

ANNUAL REPORT TO CONGRESS

ON

TRUTH IN LENDING

FOR THE YEAR 1978

Board of Governors of the Federal Reserve System

January 3, 1979

53730

TABLE OF CONTENTS

JAN 1978

	<u>Page</u>
I. SIMPLIFICATION OF TRUTH IN LENDING	1
II. INFORMATION ON EFFECTIVENESS	
A. Consumer Awareness Survey	3
1. Awareness of Annual Percentage Rates	3
2. Data Supporting Simplification	4
a. Usefulness of Disclosure Statements	4
b. Important Credit Terms	5
3. Credit Card Billing Errors	5
B. Inquiry on Rights under the Fair Credit Billing Act	6
III. UNIFORM GUIDELINES FOR ENFORCING REGULATION Z	7
IV. COMPLIANCE	8
V. LEGISLATIVE RECOMMENDATIONS	12
VI. CONSUMER ADVISORY COUNCIL	13
VII. ADMINISTRATIVE FUNCTIONS	
A. Amendments and Interpretations of Regulation Z	14
1. Descriptive Billing of Nonsale Transactions	14
2. Revised Procedures for Issuance of Official Staff Interpretations	15
3. Preservation of Evidence of Compliance	15
4. Rescission in Open End Credit	16
5. Disclosure of Schedule of Variable Payments	17
6. Expansion of Minor Irregularities Provision	18
7. Proposal for Disclosure of Interest Reduction	18
B. State Exemptions	18
C. Education	19

APPENDIX A - Selected Final Results of Consumer Awareness Survey

This tenth Annual Report on the Truth in Lending Act substantiates the continuing commitment of the Board of Governors of the Federal Reserve System to provide consumers with meaningful cost disclosures and to promote creditor compliance with the act. It presents the findings of the 1977 Consumer Awareness Survey, which obtained information about the impact of the Truth in Lending Act on the views of consumers; data supporting the need for Truth in Lending simplification; and evaluations of the effectiveness of the Fair Credit Billing Act. This report also discusses the uniform guidelines established jointly by the financial institution regulatory agencies for enforcing Regulation Z, assesses the extent to which compliance with the act is being achieved, and summarizes the Board's administration of its functions under the act.

This report does not contain recommendations of the Board for statutory amendments. Such recommendations, if any, will be made in the Board's Annual Report to the Congress.

I. SIMPLIFICATION OF TRUTH IN LENDING

Amendments to the Truth in Lending Act, and interpretations by the courts, have made compliance increasingly difficult. Also, Regulation Z, in providing detailed guidance to creditors, has introduced its own complexity to Truth in Lending. Concerns have arisen about the intelligibility and usefulness of current Truth in Lending disclosures to the average consumer, as well as about the possibility that excessive complexity is indirectly increasing the cost of credit to consumers.

In an effort to make the Truth in Lending disclosures more meaningful to consumers and to ease the burden of compliance on creditors, the Board in 1977 proposed to the Senate Committee on Banking, Housing and Urban Affairs a simplified version of the Truth in Lending Act that would have provided for disclosure of only the most important credit terms. That same year, the Board proposed four simplifying revisions to Regulation Z, concerning itemization of the finance charge, of the downpayment, and of certain fees to exclude them from the finance charge, and identification of the method of computing unearned finance charges upon prepayment. In April 1978, the Board decided to defer final action on these proposals because of pending congressional efforts to simplify the act. Nearly a month later the Senate passed a simplification measure, but the Congress in October 1978 adjourned without taking further action.

In June 1978 the Board announced Project Augeas, a comprehensive review of all its regulations, including Regulation Z, to determine whether they needed modernization or improvement. The style and format of existing regulations are receiving special attention in an attempt to reduce, subject to legal and regulatory responsibilities, the burden of compliance. The Federal Reserve Bank of Atlanta was assigned responsibility for Regulation Z, and is expected to submit its recommendations to the Board by the end of 1978. Pending completion of this regulatory review, the Board decided to defer any further amendments to Regulation Z, except those that are essential. While the Board still favors legislative

simplification, it decided not to postpone further simplification of the regulation.

II. INFORMATION ON EFFECTIVENESS

A. Consumer Awareness Survey

The Board recently published an analysis of the results of a survey of consumer awareness that was conducted in the summer of 1977 by the Survey Research Center of the University of Michigan under the joint sponsorship of the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency. The survey, which was based on interviews with a nationwide sample of 2,563 consumers, provided information about consumers' recognition, comprehension, attitudes, and behavior regarding the regulation of credit use. Several areas of the survey that are relevant to the Truth in Lending Act and Regulation Z are discussed below; the figures quoted have been revised and are in final form. A comparison of these findings with those of two earlier surveys conducted for the Board in 1969 and 1970 may be useful in identifying the effects of the Truth in Lending Act in the past and in suggesting directions that protection of consumer credit use should take.

1. Awareness of Annual Percentage Rates (APR's)

The results of the 1969 and 1970 surveys indicated substantial increases in the awareness of rates by consumers during the first

1

Thomas A. Durkin and Gregory Elliehausen, 1977 Consumer Credit Survey (Board of Governors of the Federal Reserve System, 1978).

15 months after the Truth in Lending Act became effective. As the 1977 survey demonstrates, awareness has continued to grow, although more slowly, during the years 1970-77. In 1977, 54.5 per cent of consumers were classified as aware of APR's on recent credit transactions involving closed-end credit; 64.7 per cent for retail revolving credit; and 71.3 per cent for bank credit cards--increases of 16.2, 9.2, and 7.9 percentage points, respectively, since 1970.²

2. Data Supporting Simplification

Proponents of simplification in Truth in Lending contend that the act and its implementing regulation now require too many disclosures, which may actually overwhelm and confuse some borrowers. These observers advocate the elimination of all unnecessary information from the disclosure statements, leaving only the most meaningful cost disclosures. The 1977 survey questioned consumers about the complexity of Truth in Lending disclosures and gathered data about the credit terms that they regarded as important.

a. Usefulness of Disclosure Statements

Nearly two-thirds of those interviewed believed that Truth in Lending statements are not read carefully, and almost three-quarters agreed that disclosure statements are complicated (Table 1). Almost 60 per cent of the respondents indicated that some information on the Truth in Lending statements is not very useful.

²

These findings were discussed in more detail in the Board's Report for the year 1977.

Respondents who had less education or lower incomes, were 50 years of age and older, unaware of APR's or without current closed-end debts, were more likely to express no opinions concerning these three observations (Table 2). Probably, people with those characteristics are less familiar with the Truth in Lending Act and have had little or no recent contact with disclosure statements.

Thus, the survey findings tend to support the idea that Truth in Lending statements present too much information and that streamlined statements might be read more carefully by consumers.

b. Important Credit Terms

As shown by the numbers in Table 3, over 75 per cent of those surveyed mentioned rate as an important credit term; of these over 80 per cent regarded it as the most important disclosure. This result is noteworthy since payment size has been traditionally viewed as the most significant credit term. In this survey, that term ranked second behind rate information by a significant amount--followed by the dollar amount of finance charge, penalties for late payment, and the handling of early payoffs.

These findings are significant since they support past legislative proposals for simplifying Truth in Lending by highlighting on the disclosure statement the credit terms consistently mentioned by consumers.

3. Credit Card Billing Errors

The 1977 survey explored consumers' knowledge, perceptions and use of procedures for the resolution of billing disputes required under the Fair Credit Billing Act.

The overwhelming majority of respondents (82.8 per cent) either did not know whether any Federal legislation or regulation concerning credit card billing errors existed or believed that there was none (Table 4). Even among cardholders who receive frequent notices about the act and consumers who have experienced a billing error, only about one in four were aware of the law.

Nearly 15 per cent of all cardholders had experienced at least one billing error during the year prior to the interview. The most frequently cited errors involved incorrect charges, followed by the failure to credit payments or incorrect credits (Table 5). Three quarters of the errors involved \$100 or less and nearly one-third were less than \$10 (Table 6).

The main response of consumers faced with billing errors was complaint to the creditor, and satisfactory outcomes were reported in most cases (Tables 7 and 8). These findings indicate that even without invoking Federal protection of their billing rights, of which most are unaware, consumers generally find creditors responsive to billing problems and complaints.

B. Inquiry on Rights under the Fair Credit Billing Act

In November 1977 the Board surveyed eight large creditors to determine the extent to which consumers exercise certain rights under the Fair Credit Billing Act.

According to the Board's findings, which were published in May 1978, a substantial number of credit customers questioned their billing

statements each month. The increase in the number of inquiries since the credit billing provisions were incorporated into Regulation Z is not known, but the proportions of statements questioned ranged from less than 1 per cent to somewhat more than 6 per cent for the eight reporting creditors. While only a few of these inquiries followed the formal procedures provided by Regulation Z, most of the companies reported treating informal questions just as they do the formal ones.

III. UNIFORM GUIDELINES FOR ENFORCING REGULATION Z

The Board and four other agencies that enforce the act for financial institutions--the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board (FHLBB), and the National Credit Union Administration (NCUA)--have agreed on uniform enforcement guidelines for the Truth in Lending Act and Regulation Z. The guidelines are expected to go into effect by the end of 1978.

The guidelines, which were first issued for public comment in October 1977, are intended to provide standard criteria for the enforcement of the Truth in Lending Act when violations are discovered in examinations of financial institutions, and to emphasize to creditors the need for compliance. Reimbursement to individual consumers will be required for five types of violations resulting in payment of charges higher than those disclosed under the act. To correct the two most important violations, that remedy will be applied when the disclosed APR understates the true cost of credit by more than one-eighth of one

percentage point; and when the disclosed finance charge understates the true charge by more than \$100 or 1 per cent of the true charge, whichever is lower. Reimbursement will normally not be required for overcharges of less than \$1 per individual account.

IV. COMPLIANCE

During the past year, the Federal Reserve System and other Federal enforcement agencies continued to promote compliance with the act and regulation through a variety of methods. Many compliance programs feature specialized examinations conducted by examiners extensively trained in consumer law and regulations. By year-end, Federal Reserve examiners had conducted approximately 800 such examinations under comprehensive procedures adopted by the Board in early 1977. This practice emphasizes to bank personnel the Board's commitment to achieving compliance with the consumer regulations.

In 1978 the education of examiners remained a high priority among the agencies enforcing the act by means of an examination process. The Comptroller of the Currency, for example, held 6 two-week schools to train 300 of its examiners in consumer regulations, and joined the FDIC and the Board in conducting a one-week seminar for supervisors and senior examiners. In addition to a training program, the NCUA distributed specially programmed calculators to all examiners, which, it reports, have greatly aided the examination function.

Most of the enforcement agencies and the appropriate offices of the exempt States--Connecticut, Maine, Massachusetts, Oklahoma, and

Wyoming--have mechanisms for resolving consumer complaints. In the first 9 months of 1978, the Federal Reserve System received 381 consumer complaints relating to the act and regulation; of these, 82 involved State member banks. By far the two largest categories of complaints concerned fair credit billing and disclosure--a pattern also noted by the FDIC, the Comptroller, and the NCUA. During 1978, 67 complaints about State member banks warranted investigation by the Federal Reserve System; in 38 cases (57 per cent) the matter was resolved in favor of the consumer.

In view of increased enforcement activities, especially the adoption of uniform enforcement guidelines for Regulation Z, the staff of the Board's Division of Consumer Affairs has undertaken an extensive review of provisions relating to the computation and disclosure of the APR. The regulation currently permits numerous computation methods that often produce varying APR's and finance charges on a given transaction. The Board will publish for comment alternative solutions to the problems identified.

As part of its enforcement function under the Consumer Leasing Act, the Federal Trade Commission (FTC) surveyed 17 of the largest automobile lessors during the past year. An unexpected finding was that many of the lessors restrict their activities to commercial leasing. The Commission also recently began several preliminary investigations of consumer lessors for possible advertising violations.

The agencies and exempt States responsible for enforcing the Truth in Lending Act have reported varying assessments of the extent to

which creditors are complying with the act's requirements. Several Federal agencies, including the FHLBB, and all of the exempt States found a high level of creditor compliance with the substantive provisions of the act and noted that most violations are nonsubstantive. Authorities from the exempt States of Massachusetts and Connecticut believe that the vast majority of creditors subject to their jurisdiction have a basic understanding of the law, attempt to conform to statutory and regulatory requirements, and fall short only when applying the more technical concepts. The FTC, while reporting apparently high substantial compliance, nonetheless initiated in September 1978 an industrywide investigation to better determine whether creditors are correctly disclosing to consumers the actual cost of credit and otherwise complying with the act.

The Comptroller of the Currency reported that the proportion of national banks not complying with the act has remained substantially the same as in 1977 when approximately 88 per cent were in violation, most of which was technical, and pointed out that since October 1976, national banks have made voluntary reimbursements approximating \$2.5 million. Three other agencies reported significant increases in 1978 in the number of violations found. The per cent of examination reports reviewed by the FDIC that indicated apparent violations jumped from 36.2 per cent in 1977 to 81.6 per cent in 1978. Reasons frequently cited for noncompliance include misunderstanding the law, clerical error, oversight, and carelessness. The Board estimates that 85 per cent of State member banks are still not fully complying with

Regulation Z--an increase of 13 percentage points since 1977; while the NCUA reports that the proportion of Federal credit unions that were not complying more than doubled in 1978, from 27 per cent a year earlier to 59 per cent. Again, for both kinds of institutions, most violations were nonsubstantive. All three agencies attribute the increase in reported violations to better training of their staffs and improved examination techniques rather than to a higher incidence of noncompliance. However, the NCUA believes that unique characteristics of credit unions continue to hinder enforcement efforts. Their cooperative nature, their prevalent use of payroll deductions, and their reliance on volunteers, it is felt, all create serious problems.

Thus, the 1978 examination reports of the the Comptroller of the Currency, the FDIC, the Board, and the NCUA revealed high proportions of institutions still not fully complying with Regulation Z. However, this continued discovery of relatively high numbers of violations does not necessarily represent a deteriorating incidence of creditor compliance. Instead, it is thought that recently expanded formal training of examiners, development of more thorough and intensive examination procedures, and increased overall efficiency of the examination staffs have all contributed to an improved ability to detect violations that may have been overlooked in the past.

During 1978, the FDIC, the FHLBB, and Oklahoma, an exempt State, all issued cease and desist orders. In addition, the FDIC referred four cases to the Department of Justice for possible criminal prosecution.

In 1977, the FTC instituted five civil penalty cases under a pilot enforcement program concerning the advertising requirements of Regulation Z. Since that time all five cases have been settled; civil penalties of \$10,000 were assessed in four cases and \$15,000 in the remaining case. The Commission is currently considering application of this enforcement mechanism to other types of Truth in Lending violations. During 1978, the FTC entered or provisionally accepted ten consent orders, obtained one final order and issued one complaint. A variety of both Truth in Lending issues and types of creditors were involved.

Each enforcement agency and exempt State has estimated the annual cost of its compliance effort in connection with the Truth in Lending Act. While these figures are not strictly comparable, the total estimated expenditures for the nine Federal enforcement agencies exceeded \$8.5 million in 1978, with the largest expenditures reported by the FDIC, the Comptroller of the Currency, and the Board. The five exempt States reported combined expenditures in excess of \$1 million. Several agencies also anticipated substantial increases in their expenditures in 1979 due to the adoption of the uniform guidelines for enforcing Regulation Z.

V. LEGISLATIVE RECOMMENDATIONS

Although the Board is not making legislative recommendations in this report, several of the other Federal enforcement agencies have suggestions for amending the Truth in Lending Act. The Federal Trade

Commission cited four problem areas needing special congressional attention: the increasing use of open-end credit disclosures in what would traditionally have been other than open-end credit transactions; unfair or deceptive insurance sales practices; obstacles to the right of rescission; and the forfeiture of credit balances. In addition, the FTC has urged the Congress to permit enforcement of Regulation Z as if it were a trade regulation rule; to minimize civil liabilities for "technical" violations; to extend the statute of limitations in civil actions; to codify the right to raise Truth in Lending claims as a recoupment after the statute of limitations has run; and to provide for earlier disclosure.

Suggestions from other agencies include eliminating the special exceptions from the general rule on what constitutes a finance charge; simplifying disclosures; permitting a tolerance of one-eighth percentage point for the APR; instructing the Board to issue model forms; exempting lending activities of farm credit institutions and agricultural loans from the act; and restricting rescission rights to indirect paper and home solicitation sales.

VI. CONSUMER ADVISORY COUNCIL

Established in 1976 to advise the Board on consumer-related matters, the Consumer Advisory Council includes representatives of both consumers and creditors. During 1978, its discussions and suggestions in the area of Truth in Lending focused primarily on the uniform enforcement guidelines proposed by the five Federal financial institution regulatory agencies and proposals for simplifying the disclosure requirements under the Truth in Lending Act and Regulation Z.

In addition, the Council reviewed the efforts of the Federal Reserve Banks in examining and achieving member bank compliance, and explored the role the Board should take in consumer education. Throughout the year the Council was briefed on legislative and regulatory developments and provided the Board with helpful advice. In December 1978 the Council recommended that the Board ask Congress to exempt agricultural credit from the requirements of the act.

VII. ADMINISTRATIVE FUNCTIONS

A. Amendments and Interpretations of Regulation Z

1. Descriptive Billing of Nonsale Transactions

In January 1978 the Board revised the provision of Regulation Z that specifies the date to be used on descriptive-billing statements to identify certain nonsale credit transactions such as cash-advance check transactions. This amendment, which became effective March 28, 1978, permits a creditor to use the date on which a transaction is debited to the customer's account in lieu of the date on which the transaction occurred or the date appearing on the check or other credit instrument.

The amendment, prompted by the operational difficulties experienced by creditors in ascertaining the transaction date or the date appearing on the credit document, is intended to facilitate compliance with the descriptive-billing provisions of Regulation Z.

However, the debiting date, if used, must be identified as such on the descriptive-billing statement. In addition, a creditor using the date of debiting must, as an added protection to the customer,

treat a subsequent inquiry about the transaction as if it were an inquiry about a billing error and as an erroneous billing under the provisions of the Fair Credit Billing Act, and the creditor must supply documentary evidence of the transaction to the customer, without charge, whether or not it is requested. Furthermore, any finance charge or other charge imposed as a result of the use of the debiting date must be credited to the customer's account if such an inquiry is made.

2. Revised Procedures for Issuance of Official Staff Interpretations

In April 1978 the Board amended Regulation Z to revise the procedure for issuing official staff interpretations. Under this new procedure, official staff interpretations are issued with an effective date 30 days after publication in the Federal Register, which enables the public to review them before they become effective and permits interested parties to request the opportunity for public comment. If a request is received, the effective date of the interpretation is suspended and its text republished for public comment together with the letter requesting a comment period or a summary of the arguments presented in such a letter. After the comments are reviewed, a final interpretation is issued.

3. Preservation of Evidence of Compliance

In May 1978 the Board amended Regulation Z to change its record-retention requirements for creditors under the jurisdiction of the Comptroller of the Currency, the FDIC, the FHLBB, the Board, and the NCUA. Previously, all creditors had been permitted to dispose of

records demonstrating compliance with Regulation Z two years after the date when disclosures were required to be made. This amendment, however, requires creditors and lessors subject to the five agencies to retain any credit-transaction records in their possession, even those in which more than two years have elapsed from the required disclosures.

This action was taken to avoid the destruction of records evidencing violations that would be subject to reimbursement under the uniform guidelines for enforcement of Regulation Z proposed by the five agencies in October 1977. Once the guidelines are in effect, creditors may dispose of records more than two years old after those records have been examined and found to be in compliance.

4. Rescission in Open-End Credit

In July 1978 the Board amended Regulation Z to create an exception to the right of rescission for individual transactions under certain open-end credit accounts secured by interests in consumers' homes. In lieu of notification of the right to cancel each individual transaction under such accounts, creditors must provide specified disclosures of a customer's rights at certain times: upon the opening of the account; prior to any increase in the credit limit; at the time a security interest in a home is added to an existing open-end credit arrangement; prior to any change in the terms of the account; and annually. Under the amendment, creditors may not change the terms of such accounts without allowing customers to pay off the balance according to the existing terms. However, if customers refuse the change in terms, creditors need not extend further credit on the accounts. The

Board has also issued Interpretation § 226.904, which provides three sample disclosure notices that creditors may use to achieve compliance with certain of the amendment's requirements.

The major effect of this ruling is to facilitate the offering of credit plans that enable consumers to tap their largest illiquid asset--the equity in their homes--and, by controlling the payments, to minimize the amount of finance charge paid. In October 1978 the Board received from the FTC and Senators William Proxmire and Donald W. Riegle, Jr., requests to reconsider this ruling under which, it was felt, consumers might be tempted to overextend themselves and risk losing their homes. In a November letter to the two senators, Chairman Miller, while reiterating the Board's position that these accounts offer major benefits for consumers, promised to monitor developments closely. In addition, the Chairman indicated that a revision to the amendment, whereby creditors offering such open-end accounts would have to submit a notification of intent to the Board, was under consideration in an effort to aid the Board's monitoring activity. Consumers Union has filed a suit in the U.S. District Court for the District of Columbia asking that the court declare the amendment void.

5. Disclosure of Schedule of Variable Payments

In August 1978 the Board amended § 226.8(a) of Regulation Z to permit the disclosure of a complete payment schedule on as many pages as necessary in any transaction in which the payment amounts vary. Previously, all disclosures had to appear on one side of a single page. This alternative provides flexibility for creditors in a simple disclosure

format, while insuring that customers receive meaningful information about their credit transactions.

6. Expansion of Provision on Minor Irregularities

In August 1978 the Board amended Interpretation § 226.503 of Regulation Z to facilitate the computation of APR's in long-term credit transactions involving irregular payment amounts, such as graduated-payment mortgages. This amendment permits first payment periods of up to 62 days to be treated as if they were regular when calculating APR's on all transactions that have a scheduled term of 10 years or more and that are payable monthly, whether or not the monthly instalments are equal. This action permitted use of APR tables prepared by HUD for homes bought under its FHA graduated-payment mortgage program.

7. Disclosure of Interest Reduction

In August 1978 the Board proposed for comment an interpretation providing that in cases in which the interest rate on a time deposit securing a loan must be reduced in order to comply with State and Federal laws, such a reduction must be disclosed under Truth in Lending. Although the amount of the interest reduction would not need to be disclosed as part of the finance charge, the creditor would have to disclose the loss of interest. The comment period ended September 29, 1978.

B. State Exemptions

No new exemptions from the requirements of Chapter 2 of the Truth in Lending Act were granted to States in 1978, but one existing exemption was expanded. In October 1978 the Board approved an application by Massachusetts to expand the State's existing exemption to include

Federal credit unions. This expansion was granted after an enforcement agreement was entered into between the Massachusetts Commissioner of Banks and the NCUA. The arrangement authorizes the Commissioner to examine Federal credit unions in the State for compliance with Massachusetts' Truth in Lending law and, thereby, ensures uniform enforcement of the State's law.

In May 1978 the Board adopted a supplement to Regulation Z (Supplement VI) setting out the procedures to be followed by a State seeking an exemption under Chapter 5 of the act (Consumer Leases) or a Board determination regarding whether a State law is inconsistent with the Consumer Leasing Act.

C. Education

An important aspect of the enforcement function is education. In 1978 the agencies responsible for Truth in Lending initiated a variety of educational activities designed for both consumers and creditors. Consumer-oriented efforts included speeches and presentations as well as the publication of explanatory brochures. The Board's Consumer Handbook to Credit Protection Laws is a comprehensive compilation of information about consumers' rights under credit laws and regulations. It is expected to be available for distribution by the end of 1978. During the year, the Board also developed a pamphlet explaining what a consumer should do when experiencing a problem with a bank, which includes a complaint form addressed to the Federal Reserve. The Comptroller of the Currency and the FDIC have issued similar pamphlets for complaints about their respective institutions. The FTC has been developing a pocket-size

Credit Shopping Guide in both English and Spanish that includes general information on shopping for credit and three sets of APR tables to facilitate cost comparison in transactions such as automobile, mobile home and mortgage loans.

Efforts to familiarize creditors with the provisions of the act and regulation range from general guidance in individual cases to the more formalized Federal Reserve System program of advisory visits to State member banks and national banks. In the past year, over 450 such visits, generally lasting from 1/2 day to 1-1/2 days, were made by System staff. Several new publications have been developed for creditors in 1978. The Federal Reserve Bank of New York has published Consumer Regulations Checklist, which highlights provisions of consumer regulations that have been identified by examiners as warranting closer attention by lenders. The NCUA issued the looseleaf Manual of Laws Affecting Federal Credit Unions and provided a free copy to all 13,000 Federal credit unions, and the Office of the State Examiner in Wyoming developed a looseleaf booklet that provides guidance to all Wyoming creditors on a variety of problems. The staff of the FHLBB attempts to monitor for accuracy information relating to Truth in Lending that is disseminated by the various national trade organizations.

APPENDIX A

1. Respondents agreement with observations about truth in lending disclosure statements

Observation	Total	Agree strongly	Agree somewhat	Disagree somewhat	Disagree strongly	Do not know
Most people read their Truth in Lending statements carefully						
Number.....	2,563	201	501	839	789	224
Per cent.....	100.0	7.8	19.5	32.7	31.1	8.7
Truth in Lending statements are complicated						
Number.....	2,563	975	887	227	118	316
Per cent.....	100.0	38.0	34.6	10.8	4.6	12.3
Some information on the Truth in Lending statements is not very useful						
Number.....	2,563	502	1,007	401	139	514
Per cent.....	100.0	19.6	39.3	15.6	5.4	20.0

2. Respondents agreement with observations about truth in lending disclosure statements

Percentage distribution by group

Group	Number ¹	Total	Strongly agree	Agree somewhat	Disagree somewhat	Strongly disagree	Do not know
A. Most people read their Truth in Lending statements carefully							
All respondents.....	2,563	100.0	7.8	19.5	32.7	31.1	8.7
Education							
Some high school or less.....	842	100.0	11.9	18.4	27.9	24.9	16.9
High school.....	781	100.0	7.3	21.6	34.6	30.8	5.5
Some college or more.....	925	100.0	4.8	19.1	35.7	37.2	3.2
Age (years)							
Under 35.....	822	100.0	7.2	22.5	33.3	32.2	4.7
35-49.....	612	100.0	6.2	19.4	35.1	35.4	3.8
50 and over.....	1,111	100.0	9.3	17.2	31.2	27.9	14.4
Income (dollars)							
Less than 7,500.....	565	100.0	10.8	19.1	27.2	24.8	18.0
7,500-12,499.....	459	100.0	8.5	21.1	34.0	29.2	7.2
12,500-17,499.....	403	100.0	7.7	19.8	34.5	33.0	5.0
17,500 and more.....	793	100.0	4.4	19.2	35.8	36.9	3.6
Aware of APR ²	1,421	100.0	6.3	18.8	35.7	35.2	3.9
Unaware of APR ²	1,108	100.0	9.6	20.5	29.4	26.2	14.2
Those using closed-end credit now ³	1,198	100.0	6.3	19.7	33.9	35.0	5.0
Those not using closed-end credit now.....	1,365	100.0	9.2	19.4	31.7	27.7	12.0
B. Truth in Lending statements are complicated							
All respondents.....	2,563	100.0	38.0	34.6	10.8	4.6	12.3
Education							
Some high school or less.....	842	100.0	37.6	28.6	8.1	4.4	21.2
High school.....	781	100.0	39.9	35.7	10.6	4.5	9.2
Some college or more.....	925	100.0	37.0	39.4	13.5	5.0	5.1
Age (years)							
Under 35.....	822	100.0	38.4	37.6	12.2	4.6	7.2
35-49.....	612	100.0	39.0	36.1	13.1	5.7	6.0
50 and over.....	1,111	100.0	37.1	31.8	8.5	4.0	18.6
Income (dollars)							
Less than 7,500.....	565	100.0	36.8	26.7	8.5	4.1	23.9
7,500-12,499.....	459	100.0	41.2	36.4	8.3	3.7	10.4
12,500-17,499.....	403	100.0	37.5	40.4	10.4	4.5	7.2
17,500 and more.....	793	100.0	38.0	36.9	15.1	5.7	4.3
Aware of APR ²	1,421	100.0	41.2	35.7	12.2	4.9	6.0
Unaware of APR ²	1,108	100.0	34.5	33.3	9.4	4.0	18.9
Those using closed-end credit now ³	1,198	100.0	39.6	36.8	12.3	4.8	6.6
Those not using closed-end credit now.....	1,365	100.0	36.7	32.7	9.5	4.5	16.6
C. Some information on Truth in Lending statements is not very useful							
All respondents.....	2,563	100.0	19.6	39.3	15.6	5.4	20.0
Education							
Some high school or less.....	842	100.0	21.5	32.2	11.3	5.8	29.2
High school.....	781	100.0	20.4	41.6	15.7	4.9	17.4
Some college or more.....	925	100.0	17.3	44.1	19.7	5.6	13.3
Age (years)							
Under 35.....	822	100.0	16.2	43.8	23.0	4.7	12.3
35-49.....	612	100.0	22.5	41.8	13.9	6.9	14.9
50 and over.....	1,111	100.0	20.4	34.6	11.0	5.2	28.7
Income (dollars)							
Less than 7,500.....	565	100.0	18.8	32.0	12.6	6.4	30.3
7,500-12,499.....	459	100.0	19.6	40.1	17.6	4.1	18.5
12,500-17,499.....	403	100.0	19.4	45.9	15.1	4.5	15.1
17,500 and more.....	793	100.0	20.2	41.9	17.9	6.4	13.6
Aware of APR ²	1,421	100.0	20.6	42.1	16.2	6.2	14.8
Unaware of APR ²	1,108	100.0	18.2	36.2	15.3	4.5	25.7
Those using closed-end credit now ³	1,198	100.0	20.3	42.6	17.0	6.2	13.9
Those not using closed-end credit now.....	1,365	100.0	19.0	36.4	14.4	4.8	25.4

¹ A few respondents were excluded in calculating the percentages because their characteristics were not ascertained.

² Those responding 12 per cent or more to a hypothetical question about the annual percentage rate on a purchase of furniture. (See Chapter 2, Table 2.5 and related text).

³ Those responding with rates below 12 per cent or "do not know" to hypothetical question about annual percentage rate on purchase of furniture.

⁴ Respondents using credit from institutional sources.

3. Automobile credit terms respondent would want to know

Term	Number of responses by rank				
	First	Second	Third	Fourth	Most important
Credit costs/terms					
Interest rates, annual rates.....	1,592	277	58	11	1,335
Interest dollars finance charges.....	202	114	70	23	194
Fees other than interest.....	28	65	24	15	31
Amount of downpayment.....	23	32	26	7	9
Size of monthly payments.....	240	360	178	28	293
Variations in payment size/balloon payments.....	4	12	9	5	6
Length, maturity of contract.....	144	559	202	21	79
Ease of obtaining credit/credit availability.....	7	12	17	7	6
Availability, cost of credit insurance.....	11	84	60	30	24
Whether credit insurance is required.....	1	9	17	3	1
Rebates for prepayment.....	16	106	90	28	22
Handling of penalty for late payments.....	10	83	80	30	30
Willingness to defer payments.....	5	16	29	6	9
Garnishment procedures.....	0	0	0	0	0
Repossession conditions.....	2	11	7	10	4
Willingness to allow cosigning.....	0	0	1	0	0
Credit limit.....	8	9	6	3	6
Other terms, costs.....	29	64	43	17	22
Characteristics of institution					
Reputation.....	18	44	48	20	48
Amount clarity of information given.....	4	13	19	3	12
Who the holder of the contract will be.....	4	6	7	7	8
All other.....	3	17	20	10	18
All else					
"Nothing".....	4	0	0	0	3
"Everything".....	3	1	0	0	1
Not known not ascertained.....	205	1	0	0	402
No second, (third), (fourth) response.....	0	668	1,543	2,277	0
Total.....	2,563	2,563	2,563	2,563	2,563

4. Responses to question about existence of Federal law dealing with credit-card billing errors

Responses of	Number	Per cent
All respondents		
Yes (there is a law).....	421	16.4
No.....	622	24.3
Do not know.....	1,500	58.5
Not ascertained.....	20	.8
Total.....	2,563	100.0
Cardholders		
Yes (there is a law).....	373	23.2
No.....	423	26.3
Do not know.....	808	50.2
Not ascertained.....	5	.3
Total.....	1,609	100.0
Those who experienced a billing error		
Yes (there is a law).....	61	26.9
No.....	66	29.1
Do not know.....	100	44.0
Not ascertained.....	0	0
Total.....	227	100.0

*Less than .5 per cent.

5. Credit-card billing errors by type and card

Item	Errors	
	Number	Per cent
Type of error		
Charged for another's purchase.....	46	17.6
Charged twice, charged for item not purchased, incorrect charge.....	118	45.2
Return item or refund not credited.....	19	7.3
Payment not credited or credited incorrectly.....	57	21.8
Other.....	16	6.1
Not ascertained.....	5	1.9
Total.....	261	100.0
Type of card		
Gasoline.....	38	14.6
Bank credit.....	64	24.5
General purpose (Travel and entertainment).....	12	4.6
Retail credit.....	134	51.3
Other or not ascertained.....	13	5.0
Total.....	261	100.0

6. Credit-card billing errors by dollar amount

Amount of error (dollars)	Number	Per cent ¹
1-10.....	63	24.1
11-25.....	59	22.6
26-50.....	49	18.8
51-100.....	29	11.1
101-250.....	19	7.3
251 and more.....	15	5.7
No money involved.....	5	1.9
Not known or not ascertained.....	22	8.4
Total.....	261	100.0

7. Consumers' responses to credit-card billing errors

Response	Number	Per cent
Complaint to creditor.....	216	81.5
Complaint to attorney.....	1	.4
Complaint to Better Business Bureau.....	1	.4
Paid off debt.....	3	1.1
Refused to pay.....	4	1.5
All other.....	2	.8
No action taken.....	27	10.2
Not known or not ascertained.....	11	4.2
Total.....	265	100.0

8. Responses to questions on credit-card billing

Responses	Number	Per cent
Was the error corrected to your satisfaction?		
Yes.....	206	88.0
No.....	24	10.3
Not known or not ascertained.....	4	1.7
Total.....	234	100.0
Are there any <i>billing</i> practices of credit card companies that you would like to see changed?		
Yes.....	326	20.3
No.....	1,247	77.5
Not known or not ascertained.....	36	2.2
Total.....	1,609	100.0

END