(vi) of this section. Where a minimum charge may be applicable to the account, the amount of such minimum charge shall be disclosed."

(ix) The closing date of the billing cycle and the outstanding balance in the account on that date, using the term "new balance," and in the case of a credit balance, appropriately identified as such, accompanied by the statement of the date by which, or the period within which, if any, payment must be made to avoid additional finance charges, except that the creditor may, at his option and without disclosure, impose no such additional finance charges if payment is received after such date or termination of such period.

(x) An address to be used by the creditor for the purpose of receiving billing inquiries from customers. Such address shall be preceded by the caption "Send Inquiries To:", or other similar language indicating that the address is the proper location to send such inquiries.

(2) If the terms of the open end credit plan provide a time period within which the customer may repay any portion of the new balance without incurring an additional finance charge, late payment charge, or other charge, no such charge may be imposed with respect to any portion of such new balance unless the periodic statement disclosing the new balance is mailed or delivered to the customer at least 14 days prior to the date specified in the statement as being the date by which payment of the new balance must be made in order to avoid the imposition of that finance charge or late payment charge, except that such time limitation shall not apply in any case where the creditor has been prevented, delayed, or hindered in mailing or delivering the periodic statement within such time limit because of an act of God, war, civil disorder, natural disaster, or strike.

(c) • • •

(1) The information required to be disclosed under paragraph (b)(1)(ii) of

⁷⁰ In cases in which an amount is debited to a customer's open end credit account under an overdraft checking plan, the date of debiting the open end credit account shall be considered the date of the transaction for purposes of this paragraph.

this section and itemization of the amounts and dates required to be disclosed under paragraph (b) (1) (iii) of this section and of the amount of any finance charge required to be disclosed under paragraph (b) (1) (iv) 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 debits and credits are disclosed on the face of the periodic statement; and

(2) The disclosures required under paragraphs (b) (1) (v) and (b) (1) (viii) of this section, except the disclosure of 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) The disclosure required by paragraph (b) (1) (x) of this section may be made on the reverse side of the periodic statement.

(4) 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 to obscure or detract attention from the information required to be disclosed.

(d) *Semiannual statement required.*
(1) The creditor shall mail or deliver during two billing cycles per year to each customer entitled to receive a periodic statement under § 226.7(b) for such billing cycle, the statement required by § 226.7(a) (9), written clearly and conspicuously either on one or both sides of a separate page or on one or both sides of the periodic statement required by paragraph (b) of this section.

(2) The timing of the mailing or delivery of such semiannual statements shall be not less than 5 nor more than 7 months after the month in which the last preceding such statement was mailed or delivered: *Provided*, That:

(i) The creditor shall select at least 2 billing cycles in any 12 month calendar period for the mailing or delivery of such statements; and

(ii) The first semiannual statement to any new customer may be mailed or delivered to that customer during the next regularly scheduled mailing or delivery of semiannual statements in which he is entitled to receive a semiannual statement under paragraph (d) (1) of this section.

(3) If the creditor chooses to alter the cycle of mailing or delivering semiannual statements, the creditor may mail or deliver the semiannual statement less than 5 months after the last preceding such statement was mailed or delivered: *Provided*, That the creditor mails or delivers at least 3 such statements in the next twelve months computed from the

month in which the last preceding semiannual statement was mailed or delivered.

(4) Nothing in this section shall be construed to prohibit a creditor from mailing or delivering the statement required by this section more frequently than semiannually.

(5) As an alternative to the requirements of paragraph (d) (1) of this section, the creditor may mail or deliver, on or with each periodic statement required under paragraph (b) (1) of this section, substantially the following statement and, if applicable, the periodic statement must contain one of the notices provided for in paragraph (c) (4) of this section, provided that the creditor must promptly but in no event later than 30 days, mail or deliver to a customer the statement required by § 226.7(a) (9) at any time upon a customer's request and also upon receipt of each billing error notice mailed or delivered to the creditor by a customer:

IN CASE OF ERRORS OR INQUIRIES ABOUT YOUR BILL

Send your inquiry in writing [at creditor's option: on a separate sheet] so that the creditor receives it within 60 days after the bill was mailed to you. Your written inquiry must include:

1. Your name and account number (if any);
2. A description of the error and why (to the extent you can explain) you believe it is an error; and
3. The dollar amount of the suspected error.

If you have authorized your creditor to automatically pay your bill from your checking or savings account, you can stop or reverse payment on any amount you think is wrong by mailing your notice so that the creditor receives it within 16 days after the bill was sent to you.

You remain obligated to pay the parts of your bill not in dispute, but you do not have to pay any amount in dispute during the time the creditor is resolving the dispute. During that same time, the creditor may not take any action to collect disputed amounts or report disputed amounts as delinquent.

If you have a problem with property or services purchased with a credit card, you may have the right not to pay the remaining amount due on them if you first try in good faith to return them or give the merchant a chance to correct the problem. There are two limitations on this right:

1. You must have bought them in your home state or, if not within your home state, within 100 miles of your current mailing address; and
2. The purchase price must have been more than \$50.

However, these limitations do not apply if the merchant is owned or operated by the creditor, or if the creditor mailed you the advertisement for the property or services.

This is a summary of your rights; a full statement of your rights and the creditor's responsibilities under the Federal Fair Credit Billing Act will be sent to you both upon request and in response to a billing error notice.

(e) *Finance charge imposed at the time of transaction.* (1) Any creditor, other than the creditor of the open end credit account, who imposes a finance charge not expected by § 226.4(i) *Discounts for payments in cash*, at the time

of honoring a customer's credit card, shall make the disclosures required under paragraphs (b) (2) and (d) of § 226.8 *Credit other than open end—specific disclosures*, at the time of that transaction, and the annual percentage rate to be disclosed shall be determined by dividing the amount of the finance charge by the amount financed and multiplying the quotient (expressed as a percentage) by 12.

(2) The creditor of the open end credit account shall not separately consider any charge imposed under this paragraph for purposes of the disclosure requirements of paragraphs (a) and (b) of this section.

(g) *Prompt crediting of payments.* Regardless of the date of actual posting of a payment to an account, such payment shall be credited to the customer's account as of the date such payment is received by the creditor, and no finance charge, late payment charge, or other charge shall be imposed with respect to the amount of such payment which is properly received by the creditor on or before the time indicated by the creditor as necessary to avoid imposition thereof: *Provided*, That:

(1) If a creditor fails to post the customer's payment in time to avoid the imposition of finance charges, late payment charges, or other charges, the creditor shall adjust the customer's account so that the finance charges, late payment charges, or other charges are credited to the account during the customer's next billing cycle.

(2) For the purposes of paragraph (g) of this section the creditor may specify on the periodic statement or on accompanying material that need not be retained by the customer, reasonable requirements with respect to the form, amount, manner, location, and time for receipt of payments, except that:

(i) If no particular hour of the day has been clearly specified by the creditor as the time by which payment must be received by the creditor in order to obtain crediting to the customer's account as of that date, payments received prior to the close of business on that day must be credited as of that date;

(ii) If no location(s) has been clearly specified as the location(s) at which payment may be made, then payment at any location where the creditor conducts business shall be credited as of the date such payment is presented; and

(iii) If no particular manner of payment has been clearly specified, then payment by check, cash, money order, bank draft or other similar instrument in properly negotiable form shall constitute proper manner of payment.

(3) If the creditor accepts payment at locations other than those specified under paragraph (g) (2) (ii) of this section, the creditor shall credit the customer's account promptly (in no case later than 5 days from the date of receipt): *Provided*, That the possibility of such delay is clearly disclosed to the customer on the periodic statement or on accompanying

material that need not be retained by the customer.

(4) Payments need not be credited as of the date of receipt (but in any case must be credited promptly) if a delay in crediting does not result in the imposition of any finance charges, late payment charges, or other charges for that billing cycle or a later billing cycle.

(5) If, because of operational limitations, the creditor is unable to credit a payment made on an average daily balance or daily balance account as of the date of receipt and there was a "previous balance" in the account for the billing cycle in which such payment was received, or the account is one in which the terms do not provide a time period within which the customer may repay any portion of the new balance without incurring an additional finance charge, late payment charge, or other charge, a creditor may credit such payment promptly (in no case later than 5 days from the date of receipt) until October 28, 1976.

(h) *Crediting and refunding excess payments.* (1) Whenever a customer mails or delivers payment to the creditor in excess of the new balance (as provided in § 226.7(b)(1)(ix)) to which the payment is to be applied, the creditor shall:

(i) Credit the customer's account with the total amount of the payment as specified in paragraph (g) of this section, or

(ii) Credit the customer's account with an amount equal to the total new balance as specified in paragraph (g) of this section and promptly (in no case later than 5 business days from the creditor's receipt of the payment) refund the excess amount.

(2) Notwithstanding the provisions of paragraph (h)(1) of this section, if the customer requests in writing a refund of any excess payments, a creditor shall refund any such excess payments, of \$1 or more, promptly (in no case later than 5 business days from receipt of the customer's request).

(3) After crediting a customer's account with the total amount of a payment under paragraph (h)(1)(i) of this section, a creditor may refund any excess payment of any amount, whether or not requested by the customer.

(i) *Open end credit accounts existing on October 28, 1975.* In the case of any open end credit account in existence and in which a balance of more than \$1 is outstanding at or after the closing date of the creditor's first full billing cycle after October 28, 1975, and which account is deemed to be collectible and with respect to which delinquency collection procedures have not been instituted, the items described in paragraph (a) of this section, to the extent applicable and not previously required to be disclosed to the customer, shall be disclosed in the form prescribed in paragraph (a) of this section, and mailed or delivered to the customer not later than the time of mailing or delivery of the periodic statement required under paragraph (b) of this section for that billing cycle.

8. To implement section 103(f) and to clarify certain disclosure requirements

with respect to credit other than open end which is extended on an account by use of a credit card, §§ 226.8 (n) and (o) (6) are revised and § 226.8(q) is added as follows:

§ 226.8 Credit other than open end—specific disclosures.

(n) *Periodic statements.* (1) If a creditor transmits a periodic billing statement¹² other than a delinquency notice, payment coupon book, or payment passbook, or transmits a statement, billing, or advice relating exclusively to amounts to be paid by the customer as escrows for payment of taxes, insurance, and water, sewer, and land rents, it shall be in a form which the customer may retain and shall set forth:

(i) The annual percentage rate or rates unless exempted by § 226.8(b)(2); and

(ii) The date by which, or the period, if any, within which payment must be made in order to avoid late payment or delinquency charges.

(2) If the creditor is required to send a periodic statement under paragraph (q) of this section, the requirements of §§ 226.7(b)(1)(i), (ii), (iii), (ix), and (x), and § 226.7(b)(2) shall be met, as applicable, to the disclosures required by this paragraph.

(o)

(6) If a transaction subject to § 226.8 (o) is debited to an open end credit account, disclosures shall be made as specified in paragraph (i) of this section and also as specified in § 226.7. The full amount of the obligation including the amount of the discount may be debited to the open end credit account, under § 226.7(b)(1)(ii), and the amount of any finance charge representing the discount need not be added to any other finance charge for the purpose of computing and disclosing the total amount of finance charge and the annual percentage rate under §§ 226.5(a) and 226.7.^{12a}

(q) *Credit card accounts.* In addition to the requirements of this section, consumer credit other than open end which is extended on an account by use of a credit card shall also be subject to the requirements of §§ 226.7(a)(6), (7), (8), and (9); 226.7(b)(1)(i), (ii), (iii), (ix), and (x); 226.7(b)(2); 226.7(c), (d), (g), (h), and (i); 226.13 (i), (j), and (k); and 226.14.

9. Section 226.11a (2) and (3) is revised as follows:

§ 226.11 Comparative index of credit cost for open end credit.

(a)

¹² Any statement, notice, or reminder of payment due on any transaction payable in installments which is mailed or delivered periodically to the customer in advance of the due date of the installment shall be a periodic billing statement for the purpose of this paragraph.

(2) Shall recompute the Comparative Index of Credit Cost in accordance with paragraph (b) of this section based upon any new open end credit account terms to be adopted and shall disclose the new Comparative Index of Credit Cost in accordance with paragraph (c)(2) of this section concurrently with the notice required under paragraph (f) of § 226.7.

(3) Shall, when making such disclosure under the provisions of paragraphs (a)(5) and (b)(1)(vii) of § 226.7, make the disclosure to all open end credit account customers; and

10. To implement section 171, § 226.12 (a) and (b) is revised as follows:

§ 226.12 Exemption of certain State regulated transactions.

(a) *Exemption for State regulated transactions.* In accordance with the provisions of Supplements II, IV, and V to Regulation Z, any State may make application to the Board for exemption of any class of transactions within the State from the requirements of Chapters 2 and 4 of the Act and the corresponding provisions of this part: *Provided, That:*

(1) The Board determines that under the law of that State, that class of transactions is subject to requirements substantially similar to those imposed under Chapter 2 or Chapter 4 of the Act, or both, and the corresponding provisions of this part; or in the case of Chapter 4, the consumer is afforded greater protection than is afforded under Chapter 4 of the Act, and

(2) There is adequate provision for enforcement.

(b) *Procedures and criteria.* The procedures and criteria under which any State may apply for the determination provided for in paragraph (a) of this section are set forth in Supplement II to Regulation Z with respect to disclosure and rescission requirements (sections 121-131 of Chapter 2), Supplement IV with respect to the prohibition of the issuance of unsolicited credit cards and the liability of the cardholder for unauthorized use of a credit card (sections 132-133 of Chapter 2), and in Supplement V which will be issued on or before October 28, 1975, with respect to fair credit billing requirements (sections 161-171 of Chapter 4).

11. To implement §§ 166, 167, 168, 169, and 170, § 226.13 is amended as follows:

a. Paragraphs (a)(1) through (4), and (a)(6) and (7), are incorporated into § 226.2 as shown in the redesignation table of paragraph 2 above.

b. Paragraph (a)(5) is deleted.

c. Paragraphs (b) through (i) are redesignated as paragraphs (a) through (h).

d. Paragraphs (a) through (h) are revised and paragraphs (i), (j), (k); and (l) are added as set forth below.

§ 226.13 Credit card transactions—special requirements.

(a) *Issuance of credit cards.* Regardless of whether a credit card is to be used for personal, family, household, agricul-

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tural, business, or commercial purposes, no credit card shall be issued to any person except:

(1) In response to a request or application therefor, or

(2) As a renewal of, or in substitution for, an accepted credit card whether such card is issued by the same or a successor card issuer.

(b) *Conditions of liability of cardholder.* A cardholder shall be liable for unauthorized use of each credit card issued only if,

(1) The credit card is an accepted credit card;

(2) Such liability does not exceed the lesser of \$50 or the amount of money, property, labor, or services obtained by such use prior to notification of the card issuer pursuant to paragraph (e) of this section;

(3) The card issuer has given adequate notice to the cardholder of his potential liability on the credit card within two years preceding the unauthorized use; and

(4) The card issuer has provided the cardholder with an addressed notification requiring no postage to be paid by the cardholder which may be mailed by the cardholder in the event of the loss, theft, or possible unauthorized use of the credit card.

(c) *Other conditions of liability.* In addition to the conditions of liability in paragraph (b) of this section, no cardholder shall be liable for the unauthorized use of any credit card which was issued after January 24, 1971, and, regardless of the date of its issuance, after January 24, 1972, no cardholder shall be liable for the unauthorized use of any credit card, unless the card issuer has provided a method whereby the user of such card can be identified as the person authorized to use it, such as by signature, photograph, or fingerprint on the credit card or by electronic or mechanical confirmation.

(d) *Notice to cardholder.* The notice to cardholder pursuant to paragraph (b)(3) of this section may be given by printing the notice on the credit card, or by any other means reasonably assuring the receipt thereof by the cardholder. An acceptable form of notice must state that liability shall not exceed \$50 (or any lesser amount), that notice of loss, theft, or possible unauthorized use may be given orally or in writing, and the name and address of the party to receive the notice. It may include any additional information which is not inconsistent with the provisions of this section. An example of an acceptable notice is as follows:

You may be liable for the unauthorized use of your credit card [or other term which describes the credit device]. You will not be liable for unauthorized use which occurs after you notify [name of card issuer or his designee] at [address] orally or in writing of loss, theft, or possible unauthorized use. In any case liability shall not exceed [insert \$50 or any lesser amount under other applicable law or under any agreement with the cardholder].

(e) *Notice to card issuer.* For the purposes of this section, a cardholder notifies a card issuer by taking such steps as may be reasonably required in the ordinary course of business to provide the card issuer with the pertinent information with respect to loss, theft, or possible unauthorized use of any credit card, whether or not any particular officer, employee, or agent of the card issuer does, in fact, receive such notice or information. Irrespective of the form of notice provided under paragraph (b)(4) of this section, at the option of the cardholder, notice may be given to the card issuer or his designee in person or by telephone or by letter, telegram, radiogram, cablegram, or other written communication which sets forth the pertinent information. Notice by mail, telegram, radiogram, cablegram, or other written communication shall be considered given at the time of receipt or, whether or not received, at the expiration of the time ordinarily required for transmission, whichever is earlier.

(f) *Action to enforce liability.* In any action by a card issuer to enforce liability for the use of a credit card, the burden of proof is upon the card issuer to show that the use was authorized or, if the use was unauthorized, then the burden of proof is upon the card issuer to show that the conditions of liability for the unauthorized use of a credit card, as set forth in paragraphs (b) and (c) of this section, have been met.

(g) *Effect on other applicable law or agreement.* Nothing in this section imposes liability upon a cardholder for the unauthorized use of a credit card in excess of his liability for such use under other applicable law or under any agreement with the card issuer.

(h) *Business use of credit cards.* If 10 or more credit cards are issued by one card issuer for use by the employees of a single business or other organization, nothing in this section prohibits the card issuer from agreeing by contract with such business or other organization as to liability for unauthorized use of any such credit cards without regard to the provisions of this section, but in no case may any business or other organization or card issuer impose liability on any employee of such business or other organization with respect to unauthorized use of such credit card except in accordance with and subject to the other liability limitations of this section.

(i) *Right of cardholder to assert claims or defenses against card issuer.* (1) When a person who provides property or services fails to satisfactorily resolve a dispute as to property or services purchased by use of a credit card in connection with a consumer credit transaction, the cardholder may assert all claims (other than tort claims) and defenses arising out of the transaction and relating to such failure against the card issuer, and the cardholder may withhold payment up to the amount of credit outstanding with respect to the property or services which gave rise to the dispute and any finance charges, late payment charges,

or other charges imposed on that amount if:

(1) The cardholder has made a good faith attempt to obtain satisfactory resolution of the disagreement or problem relating to the transaction from the person honoring the credit card,

(ii) The amount of credit extended by the card issuer to the cardholder to obtain the property or services which resulted in the assertion of the claim(s) or defense(s) by the cardholder exceeds \$50, and

(iii) The initial transaction which gave rise to the assertion of the claim(s) or defense(s) by the cardholder occurred in the same State as the cardholder's current designated address or, if not within the State of the cardholder's address, within 100 miles from such address, except that the limitations stated in paragraphs (i)(1)(ii) and (iii) of this section shall not apply when the person honoring the credit card:

(A) Is the same person as the card issuer, or

(B) Is controlled, directly or indirectly, by the card issuer, or

(C) Is under the direct or indirect control of a third person who also directly or indirectly controls the card issuer, or

(D) Controls, directly or indirectly, the card issuer, or

(E) Is a franchised dealer in the card issuer's products or services, or

(F) Has obtained the order for the transaction, relative to which the claim(s) or defense(s) is asserted, through a mail solicitation made by or participated in by the card issuer, in which the cardholder is solicited to enter into such transaction by using the credit card issued by the card issuer. Simply honoring or indicating that a person honors a particular credit card is not any of the relationships described in paragraphs (i)(1)(iii)(A) through (F) of this section for the purpose of removing the dollar and distance limitations.

(2) The amount of the claim(s) or defense(s) assertable by the cardholder under this section may not exceed the amount of credit outstanding with respect to the transaction which gave rise to the assertion of the claim(s) or defense(s) at the time the cardholder first notifies the card issuer or the person honoring the credit card for such transaction of the existence of such claim(s) or defense(s). For purposes of determining the amount of credit outstanding with respect to such transactions as provided in the preceding sentence, payments and other credits to the cardholder's account will be deemed to have been applied in the order indicated to the payment of:

(i) Late charges in the order of entry to the account,

(ii) Finance charges in the order of entry to the account,

(iii) Any other debits in the order in which each debit entry was made to the account, and

(iv) When more than one item is included in a single extension of credit, credits are to be distributed pro rata according to prices and applicable taxes.

(3) This section does not apply to cash advances obtained with a credit card when the advance is unrelated to any specific credit sale item.

(4) If the cardholder refuses to pay the amount of credit outstanding with respect to the property or services which gave rise to the claim(s) or defense(s) under this section, the creditor may not report to any person that particular amount as delinquent until the dispute is settled or judgment is rendered.

(j) *Prohibition of offsets by card issuer.* (1) A card issuer may not take any action to offset a cardholder's indebtedness arising in connection with a consumer credit transaction under the relevant credit card plan against funds of the cardholder held on deposit with the card issuer unless a court order¹⁰ is obtained.

(2) The prohibition in paragraph (j) (1) of this section does not apply to credit card plans in which the cardholder authorizes the card issuer as a method of payment to periodically deduct all or a portion of the cardholder's credit card debt from his deposit account with the card issuer (subject to the limitations in § 226.14(c)): *Provided*, That:

(i) Such automatic debit was previously authorized in writing by the cardholder, or

(ii) With respect to such automatic debit accounts in existence on October 28, 1975, the card issuer has given notice of the provisions of paragraph (j) of this section to such accounts prior to renewal of the authorization (in no case later than October 28, 1976).

(k) *Prompt notification of returns.*

(1) When any creditor other than the card issuer accepts the return of property or forgives a debt for services which is to be reflected as a credit to the customer's open end credit card account, he shall promptly (in no case later than 7 business days from the date the return is accepted) transmit a statement with respect thereto to the card issuer through the normal channels established by the card issuer for the transmittal of such statements.

(2) Upon receipt of a credit statement, the card issuer shall credit the customer's account promptly (in no case later than 3 business days from receipt of the refund statement) with the amount of the refund.

(3) If it is a creditor's (other than a card issuer) policy to give cash refunds to cash customers, he must also give credit or cash refunds to credit card customers, unless he clearly and conspicuously discloses that he does not give credit or cash refunds for returns at the time the transaction is consummated. Nothing in this section shall be construed to require that a creditor give refunds for returns nor shall it be construed to prohibit refunds in kind.

¹⁰ This paragraph does not alter or affect the right of a card issuer acting under State law to attach or otherwise levy upon funds of a cardholder held on deposit with the card issuer if that remedy is constitutionally available to creditors generally.

(l) *Prohibited acts of card issuers.* (1) No card issuer may, by contract or otherwise:

(i) Prohibit any person from offering any cash discounts to all customers of such person, including cardholder customers, to induce such customers to pay by cash, check, or similar means rather than by use of a credit card or its underlying account for the purchase of property or services, or

(ii) Require any person who honors the card issuer's credit card to open or maintain a deposit account or procure any other service not essential to the operation of the credit card plan from the card issuer, its subsidiary, agent, or any other person, as a condition of participation in a credit card plan.

(2) Within 30 days of the effective date of these regulations, any card issuer with existing contracts which include either one or both of the restrictive clauses prohibited in paragraph (1) of this section shall inform all parties to the contract that such provisions are inapplicable and no longer enforceable.

12. To implement sections 161, 162, and 170, § 226.14 is added as follows:

§ 226.14 *Billing errors—resolution procedure.*

(a) *Correction of billing errors.* After the creditor receives proper written notification of a billing error, unless the customer has subsequently agreed that the periodic statement is correct, the creditor shall:

(1) Not later than 30 days after receipt of such notification, mail or deliver written acknowledgment thereof to the customer's current designated address, unless the appropriate actions in paragraph (a) (2) of this section are taken within such 30 day period; and

(2) Resolve the dispute not later than 2 complete billing cycles (in no event more than 90 days) from the date of receipt of the notice of billing error and prior to any action by the creditor to collect¹¹ any portion of the amount(s) indicated by the customer as being a billing error or any finance charges, late payment charges, or other charges computed on such disputed amount(s) by:

(i) Correcting the customer's account in the full amount indicated by the customer to have been erroneously billed in accordance with paragraph (b) (2) of this section and mailing or delivering to the customer a written notification of corrections;¹² or

¹¹ If, despite the establishment by the creditor of procedures reasonably adapted to assure compliance with this paragraph, the creditor or his agent, within 2 business days after receiving proper written notification of a billing error pursuant to this section, inadvertently takes action to collect in contravention of this paragraph, such inadvertent action to collect will not be considered in violation of this paragraph.

¹² A notice on a subsequent billing statement clearly identifying any amount credited to the customer's account in response to a proper written notification of a billing error is one type of a proper transmittal of a written notification of corrections.

(ii) Correcting the customer's account by a differing amount from that indicated by the customer as being erroneously billed in accordance with paragraph (b) (2) of this section and mailing or delivering to the customer an explanation of the change(s), accompanied by copies of documentary evidence of the customer's indebtedness if such evidence is requested by the customer; or

(iii) Mailing or delivering a written explanation or clarification to the customer, after having conducted a reasonable investigation, setting forth, to the extent applicable, the reasons why the creditor believes the amount(s) was correctly shown on the periodic statement and, if the customer so requests, furnishing copies of documentary evidence of the customer's indebtedness with respect to the alleged billing error(s). In any case where the customer alleges that the periodic statement reflects property or services not delivered to the customer or his designee in accordance with any agreement made in connection with the transaction giving rise to the disputed amount, a creditor may not construe such amount to be correctly shown on the periodic statement unless the creditor determines, upon reasonable investigation, that such property or services were actually delivered, mailed, or otherwise sent to the customer or his designee and provides the customer with a written statement explaining such determination. In any case where the customer alleges that an amount of a transaction reflected on the periodic statement is incorrect because the person honoring the credit card has made an incorrect report to the card issuer of the amount which should have been charged, the card issuer may not construe such amount to be correctly reflected on the periodic statement unless the creditor determines, upon reasonable investigation, that the correct amount is shown on the periodic statement and provides the customer with a written statement explaining such determination. After complying with the provisions of this section with respect to an alleged billing error, a creditor has no further responsibility under this section if the customer continues to make substantially the same allegation with respect to such error.

(b) *Minimum periodic payments and finance charges on disputed amounts.* (1) When a minimum periodic payment is permitted, the customer may withhold that portion of the minimum periodic payment which the customer believes is related to the amount in dispute. When the disputed amount is only a part of the total amount of an item, the customer remains obligated to pay the amount not in dispute, and any minimum periodic payment and finance charges, late payment charges, or other charges may be collected on the undisputed amount. If, at the completion of the error resolution procedure, it is determined that the customer owes some or all of the disputed amount, the creditor may require payment of any minimum periodic payment amounts which the customer did not pay because of the

dispute. The creditor may not, however, accelerate the customer's entire debt solely because the customer has exercised rights provided by the Act or this part.

(2) With respect to an erroneous billing, the creditor must credit the customer's account in any amount the customer does not owe, plus any finance charges, late payment charges, or other charges imposed as a result of the erroneous billing. An erroneous billing by a creditor includes, but is not limited to, a misidentification, insufficient identification, or incorrect date of a transaction; a mailing of the periodic statement to other than the current designated address; improper crediting of payments or other credits; computation errors; or a billing for property or services not accepted or delivered in accordance with any agreement; as well as mistakes in dollar amounts.

(3) After or upon completion of the dispute resolution procedure prescribed by § 226.14(a):

(i) If the initial periodic statement is determined to be without error with regard to the disputed item, the creditor shall promptly mail or deliver to the customer written notification of the amount owed with regard to the disputed item, unless such notification is not required by paragraph (a) of this section, or

(ii) If the initial periodic statement is determined to be in error with regard to the disputed item and the creditor normally allows a period for the customer to pay such an item without incurring additional finance charges, late payment charges, or other charges, the creditor shall mail or deliver to the customer written notification of the total amount which the customer owes with regard to the disputed item and shall allow the customer the same number of days thereafter as he customarily or by credit agreement allows, whichever is longer (in no case less than 10 days), for the customer to pay undisputed amounts in accordance with § 226.7(b)(2), or

(iii) If the initial periodic statement is determined to be in error with regard to the disputed item and the creditor normally does not allow a period for the customer to pay such an item without incurring additional finance charges, late payment charges, or other charges, the creditor shall promptly mail or deliver to the customer a notice of the total amount which the customer owes with regard to the disputed item.

(4) Nothing in this section shall be construed to prohibit the mailing or delivery of periodic statements, which include disputed amounts, to the customer: *Provided*, That the creditor indicates on the face of the periodic statement that payment of the amount in dispute is not required pending the creditor's compliance with the provisions of this section.

(5) Nothing in this section shall prohibit any action by a creditor to collect any amount which has not been indicated by the customer to contain a billing error.

(c) *Automatic debit of disputed amounts.* (1) In the case of credit card plans where the cardholder has agreed to permit the card issuer to periodically

pay the cardholder's indebtedness by deducting the appropriate amount from the cardholder's deposit account held by the card issuer, if the card issuer receives a proper written notification of a billing error within 16 days from the date of mailing or delivery of the periodic statement on which the suspected billing error first appears, the card issuer shall:

(i) Prevent the automatic debiting of any disputed amounts if receipt of such notification precedes the automatic debiting of the cardholder's account, or

(ii) Promptly (in no case more than 2 business days after receipt of the notice) restore to the cardholder's deposit account any portion of the disputed amount which was previously deducted, if receipt of such notification follows the automatic debiting of the cardholder's account for any disputed amounts.

(2) Nothing in this paragraph shall limit the cardholder's right to dispute an amount he believes to be in error within 60 days of the mailing or delivery of the erroneous periodic statement, as otherwise provided in this section.

(d) *Closing of accounts.* A creditor may not, prior to complying with the requirements of paragraphs (a) and (b) of this section, restrict or close an account with respect to which the customer has indicated a belief that such account contains a billing error solely because of the customer's refusal or failure to pay the amount indicated to be in error. This paragraph does not prohibit the creditor from applying any such amount to the customer's credit limitation.

(e) *Credit reports on amounts in dispute.* (1) After receiving a proper written notification of a billing error pursuant to this section, neither the creditor nor his agent may directly or indirectly threaten to report adversely to any person on the customer's credit standing or credit rating because of the customer's failure to pay the amount specified in such notification as being a billing error, or any finance charges, late payment charges, or other charges imposed thereon, nor shall such amount be reported as delinquent¹ to any third person unless such amount remains unpaid after the creditor has complied with all the requirements of this section and has allowed that customer the same number of days thereafter as he customarily or by credit agreement allows, whichever is longer (in no case less than 10 days), for the customer to pay undisputed amounts so as to avoid the imposition of additional finance charges, late payment charges, or other charges. If, despite establishment by the creditor of procedures reasonably adapted to assure compliance with this paragraph, the creditor or his agent, within 2 business days after receiving proper written notification of a billing error pursuant to this section, inadvertently takes action in contravention of this paragraph, such inadvertent action will not be considered in violation of this paragraph.

(2) If, within the time limit allowed for payment in paragraph (e)(1) of this

¹ Nothing in this paragraph prohibits a creditor from reporting the disputed amount or account as being in dispute.

section, the creditor receives a further written notification from the customer that any portion of a billing error resolved under paragraph (a) of this section is still in dispute, the creditor may not report to any third party that such disputed amount is delinquent unless the creditor also reports that the amount or account is in dispute and, at the same time, notifies the customer in writing of the name and address of each party to whom the creditor is reporting information concerning the disputed amount. If, pursuant to this paragraph, a creditor has reported a disputed amount as being delinquent to any third person, the creditor shall report promptly in writing² to any such person subsequent resolution of the reported delinquency.

(3) If a creditor has reported an amount as being delinquent to any third person who is in the business of collecting and disseminating information relating to the credit worthiness of customers, and such amount is subsequently disputed by the customer in accordance with the requirements of § 226.2(cc), the creditor shall, within one billing cycle after receipt of proper written notification of the billing error, mail or deliver a written notice³ to each such third person to whom the delinquency was reported that the amount is in dispute.

(f) *Forfeiture penalty.* (1) Any creditor who fails to comply with the requirements of this section forfeits any right to collect from the customer the amount indicated by the customer to be a billing error, whether or not such amount is in fact in error, and any finance charges, late payment charges, or other charges imposed thereon: *Provided*, That the amount so forfeited under this section shall not exceed \$50 for each item or transaction on a periodic statement indicated by the customer to be a billing error. In no case shall a creditor forfeit any amount for an error in a total figure or subtotal figure reflected on a statement which is caused solely by an error in another item which is the subject of a dispute, nor shall a creditor suffer any forfeit more than once for any item or transaction which may appear on a periodic statement.

(2) Nothing in this subsection shall be construed to limit a customer's right to recover under section 130 of the Act.

(g) *Exceptions to general rule.* This section does not apply to credit other than open end, whether or not a periodic statement is mailed or delivered, unless it is consumer credit extended on an account by use of a credit card.

13. The effective date of these regulations shall be October 28, 1975.

14. 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)).

² "In writing" shall include transmission by computer communication.

³ "Written notice" shall include computer communication.

By order of the Board of Governors,
September 10, 1975.

[SEAL] THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.75-24902 Filed 9-18-75;8:45 am]

Title 5—Administrative Personnel
CHAPTER I—CIVIL SERVICE COMMISSION
PART 213—EXCEPTED SERVICE

Department of Defense

Section 213.3306 is amended to show that one position of Confidential Assistant to the Special Assistant to the Secretary is excepted under Schedule C. Effective on September 19, 1975, § 213.3306(a) (69) is added as set out below:

§ 213.3306 Department of Defense.

(a) *Office of the Secretary.* . . .
(69) One Confidential Assistant to the Special Assistant to the Secretary.
(5 U.S.C. 3301, 3302; EO 10677, 3 CFR 1954-1958 Comp., p. 218)

UNITED STATES CIVIL SERVICE COMMISSION,

[SEAL] JAMES C. SPRY,
Executive Assistant to the Commissioners.

[FR Doc.75-24944 Filed 9-18-75;8:45 am]

PART 213—EXCEPTED SERVICE
Department of Health, Education, and Welfare

Section 213.3316 is amended to show that one position of Executive Assistant to the Secretary and one position of Secretary to the Executive Assistant are excepted under Schedule C.

Effective on September 19, 1975, § 213.3316(a) (34) and (35) are added as set out below:

§ 213.3316 Department of Health, Education, and Welfare.

(a) *Office of the Secretary.* . . .
(34) One Executive Assistant to the Secretary.
(35) One Secretary to the Executive Assistant to the Secretary.
(5 U.S.C. 3301, 3302; E.O. 10577, 3 CFR 1954-58 Comp., p. 218).

UNITED STATES CIVIL SERVICE COMMISSION,

[SEAL] JAMES C. SPRY,
Executive Assistant to the Commissioners.

[FR Doc.75-24945 Filed 9-18-75;8:45 am]

Title 14—Aeronautics and Space
CHAPTER II—CIVIL AERONAUTICS BOARD

SUBCHAPTER B—PROCEDURAL REGULATIONS
[Reg. PR-146]

PART 312—IMPLEMENTATION OF THE NATIONAL ENVIRONMENTAL POLICY ACT, INCLUDING THE PREPARATION OF ENVIRONMENTAL IMPACT STATEMENTS

Enactment of Part
Correction

In FR Doc. 75-21846, appearing at page 37184, in the issue of Monday, August 25, 1975, make the following changes:

1. On page 37187, in the third column, first full paragraph, the 17th line which reads "(ii), (iii), (iv), or (v) of the rule. The", should read "applying the test of § 312.9(a) (2)".

2. On page 37196, second column, under the center heading "METHOD", the formula should read as follows:

$$\text{Area of Contour} = A_c \cdot 10^{\frac{[10 \log N + 24 - NEF + C]}{15}}$$

3. On page 37196, third column, top of page, the formula should read as follows:

$$\text{Area of Contour} = 1.92 \cdot 10^{\frac{[10 \log N - 16 + C]}{15}}$$

4. In the middle column of page 37197, the formula near the bottom of the page, should read as follows:

$$\text{Area (sq mi)} = A_c \cdot 10^{\frac{10 \log N + 24 - NEF + C}{15}}$$

5. In the third column, page 37197, the formula at the top of the column should read as follows:

$$A = A_c (NEF)^{10^{\frac{10 \log N + 24 - NEF + C}{15}}}$$

Title 20—Employees Benefits

CHAPTER III—SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

[Regulations No. 5, further amended]

PART 405—FEDERAL HEALTH INSURANCE FOR THE AGED AND DISABLED (1965.....)

State Supplementary Medical Insurance Coverage Agreements

On April 17, 1975, there was published in the FEDERAL REGISTER (40 FR 17151) a Notice of Proposed Rule Making with proposed amendments to Subpart B of Regulations No. 5, implementing section 18(1) of Pub. L. 93-233. This legislation amended section 1843 of the Social Security Act to provide for the continuance of the supplementary medical insurance (buy-in) agreements after December 31, 1973, at the request of the State, subject to such modifications as the Secretary by regulations provides to take account of the termination of the State cash assistance programs and their replacement by the supplemental security income program. These amendments to regulations also give effect to section 249E of Pub. L. 92-603. Interested persons were given until May 19, 1975, to submit comments and suggestions.

Two favorable comments and one suggested change were received in response to the Notice. This suggestion by a State for the deletion of part of § 405.223(c) (1) was not adopted; it was based on a mistaken interpretation that the regulation assigns to States responsibility for terminating buy-in coverage in cases where the Social Security Administration actually has this termination responsibility.

Accordingly, the amendments to the regulations are adopted without change and are set forth below.

(Secs. 1102, 1843, and 1871 of the Social Security Act, section 249E of P.L. 92-603, section 233 of P.L. 93-66, 49 Stat. 647, as amended, 70 Stat. 312, 331, 80 Stat. 1420, 87 Stat. 152; 42 U.S.C. 1302, 1305v, and 1396hh.)

(Catalog of Federal Domestic Assistance Program No. 13.801, Health Insurance for the Aged—Supplementary Medical Insurance.)

Effective date: October 20, 1975.

Dated: August 11, 1975.

J. B. CARDWELL,
Commissioner of Social Security.

Approved: September 15, 1975.

DAVID MATHEWS,
Secretary of Health, Education, and Welfare.

Part 405 of Chapter III of Title 20 of the Code of Federal Regulations is amended as set forth below:

1. Section 405.217 is amended by revising so much of paragraph (b) as precedes subparagraph (1), by revising paragraph (c) (1), and by adding paragraphs (g), (h), and (i) to read as follows:

§ 405.217 Enrollment pursuant to State agreement.

(b) Subject to paragraph (g) and (h) of this section, an agreement entered into with any State pursuant to paragraph (a) of this section shall be applicable to either of the following coverage groups:

(c) . . .
(1) An individual may not, subject to paragraphs (c) (2) and (g) (5) of this section, be a member of the coverage group specified in an agreement entered into under paragraph (a) of this section for any month in which he is entitled to monthly benefits under title II of the Social Security Act or entitled to receive an annuity or pension under the Railroad Retirement Act of 1937 (without regard to the retroactivity of such entitlement) unless the State requests before 1970, and the agreement is modified to provide, that such individuals shall be members of such coverage group.

(g) Effective January 1, 1974, an agreement pursuant to paragraph (a) of this section, entered into by any of the fifty States or the District of Columbia will at the request of the State be continued and shall be deemed to have been modified as follows:

(1) Where the State's coverage group as of December 31, 1973, consists of individuals receiving money payments under a plan of the State approved under title XVI of the Social Security Act (see paragraph (b) (1) of this section) and the State has a plan approved under title XIX of the Social Security Act in effect as of December 31, 1973, the State's coverage group shall be deemed to consist of individuals who (i) receive supplemental security income under title XVI of the Social Security Act or State supplementary payments (as the term is used in section 1616(a) of the Social Security Act and in section 212 of Pub. L. 93-66), and (ii) are categorically needy (as the term is used in 45 CFR 248.1)