

Credit Control Act

Act of December 23, 1969, Public Law 91-151, 83 Stat. 376

NOTE: The regulatory powers given to the Federal Reserve Board are identical in some instances to those authorized in Executive Order 8843, Section 2(b) [¶ 10,202]. However, "consumer durable goods" has been broadened by the Credit Control Act to "extensions of credit."—CCH

Title II—Authority for Credit Control

[¶ 10,311]

Short title

Sec. 201. This title may be cited as the Credit Control Act. [12 U. S. C. 1901 nts]

[¶ 10,312]

Definitions

Sec. 202. (a) The definitions and rules of construction set forth in this section apply to the provisions of this chapter.

(b) The term "Board" refers to the Board of Governors of the Federal Reserve System.

(c) The term "organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(d) The term "person" means a natural person or an organization.

(e) The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(f) The term "creditor" refers to any person who extends, or arranges for the extension of, credit, whether in connection with a loan, a sale of property or services, or otherwise.

(g) The term "credit sale" refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any rental-purchase contract and any contract or arrangement for the bailing or leasing of property when used as a financing device.

(h) The terms "extension of credit" and "credit transaction" include loans, credit sales, the supplying of funds through the underwriting, distribution, or acquisition of securities, the making or assisting in the making of a direct placement, or otherwise participating in the offering, distribution, or acquisition of securities.

(i) The term "borrower" includes any person to whom credit is extended.

(j) The term "loan" includes any type of credit, including credit extended in connection with a credit sale.

(k) The term "State" refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

(1) Any reference to any requirement imposed under this chapter of [or] any provision thereof includes reference to the regulations of the Board under this chapter or the provision thereof in question. [83 Stat. 376; 12 U. S. C. 1901]

**[¶ 10,313] Rules and regulations by the Board of
Governors of the Federal
Reserve System**

Sec. 203. The Board shall prescribe regulations to carry out the purposes of this chapter. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this chapter, to prevent circumvention or evasion thereof, or to facilitate compliance therewith. [83 Stat. 376; 12 U. S. C. 1902]

[¶ 10,314] Interest

Sec. 204. Except as otherwise provided by the Board, the amount of the interest charge in connection with any credit transaction shall be determined under the regulations of the Board as the sum of all charges payable directly or indirectly to the person by whom the credit is extended in consideration of the extension of credit. [83 Stat. 377; 12 U. S. C. 1903]

[¶ 10,315] Credit controls

Sec. 205. (a) Whenever the President determines that such action is necessary or appropriate for the purpose of preventing or controlling inflation generated by the extension of credit in an excessive volume, the President may authorize the Board to regulate and control any or all extensions of credit.

(b) The Board may, in administering this Act, utilize the services of the Federal Reserve banks and any other agencies, Federal or State, which are available and appropriate. [83 Stat. 377; 12 U. S. C. 1904]

[¶ 10,316] Extent of control

Sec. 206. The Board, upon being authorized by the President under section 1904 [¶ 10,315] and for such period of time as he may determine, may by regulation

(1) require transactions or persons or classes of either to be registered or licensed.

(2) prescribe appropriate limitations, terms, and conditions for any such registration or license.

(3) provide for suspension of any such registration or license for violation of any provision thereof or of any regulation, rule, or order prescribed under this Act.

(4) prescribe appropriate requirements as to the keeping of records and as to the form, contents, or substantive provisions of contracts, liens, or any relevant documents.

(5) prohibit solicitations by creditors which would encourage evasion or avoidance of the requirements of any regulation, license, or registration under this Act.

(6) prescribe the maximum amount of credit which may be extended on, or in connection with, any loan, purchase, or other extension of credit.

(7) prescribe the maximum rate of interest, maximum maturity, minimum periodic payment, maximum period between payments, and any other specification or limitation of the terms and conditions of any extension of credit.

(8) prescribe the methods of determining purchase prices or market values or other bases for computing permissible extensions of credit or required downpayment.

(9) prescribe special or different terms, conditions or exemptions with respect to new or used goods, minimum original cash payments, temporary credits which are merely incidental to cash purchases, payment or deposits usable to liquidate credits, and other adjustments or special situations.

(10) prescribe maximum ratios, applicable to any class of either creditors or borrowers or both, of loans of one or more types or of all types

(A) to deposits of one or more types or of all types.

(B) to assets of one or more types or of all types.

(11) prohibit or limit any extensions of credit under any circumstances the Board deems appropriate. [83 Stat. 377; 12 U. S. C. 1905]

[[10,317] Reports—Production of records

Sec. 207. Reports concerning the kinds, amounts, and characteristics of any extensions of credit subject to this chapter, or concerning circumstances related to such extensions of credit, shall be filed on such forms, under oath or otherwise, at such times and from time to time, and by such persons, as the Board may prescribe by regulation or order as necessary or appropriate for enabling the Board to perform its functions under this chapter. The Board may require any person to furnish, under oath or otherwise, complete information relative to any transaction within the scope of this chapter, including the production of any books of account, contracts, letters, or other papers, in connection therewith in the custody or control of such person. [83 Stat. 378; 12 U. S. C. 1906]

[[10,318] Injunctions for compliance

Sec. 208. Whenever it appears to the Board that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation under this chapter, it may in its discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the Board, any such court may also issue man-

datory injunctions commanding any person to comply with any regulation of the Board under this chapter. [83 Stat. 378; 12 U. S. C. 1907]

[¶ 10,319]

Civil penalties

Sec. 209. (a) For each willful violation of any regulation under this chapter, the Board may assess upon any person to which the regulation applies, and upon any partner, director, officer, or employee thereof who willfully participates in the violation, a civil penalty not exceeding \$1,000.

(b) In the event of the failure of any person to pay any penalty assessed under this section, a civil action for the recovery thereof may, in the discretion of the Board, be brought in the name of the United States. [83 Stat. 378; 12 U. S. C. 1908]

[¶ 10,320]

Criminal penalty

Sec. 210. Whoever willfully violates any regulation under this chapter shall be fined not more than \$1,000 or imprisoned not more than one year, or both. [83 Stat. 378; 12 U. S. C. 1909]

EXECUTIVE ORDER No. 12201 CREDIT CONTROL

March 14, 1980; 45 F. R. 17123; amended effective July 28, 1980, 45 F. R. 45571

[¶ 10,325]

By the authority vested in me as President of the United States of America by Section 205 of the Credit Control Act (12 U. S. C. 1904), and having determined that the regulation and control of credit is necessary and appropriate for the purpose of preventing and controlling inflation generated by the extension of credit in an excessive volume, it is hereby ordered as follows:

1-101. The Board of Governors of the Federal Reserve System is authorized to exercise all the authority under the Credit Control Act (12 U. S. C. 1901 *et seq.*) to regulate and control consumer credit.

1-102. The Board of Governors of the Federal Reserve System is authorized to exercise all the authority under the Credit Control Act to regulate and control credit extended by those financial intermediaries which are not subject, as of the date hereof, to either the amendments of law effected by Public Law 89-597, as amended, or Section 19 of the Federal Reserve Act, as amended (12 U. S. C. 461), and which are primarily engaged in the extension of short-term credit.

1-103. The Board of Governors of the Federal Reserve System is authorized to exercise all the authority under the Credit Control Act to regulate and control credit extended to commercial banks that are not members of the Federal Reserve System in the form of managed liabilities.

1-104. The Board of Governors of the Federal Reserve System is authorized to exercise the authority under Section 206(4) of the Credit Control Act (12 U. S. C. 1905(4)) to prescribe appropriate requirements as to the keeping of records with respect to all forms of credit.

¶ 10,319 Federal

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1-105. For the purposes of this Order "consumer credit," "financial intermediaries," "short-term credit," "commercial banks," and "managed liabilities" shall have such meaning as may be reasonably prescribed by the regulations of the Board of Governors of the Federal Reserve System.

1-106. The authorizations granted by this Order shall remain in effect for an indefinite period of time and until revoked by the President.

JIMMY CARTER

EXECUTIVE ORDER No. 12225 CREDIT CONTROL REVOCATION

July 7, 1980, 45 F. R. 45571

[¶ 10,326]

By the authority vested in me as President of the United States of America by Sections 205 and 206 of the Credit Control Act (12 U.S.C. 1904, 1905), and for the purpose of phasing-out in an orderly fashion the credit controls authorized by Executive Order No. 12201, it is hereby ordered as follows:

1-101. Section 1-101 of Executive Order No. 12201 is amended effective July 28, 1980, to read as follows: "The Board of Governors of the Federal Reserve System is authorized to exercise authority under the Credit Control Act (12 U.S.C. 1901 *et seq.*) to establish uniform requirements for changes in terms in open-end credit accounts for consumer credit; provided however, such authorization is revoked as of October 31, 1980."

1-102. The authorization granted by Section 1-102 of Executive Order No. 12201 is revoked as of August 11, 1980.

1-103. The authorizations granted by Sections 1-103 and 1-104 of Executive Order No. 12201 are revoked as of July 28, 1980.

1-104. Section 1-105 of Executive Order No. 12201 shall be amended, effective July 28, 1980, to read as follows: "For purposes of this Order 'consumer credit' and 'open-end credit' shall have such meaning as may be reasonably prescribed by the regulations of the Board of Governors of the Federal Reserve System."

1-105. Section 1-106 of Executive Order No. 12201 is revoked.

JIMMY CARTER

[The next page is 59,385.]

Credit Controls

Federal Reserve Board

[¶ 10,330]

On March 14, 1980, President Carter announced a major anti-inflation program involving, among other things, the first use of the Presidential power created under the Credit Control Act of 1969 [¶ 10,311—10,320]. In his Executive Order No. 12,201 [¶ 10,325], the President specifically authorized the Federal Reserve Board to exercise all the authority and control under the Credit Control Act of 1969 to regulate and control consumer credit.

Acting pursuant to this authorization and to the directives of the President as to specific actions to be taken, on March 14, 1980, the Federal Reserve Board announced a series of monetary and credit actions intended to restrain the expansion of credit in general and of consumer credit in particular. In May, 1980, recognizing the apparent success of the program to date in meeting credit and monetary objectives, the Board announced modifications and simplification of the program. On July 3, having determined that the special conditions necessitating the extraordinary credit restraints were no longer necessary, the Board announced a phase-out of the specific measures of the program. The Board's general goals of restraining growth in money and credit aggregates remains unchanged.

The specific program of the Federal Reserve Board, which is in the form of published regulations, is summarized below:

1. A voluntary Special Credit Restraint Program that will apply to all domestic commercial banks, bank holding companies, business credit extended by finance companies, and credit extended to U. S. residents by the U. S. agencies and branches of foreign banks. After the June reports are filed, the program will be limited to discussions with individual banks to review experience with the program.
2. A program of restraint on certain types of consumer credit, including credit cards, check credit overdraft plans, unsecured personal loans and secured credit where the proceeds are not used to finance the collateral. The Board has established a special deposit requirement of 7½ percent [originally 15 percent] for all lenders on increases in covered types of credit. No deposits will be required after the end of the deposit maintenance period on July 23. The rule on modification of credit accounts [¶ 10,336] remains in effect for notices mailed on or before September 5.
3. The marginal reserve requirement on managed liabilities of large banks, first imposed last October 6, is now 5 percent and the base upon which the reserve requirement is calculated is adjusted upward by 7½ percent. [Originally, the reserve requirement was raised from 8 percent to 10 percent, and the base was lowered.] The reserve requirement is eliminated as to managed liabilities beginning July 10, and as to reserves beginning July 24.
4. Restraint on the amount of credit raised by large non-member banks by establishing a special deposit requirement of 5 percent [originally 10 percent] on increases in their managed liabilities. The reserve requirement is eliminated as to managed liabilities beginning July 10, and as to reserves beginning July 24.
5. Restraint on the rapid expansion of money market mutual funds by establishing a special deposit requirement of 7½ percent [originally 15 percent] on increases in their total assets. The requirement is phased out as to covered assets beginning July 28, and no deposit as to covered assets beginning July 28, and no deposits will be required beginning August 11.
6. [The original program provided for a 3 percent surcharge on the discount borrowings of large banks with deposits of \$500 million or more for more than one week in a row or more than four weeks in any calendar quarter. The surcharge has been removed, and the basic discount rate remains.]

TITLE 12—BANKS AND BANKING
CHAPTER II—FEDERAL RESERVE SYSTEM
SUBCHAPTER A—PART 229—CREDIT RESTRAINT

12 CFR 229, 45 F. R. 17929, as amended April 10, 1980, 45 F. R. 24444, 24842;
 April 18, 1980, 45 F. R. 26318; June 3, 1980,
 45 F. R. 37413; July 9, 1980, 45 F. R. 46004

Subpart A—CONSUMER CREDIT

↔ Rescinded Effective October 31, 1980 ↔

[¶ 10,331]

§ 229.1 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System pursuant to the Credit Control Act (12 U.S.C. 1901-1909) as implemented by Executive Order 12201, dated March 14, 1980.

(b) *Purpose and Scope.* This subpart is intended to curb inflation generated by the extension of certain types of consumer credit in an excessive volume and governs extensions of such credit by all covered creditors.

[¶ 10,332]

§ 229.2 Definitions.

(a) For the purposes of this subpart, the terms, "Board," "credit," "creditor," "extension of credit" and "credit transaction," and "loan," shall have the meanings given them in the Credit Control Act. In addition, the following definitions apply.

(b) "Base" means either

(1) a constant amount, which is the larger of \$2 million or the amount of covered credit outstanding as of the close of business on the base date; or

(2) a variable amount, which is the larger of \$2 million or a seasonally projected amount determined by application of a factor each month to the amount of covered credit outstanding in the same month in the preceding year. This factor is based on a comparison of the covered credit outstanding on the base date and the covered credit outstanding in the same date in March 1979, expressed as a ratio, which is progressively diminished by one-twelfth each month. The base for each month after March 14, 1980 equals the factor described above, multiplied by the amount of covered credit outstanding in the corresponding month in the year before. The formula for the base in any month "i" is:

$$\text{Base for any month "i", 1980} = \left[\left(\frac{\text{Credit outstanding on base date}}{\text{Credit outstanding on same date, 1979}} - 1 \right) \times \left(\frac{12-n}{12} \right) + 1 \right] \times \text{Credit outstanding in same month "i", 1979}$$

where "n" is a variable representing the number of months after March, 1980. (Therefore, "n" equals one in April, "n" equals two in May, and it increases progressively in each succeeding month up to 12 in March, 1981.)

For purposes of filing base and monthly reports as required by § 229.3, a creditor must choose either the constant amount base or the variable amount base and may not vary that choice.

¶ 10,331 Federal

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(c) "Base date" means: for a creditor that has daily credit data available, March 14, 1980 or the last day immediately before March 14, 1980 for which such data are available; for a creditor that does not have daily credit data available, the period immediately before March 14, 1980 for which credit data are available.

(d) "Closed-end credit" means all consumer credit except open-end credit.

(e) "Consumer credit" means credit extended in the U.S. primarily for personal, family, or household purposes and does not include credit for business or agricultural purposes.

(f) "Covered credit" means consumer credit that is (1) open-end credit and (2) closed-end credit which is unsecured or in which the proceeds of the credit are not being used to purchase the collateral. Covered credit that is sold or otherwise transferred after March 14, 1980 to any office located outside the U.S. of the same or another entity shall remain the covered credit of the transferor until such credit is repaid. Covered credit that is sold or otherwise transferred on a recourse basis to any U.S. office of the same or another entity shall remain the covered credit of the transferor; covered credit that is transferred on a non-recourse basis to any U.S. office of the same or another entity shall be treated as covered credit of the transferee. Covered credit does not include insurance company policy loans; credit extended by federal, state or local governments, or by providers of utility, health or education services; state or federal government guaranteed loans; or loans secured by savings deposits held at the lending institution.

(g) "Covered creditor" means any creditor which extends covered credit. For purposes of determining the amount of a creditor's outstanding covered credit, the covered credit of all U.S. offices of (1) the same company, (2) U.S. subsidiaries of the same parent company, and (3) non-U.S. subsidiaries of the same parent company shall be combined. A subsidiary is a company that is more than 50 percent owned

directly or indirectly by another company.

(h) "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.

(i) "U.S." means the fifty states of the United States and the District of Columbia.

[¶ 10,333]

§ 229.3 [Reserved]

[¶ 10,334]

229.4 [Reserved]

[¶ 10,335]

§ 229.5 Penalties.

For each willful violation of this subpart, the Board may assess against any creditor, or officer, director or employee thereof who willfully participates in the violation, a maximum civil penalty of \$1,000. In addition, a maximum criminal penalty of \$1,000 and imprisonment of up to one year may be imposed for willful violation of this subpart.

[¶ 10,336]

§ 229.6 Change in terms of open-end credit accounts.

(a) Notwithstanding the terms of any credit agreement or the provision of any other law, a covered creditor, with respect to its open-end or other open credit accounts, may (1) impose or increase any finance or other charge, (2) change the method of computing the balance upon which charges are imposed, or (3) increase the required

¹ As defined in § 217.1(e) of this chapter (Regulation Q).

minimum periodic payment, if the following two conditions are met. First, the covered creditor shall mail or deliver a written notice of the change to each affected consumer accountholder at least 30 days before the effective date of the change. Second, the covered creditor shall permit each affected consumer accountholder to repay, under the existing account terms, any debt incurred prior to the effective date of the change, unless the accountholder incurs additional debt on or after that date or otherwise assents in writing to the changes.

(b)(1) This section does not authorize a covered creditor to impose a rate of interest or finance charge in excess of the maximum permitted by state law, nor does it authorize a depository institution (as defined in section 19(b) of the Federal Reserve Act as amended by the Monetary Control Act of 1980) to impose a rate of interest or finance charge in excess of the maximum permitted by federal law.

(2) This section does not govern any change in the terms specified in paragraph (a) of this section if the covered creditor began mailing or delivering notice of that change to affected consumer accountholders before March 14, 1980.

(c)(1) The notice required by this section shall clearly set forth the new term(s), the corresponding existing term(s), and the effective date of the change; shall appear on a single document that contains no other

information except the changed account agreement or other material directly related to the change; and shall be in plain language.

(2) The notice also shall clearly explain the two options available to the consumer. The options shall be presented more conspicuously than the rest of the notice by, for example, bold-faced type, larger type size, or contrasting color. Language similar to the following, or modified to reflect the creditor's individual credit plan, may be used:

"WARNING: Continued use of your account on or after [effective date of change] will result in stricter terms.

You have **TWO OPTIONS:**

(1) You may stop making charges on your account before [effective date of change] and pay off under the existing terms described in this notice all or any part of what you owe us on that date. You may continue to use your account on or after that date, but if you do so, the new terms will apply as explained in option (2) below. **OR**

(2) You may make charges on your account on or after [effective date of change], in which case the new terms described in this notice will apply to what you then owe us and to future charges."

(d)(1) A change in terms is effective under this section, only if notice of such change is mailed or delivered on or before September 5, 1980.

(2) A change-in-terms notice that is mailed or delivered after September 5, 1980, is not subject to this Subpart and must comply with the requirements of Regulation Z (12 CFR 226.7(f)) and other applicable Federal or State law.

[¶ 10,341 appears on page 59,391.]

[§ 10,341]

APPENDIX

Section 5 To Be Completed by Creditors That Elect a Variable Base

Subsection A

Bits	Mils	Thous
	35	650
	45	125

Line 1 Amount of covered consumer credit outstanding on March 14, 1980¹

Line 2 Amount of covered consumer credit outstanding one year prior to the date or period used for Line 1

Line 3 Line 1 divided by Line 2 (calculate to four decimal places rounded)

Line 4 Line 3 minus 1.0000 (if negative, enter negative amount)

Line 5 Date or period for which base data (Lines 1 and 2 above) are submitted

Line 1 March 19, 1980

Line 2 March 19, 1979

¹ For a creditor that has daily credit data available, report the date as of March 14, 1980, or the last day immediately before March 14, 1980 for which such data are available. For a creditor that does not have daily credit data available, report date as of the period immediately before March 14, 1980 for which credit data are available.

Subsection B

Month	Average Amount of Covered Consumer Credit Outstanding		
	Bits	Mils	Thous
1. April 1979		48	532
2. May 1979		49	560
3. June 1979		50	155
4. July 1979		50	770
5. August 1979		51	459
6. September 1979		52	455
7. October 1979		52	434
8. November 1979		54	665
9. December 1979		59	925
10. January 1980		57	351
11. February 1980		56	124
12. March 1980		55	455

PENALTIES For each willful violation of 12 C.F.R. 229 Subpart A, the Board may assess against any creditor, or officer, director or employee thereof who willfully participates in the violation, a maximum civil penalty of \$1,000. In addition, a maximum criminal penalty of \$1,000 and imprisonment of up to one year may be imposed for willful violation of this subpart.

[10,342]

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Subsection C	1 Ratio enter on each line the ratio computed above in Subsection A, Line 4, if negative, enter negative amount	2 Adjustment (1/2)	3 Col 1 + Col 2 (if negative, enter negative amount)	4 Constant	5 Algebraic sum of Col 3 + Col 4 (result will always be positive)	6 Amount of covered consumer credit outstanding during the corresponding period one year ago				Base Col 5 x Col 6								
						Enter the amount from Subsection B	Line 1	Line 2	Line 3	Line 4	Line 5	Line 6	Line 7	Line 8	Line 9	Line 10	Line 11	Line 12
	1.41211	0.91667	1.3103	1.0000	1.1303	45	532	54	84	April 1980								
	1.41211	0.83333	1.1154	1.0000	1.1154	49	500	55	361	May 1980								
	1.41211	0.75000	1.0166	1.0000	1.10166	50	155	53	235	June 1980								
	1.41211	0.66667	0.9147	1.0000	1.09147	50	770	55	578	July 1980								
	1.41211	0.58333	0.8129	1.0000	1.01529	51	459	55	725	August 1980								
	1.41211	0.50000	0.7111	1.0000	1.01711	52	458	56	220	September 1980								
	1.41211	0.41667	0.5192	1.0000	1.015192	52	934	56	065	October 1980								
	1.41211	0.33333	0.4174	1.0000	1.014174	54	645	57	457	November 1980								
	1.41211	0.25000	0.3155	1.0000	1.013155	59	925	62	052	December 1980								
	1.41211	0.16667	0.2137	1.0000	1.012137	57	351	55	741	January 1981								
	1.41211	0.08333	0.1115	1.0000	1.011115	56	124	56	786	February 1981								
	1.41211	0.00000	0.01010	1.0000	1.01010	55	455	55	455	March 1981								

3 The first computation period covers March 15, 1980 through April 30, 1980. Thereafter, each computation period begins on the first day of each month and ends on the last day of that month.

2 For creditors that elect a variable base, the base for the special deposit requirement for each computation month is either (1) the amount shown in Column 7 above for the respective computation month or (2) \$2 million, whichever is larger.

I certify that the information shown on this report is correct

Author's Signature _____
 Title _____
 Also, Circle and Telephone Number _____

All credit unions should return this report to the Central Liquidity Facility of the National Credit Union Administration

All other creditors should return this report to the Federal Reserve Bank in whose district the respondent company is located.

[Federal Aviation Act appears on page 59,397.]