means release from custody of the United States Bureau of Customs.

Dated: May 2, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc.77-13087 Filed 5-6-77;8:45 am]

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Reg. Z; Docket No. R-0098]

AMENDMENTS TO REGULATION Z TO SIMPLIFY DISCLOSURE REQUIREMENTS

Consumers in Credit Transactions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rules.

SUMMARY: These proposed rules would amend several sections of Regulation Z to reduce the complexity of the disclosures provided to consumers in credit transactions. The proposals would eliminate itemization of the components of the finance charge and the downpayment, eliminate the requirement that certain fees imposed equally on cash and credit customers be disclosed in order to be excluded from the finance charge, and simplify the disclosure concerning rebate of finance charges in the event of prepayment in full of a precomputed instalment obligation. These simplifying proposals are intended to eliminate unnecessary information from the Truth in Lending disclosure statement in order to focus attention on the more meaningful and useful cost disclosures as well as to promote creditor compliance with the regulation.

DATE: Comments must be received on or before June 15, 1977.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All materials submitted should include the docket number R-0098.

FOR FURTHER INFORMATION CONTACT:

D. Edwin Schmelzer, Chief, Fair Credit Practices Section, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-2412).

SUPPLEMENTARY INFORMATION: The Board of Governors of the Federal Reserve System is publishing for comment several proposed amendments to Regulation Z designed to simplify the disclosure requirements. The provisions affected are ones which are not mandated by the Truth in Lending Act but which were added by the Board under its regulation-writing authority. The Board believes that the information required to be disclosed by the current provisions may not be helpful or meaningful to consumers, while causing substantial difficulty in creditor compliance.

The Board is considering further simplifying amendments to the regulation beyond those proposed herein. Since it recognizes the problems that would be created by a consultant-revised regulation, it will consider giving all of the simplying changes the same effective date, where appropriate.

The proposed amendments are as follows:

Itemization of finance charge. These amendments would eliminate the requirement that the components of the finance charge be itemized. Itemization for component charges is not called for in the Truth in Lending Act, but this requirement in Regulation Z has caused substantial problems in creditor compliance without comparable benefit to consumers. The Board believes that since consumers can most effectively compare credit costs based on the total finance charge, listing of the component charges does not materially assist credit shopping. Furthermore, many of the component charges, such as "time price differential," are not meaningful to consumers. Since one of the purposes of introducing the concept of "finance charge" into the Truth in Lending Act was to eliminate the great variety of differing terminology and encourage uniform terms for purposes of comparison, it is more in keeping with this purpose to require disclosure of only the total finance charge.

Preliminary contacts with the Federal agencies responsible for the regulation's enforcement and with the exempt States indicate that many of them find itemization of the finance charge components to be helpful in their examinations and investigations. However, it appears that such itemization may be more relevant to the question of compliance with State laws than with the Truth in Lending Act.

If a creditor wished to continue itemizing the finnace charge, this would, of course, be permissible as additional information under § 226.6(c).

Rebate of finance charge upon prepayment. This amendment would simplify the disclosures by eliminating the requirement to identify the method used to compute the rebate of finance charges upon prepayment in full of an obligation. Instead, a creditor would simply state whether or not a rebate will be made. It is doubtful, particularly with the typical rebate method, i.e., Rule of 78's, whether identification of the method has been in any way meaningful to consumers, and elaborate explanations of how the various methods work would be far too complex and technical to be readily understood.

If a creditor wished to provide more information regarding rebates upon prepayment, this may be done pursuant to § 226.6(c).

The Board considered elimination of all disclosures concerning rebates since this information is not called for in the Truth in Lending Act. However it appears that the existence of a rebate is an important item of information for consumers, since it has monetary impact and may affect consumer behavior.

The Board also considered an alternative amendment which would have required a statement of whether or not a rebate will be made only in those transactions for which State law does not require rebates to be given (i.e., where giving of rebates is left to the creditor's discretion). It appears that most States require rebates to be made upon full prepayment of various types of obligations and often prescribe what method is to be used to compute the rebate. In such transactions, disclosure of the existence of a rebate would be merely reiterating a State law requirement. This alternative would have required a statement of the creditor's rebate policy only in those situations where it is not determined by State law. The Board decided not to propose this alternative since it appears to be in the consumer's interest to know if there will be a rebate, regardless of whether or not State law requires it (particularly since few consumers are likely to know State law on this subject). Furthermore, since State laws on rebates are not uniform with regard to all types of credit transactions and all types of creditors, it would in many cases be simpler for a creditor to state its policy on provision of rebates for all transactions rather than determine if State law governs a particular transaction.

The Board is interested in having the views of interested persons on this question of rebate disclosures, and would particularly like to solicit comment on:

The extent to which State law governs rebate of finance charges upon prepayment.

The extent to which provisions on rebates are included in credit contracts.

The extent to which consumers are aware of their right to rebate under State law and the importance to them of creditors' practices regarding rebates.

Itemization of license, certificate of title, and registration fees. This amendment would eliminate the need for license, certificate of title, and registration fees to be itemized in order to exclude them from the finance charge. It is the Board's understanding that these types of fees are imposed equally in both cash and credit transactions (generally sales of automobiles) and therefore do not meet the definition of finance charge in § 226.4(a). Nevertheless, their inclusion in § 226.4(b) suggests that they must be itemized and disclosed in order to be kept out of the finance charge. Thus the present regulation creates an anomalous situation by singling out these fees for special treatment, with no apparent consumer benefit.

It should be noted that if these license, certificate of title, and registration fees are financed by the creditor (rather than paid in cash), they must still be itemized and disclosed as part of the amount financed.

Itemization of downpayment. This amendment would eliminate itemization of the components of the downpayment in a credit sale and would drop the required terminology of "cash downpayment," "trade-in," and "total downpay-

ment." While disclosure of the total downpayment is essential, the extra information concerning its components is not particularly necessary to a consumer's understanding of the credit transaction, and does not assist in credit shopping.

If a creditor wished to continue itemizing the downpayment, this would, of course, be permissible as additional information under § 226.6(c).

Pursuant to the authority granted in 15 U.S.C. § 1604 (1970), the Board proposes to amend Regulation Z, 12 CFR Part 226, as follows:

§ 226.4 [Amended]

1. Section 226.4(b) would be amended by deleting § 226.4(b) (4).

2. Section 226.8 would be amended as follows:

§ 226.8 Credit other than open end—specific disclosures.

* * * * *

(b) * * *

(7) With respect to an obligation which includes precomputed finance charges, a statement indicating whether or not any portion of the finance charge will be rebated or credited to the customer in the event of prepayment in full of the obligation.

(c) * * *

(2) The total amount of the downpayment (including any downpayment in money, property or other value).

* * * * *

(8) Except in the case of a sale of a dwelling:

(i) The total amount of the finance charge, using the term "finance charge."

(d) * * *

(3) Except in the case of a loan secured by a first lien or equivalent security interest on a dwelling and made to finance the purchase of that dwelling, the total amount of the "finance charge," using the term "finance charge."

To aid in the consideration of these proposals by the Board, interested persons are invited to submit relevant data, views, comments, or arguments. All such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than June 15, 1977. All material submitted should include the docket number R-0098. Such information will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a).

This notice is published pursuant to § 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)).

By order of the Board of Governors, April 27, 1977.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.77-13115 Filed 5-6-77;8:45 am]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[26 CFR Part 53]

FAILURE TO OBTAIN ADVANCE APPROVAL OF GRANT MAKING PROCEDURES

Proposed Rulemaking

AGENCY: Internal Revenue Service, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document provides proposed regulations relating to a failure to obtain advance approval of procedures for making certain grants by a private foundation. Changes to the applicable law were made by the Tax Reform Act of 1969. The regulations would provide private foundations with the guidance needed to comply with that Act and would affect all private foundations who have failed to obtain advance approval of procedures with respect to certain grants.

DATES: Written comments and requests for a public hearing must be delivered or mailed by June 23, 1977. Generally, except where otherwise provided, the amendments are proposed to be effective for all taxable years beginning after December 31, 1969.

ADDRESS: Send comments and requests for a public hearing to: Commissioner of Internal Revenue, Attention: CC:LR:T, Washington, D.C. 20224.

FOR FURTHER INFORMATION CONTACT:

Mr. Robert Katcher of the Legislation and Regulations Division, Office of the Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, D.C. 20224 (Attention: CC:LR:T), 202-566-3828.

SUPPLEMENTARY INFORMATION:

BACKGROUND

This document contains proposed amendments to the Excise Tax Regulations (26 CFR Part 53) under section 4945 of the Internal Revenue Code of 1954. These amendments are proposed in order to provide a special rule where there was a failure to obtain advance approval of certain grant making procedures. These regulations are to be issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

TAXABLE EXPENDITURES

This proposed regulation contains a special rule for correction under section 4945(i)(1) of the Code. In general, correction is required where a private foundation makes a taxable expenditure as defined in section 4945(d) of the Code. The proposed regulation provides a special rule where an expenditure is taxable under section 4945(d)(3) (relating to certain grants to an individual) solely because the grants were made before obtaining advance approval of procedures with respect to such grants.

DRAFTING INFORMATION

The principal author of these proposed regulations was Mr. Robert Katcher of the Legislation and Regulations Division of the Office of Chief Counsel, Internal Revenue Service. However, personnel from other offices of the Internal Revenue Service and Treasury Department participated in developing the regulation, both on matters of substance and style.

PROPOSED AMENDMENTS TO THE REGULATIONS

The proposed amendments to 26 CFR Part 53 are as follows:

Section 53.4945-1 is amended by revising the first sentence of paragraph (d)(1) and by adding paragraph (d)(3) to read as follows:

§ 53.4945-1 Taxes on taxable expenditures.

* * * * *

(d) *Correction*—(1) *In general.* Except as provided in paragraph (d)(2) or (3) of this section, correction of a taxable expenditure shall be accomplished by recovering part or all of the expenditure to the extent recovery is possible, and, where full recovery cannot be accomplished, by any additional corrective action which the Commissioner may prescribe. * * *

(3) *Correction for failure to obtain advance approval.* Where an expenditure is taxable under section 4945(d)(3) only because of a failure to obtain advance approval of procedures with respect to grants as required by section 4945(g), correction may be accomplished by obtaining approval of the grant making procedures and establishing to the satisfaction of the Commissioner that:

(i) no grant funds have been diverted to any use not in furtherance of a purpose specified in the grant;

(ii) the grant making procedures instituted would have been approved if advance approval of such procedures had been properly requested; and

(iii) where advance approval of grant making procedures is subsequently required, such approval will be properly requested.

* * * * *

WILLIAM E. WILLIAMS,
Acting Commissioner of Internal Revenue.

[FR Doc.77-13194 Filed 5-6-77;8:45 am]

DEPARTMENT OF TRANSPORTATION

Coast Guard

[46 CFR Part 35]

[CGD 75-148]

TANK VESSELS

Manual of Cargo Transfer Procedures

AGENCY: Coast Guard.

ACTION: Proposed rule.

SUMMARY: The Coast Guard is considering an amendment to the tank vessel regulations to require carriage and use of a manual of cargo transfer procedures