

RULES and REGULATIONS

FEDERAL RESERVE SYSTEM

12 CFR Part 226

(Docket No. R-0780; Reg. Z)

Depository Institutions Disaster Relief Act of 1992; Truth in Lending Act

Thursday, November 12, 1992

***53545** AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Order; temporary exceptions.

SUMMARY: The Depository Institutions Disaster Relief Act of 1992 temporarily authorizes the Board to take immediate action to make exceptions to the Truth in Lending Act and Regulation Z (which implements the Act) for transactions in an area the President has declared to be a major disaster area. In accordance with this law, the Board is granting temporary relief from certain provisions of Regulation Z governing waivers by consumers of the right to rescind certain home-secured loans, so that borrowers in disaster affected communities in Florida, Hawaii, Louisiana, and California can gain easier access to loan funds for emergency purposes. The relief from Regulation Z provides that a consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency for purposes of Regulation Z, and the use of preprinted forms for consumers to waive the right of rescission is permitted; provided that the home securing the extension of credit is located in the disaster area. A consumer must still provide the creditor with a signed, dated waiver statement that a personal financial emergency exists.

DATES: This order is effective as of November 12, 1992, and expires for areas affected on the specific dates set forth in SUPPLEMENTARY INFORMATION.

FOR FURTHER INFORMATION CONTACT: Adrienne D. Hurt, Senior Attorney (202/452- 2412), Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

SUPPLEMENTARY INFORMATION: In May 1992, civil unrest occurred in Los Angeles and in August 1992, Hurricanes Andrew and Iniki devastated areas in Florida, Louisiana, and Hawaii. Subsequently, the President declared the affected communities major disaster areas. To facilitate recovery from major disasters, the Depository Institutions Disaster Relief Act of 1992 (DIDRA), Pub. L. 102-485, 106 Stat. 2771 (1992), was enacted into law on October 23, 1992. Section 3 of DIDRA authorizes the Board, until April 23, 1993, to take immediate action to make temporary exceptions to the Truth in Lending Act (TILA) and Regulation Z for transactions in an area the President has declared to be a major disaster area, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5170.

Under the TILA and Regulation Z, with some exceptions, a consumer has the right to cancel a credit obligation that is secured by the consumer's principal dwelling. Because of the risk of loss of the consumer's home in the event of default, there is a mandatory waiting period of three business days before funds can be disbursed in order to give consumers an opportunity to reflect on the loan terms and to elect to cancel the transaction.

A consumer may modify or waive this right of rescission to meet a bona fide personal financial emergency. Under Regulation Z, 12 CFR 226.15(e) and 226.23(e), the consumer must provide the creditor a written, signed and dated waiver statement that describes the emergency. The waiver statement may not be executed on a

preprinted form.

Through discussions with various sources about the major disaster areas noted above, and based on the Board's experience in monitoring compliance with Regulation Z, the Board has determined that the three-day waiting period that provides a consumer the opportunity to rescind a loan, and the restriction on the use of a preprinted form to execute a waiver of the right of rescission, may disadvantage borrowers in the major disaster areas who are in immediate need of the loan proceeds. Therefore, the Board believes that granting relief in these situations can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.

Accordingly, pursuant to its authority under section 3 of DIDRA, provided that the dwelling securing the extension of credit is located in an area of Florida, Louisiana, Hawaii, or California that was declared a major disaster by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5170, as a result of Hurricanes Andrew [FN1] or Iniki [FN2] or the civil unrest in Los Angeles in May 1992, [FN3] the Board hereby:

FN1 Florida counties: Broward, Collier, Dade, Monroe. Louisiana parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, Rapides, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, West Feliciana.

FN2 Hawaiian counties: Hawaii, Kahoolawe, Kauai, Lanai, Maui, Molokai, Niihau, Oahu.

FN3 Los Angeles County.

(1) Determines that a consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency for purposes of § 226.15(e) and 226.23(e) of Regulation Z and

(2) Grants relief from § 226.15(e) and 226.23(e) of Regulation Z to permit the use of preprinted forms for consumers to waive the right of rescission. The Board notes that consumers must still provide creditors with signed, dated waiver statements in these transactions.

As required by section 3 of DIDRA, the relief from Regulation Z provided in this Order shall expire on:

- (1) May 2, 1993, for areas affected by the civil unrest in Los Angeles;
- (2) August 24, 1993, for areas affected by Hurricane Andrew in Florida;
- (3) August 26, 1993, for areas affected by Hurricane Andrew in Louisiana;
- (4) September 12, 1993, for areas affected by Hurricane Iniki in Hawaii.

***53546** By order of the Board of Governors of the Federal Reserve System, dated November 5, 1992.

William W. Wiles,

Secretary of the Board.

(FR Doc. 92-27344 Filed 11-10-92; 8:45 am)