§ 1601  TITLE 15—COMMERCE AND TRADE  Page 1088

SUBCHAPTER I—CONSUMER CREDIT COST DISCLOSURE

PART A—GENERAL PROVISIONS

§ 1601. Congressional findings and declaration of purpose

(a) Informed use of credit

The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this subchapter to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit, and to protect the consumer against inaccurate and unfair credit billing and credit card practices.

(b) Terms of personal property leases

The Congress also finds that there has been a recent trend toward leasing automobiles and other durable goods for consumer use as an alternative to installment credit sales and that these leases have been offered without adequate cost disclosures. It is the purpose of this subchapter to assure a meaningful disclosure of the terms of lease personal property for personal, family, or household purposes so as to enable the lessee to compare more readily the various lease terms available to him, limit balloon payments in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements.


AMENDMENTS

1976—Pub. L. 94–240 designated existing provisions as subsec. (a) and added subsec. (b).

1974—Pub. L. 93–495 inserted provisions expanding purposes of subchapter to include protection of consumer against inaccurate and unfair credit billing and credit card practices.

Effective Date of 1976 Amendment

Amendment by Pub. L. 94–240 effective on expiration of one year after Mar. 23, 1976, see section 6 of Pub. L. 94–240, set out as an Effective Date note under section 1667 of this title.

Effective Date of 1974 Amendment

For effective date of amendment by Pub. L. 93–495, see section 306 of Pub. L. 93–495, set out as an Effective Date note under section 1666 of this title.

Effective Date

Section 504(a) of Pub. L. 90–321 provided that this part is effective May 29, 1968.

Short Title of 2003 Amendment

Pub. L. 108–159, § 1(a), Dec. 4, 2003, 117 Stat. 152, provided that: “This Act [enacting sections 1681c–1, 1681c–2, 1681s–3, 1681w, and 1681x of this title and sections 9701 to 9708 of Title 20, Education, amending sections 1681a, 1681b, 1681c, 1681g, 1681i, 1681m, 1681p, 1681s, 1681s–2, 1681t, 1681u, and 1681v of this title and section 5318 of Title 31, Money and Finance, enacting provisions set out as notes under this section, sections 1681, 1681a, 1681b, 1681c, 1681i–1, 1681l, 1681m, 1681n, 1681s–3, 1681s–5 of this title, and section 9701 of Title 20, and amending provisions set out as a note under this section] may be cited as the ‘Fair and Accurate Credit Transactions Act of 2003’.”

Short Title of 1999 Amendment


Short Title of 1998 Amendment

Pub. L. 105–347, § 1, Nov. 2, 1998, 112 Stat. 3208, provided that: “This Act [amending sections 1681a to 1681c, 1681g, 1681i, 1681k, and 1681s of this title and enacting provisions set out as a note under section 1681a of this title] may be cited as the ‘Consumer Reporting Employment Clarification Act of 1998.’”

Short Title of 1996 Amendment

Pub. L. 104–208, div. A, title II, § 2401, Sept. 30, 1996, 110 Stat. 3009–426, provided that: “This chapter [chapter 1 (§§ 2401–2422) of subtitle D of title II of div. A of Pub. L. 104–208, enacting section 1681s–2 of this title, amending sections 1681a to 1681e, 1681g to 1681l, 1681m to 1681c, 1681q to 1681a, and 1681t of this title, and enacting provisions set out as notes under sections 1681a, 1681b, and 1681g of this title] may be cited as the ‘Consumer Credit Reporting Reform Act of 1996.’”

Short Title of 1995 Amendments


Short Title of 1994 Amendment


Short Title of 1992 Amendment


Short Title of 1988 Amendments

Pub. L. 100–709, § 1, Nov. 23, 1988, 102 Stat. 4725, provided that: “This Act [enacting sections 167a, 167g, and 167h of this title, and enacting provisions set out as notes under section 167a of this title] may be cited as the ‘Home Equity Loan Consumer Protection Act of 1988.’”

Pub. L. 100–589, § 1, Nov. 3, 1988, 102 Stat. 2960, provided that: “This Act [amending sections 1610, 1632, 1637, 1640, and 1646 of this title and enacting provisions set out as notes under section 1646 of this title] may be cited as the ‘Fair Credit Reporting Act of 1988.’”

Pub. L. 100–477, § 1, Oct. 31, 1988, 102 Stat. 2107, provided that: “This Act [enacting sections 1631 and 1637 of this title, and enacting provisions set out as notes under section 1637 of this title] may be cited as the ‘Fair Credit Reporting Act of 1988.’”

Pub. L. 100–473, § 1, Oct. 31, 1988, 102 Stat. 2105, provided that: “This Act [enacting sections 1620, 1621, 1622, 1623, 1625, 1626, 1627, 1628, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, and 1640 of this title, and enacting provisions set out as notes under sections 1635 to 1640 of this title] may be cited as the ‘Fair Credit Reporting Act of 1988.’”
Section 301 of title VIII of Pub. L. 90–321 provided that: "If a provision enacted by this Act [see Short Title note above], is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications."

**Analysis of Further Restrictions on Offers of Credit or Insurance**

Section 108–159, title II, §213(e), Dec. 4, 2003, 117 Stat. 1979, provided that:

(1) **In General.**—The Board shall conduct a study of—

(A) the ability of consumers to avoid receiving written offers of credit or insurance in connection with transactions not initiated by the consumer; and

(B) the potential impact that any further restrictions on providing consumers with such written offers of credit or insurance would have on consumers.

(2) **Report.**—The Board shall submit a report summarizing the results of the study required under paragraph (1) to the Congress not later than 12 months after the date of enactment of this Act [Dec. 4, 2003], together with such recommendations for legislative or administrative action as the Board may determine to be appropriate.

(3) **Content of Report.**—The report described in paragraph (2) shall address the following issues:

(A) the current statutory or voluntary mechanisms that are available to a consumer to notify lenders and insurance providers that the consumer does not wish to receive written offers of credit or insurance.

(B) the extent to which consumers are currently utilizing existing statutory and voluntary mechanisms to avoid receiving offers of credit or insurance.

(C) the benefits provided to consumers as a result of receiving written offers of credit or insurance.

(D) whether consumers incur significant costs or are otherwise adversely affected by the receipt of written offers of credit or insurance.

(E) whether further restricting the ability of lenders and insurers to provide written offers of credit or insurance to consumers would affect—

(i) the cost consumers pay to obtain credit or insurance;

(ii) the availability of credit or insurance;

(iii) consumers' knowledge about new or alternative products and services;

(iv) the ability of lenders or insurers to compete with one another; and

(v) the ability to offer credit or insurance products to consumers who have been traditionally underserved.

[For definitions of terms used in section 213(e) of Pub. L. 108–159, set out above, see section 2 of Pub. L. 108–159, set out as a Definitions note under section 1681 of this title.]

**Federal Reserve Study of Home Equity Lending and Appropriate Interest Rate Index**

days after the date of enactment of this Act [Sept. 23, 1994] and ending 2 years after that date of enactment, the Board of Governors of the Federal Reserve System shall conduct a study and submit to the Congress a report, including recommendations for any appropriate legislation, regarding—

``(1) whether a consumer engaging in an open end credit transaction (as defined in section 103 of the Truth in Lending Act [15 U.S.C. 1602]) secured by the consumer’s principal dwelling is provided adequate protections under Federal law, including section 127A of the Truth in Lending Act [15 U.S.C. 1637a]; and

``(2) whether a more appropriate interest rate index exists for purposes of subparagraph (A) of section 100(aa)(1) of the Truth in Lending Act (as added by subsection (a) of this Act [15 U.S.C. 1602(aa)(1)]) than the yield on Treasury securities referred to in that subparagraph."

HEARINGS ON HOME EQUITY LENDING

``(a) HEARING.—Not less than once during the 3-year period beginning on the date of enactment of this Act [Sept. 23, 1994], and regularly thereafter, the Board of Governors of the Federal Reserve System, in consultation with the Consumer Advisory Council of the Board, shall conduct a public hearing to examine the home equity loan market and the adequacy of existing regulatory and legislative provisions and the provisions of this subtitle [see Short Title of 1994 Amendment note above] in protecting the interests of consumers, and low-income consumers in particular.

``(b) PARTICIPATION.—In conducting hearings required by subsection (a), the Board of Governors of the Federal Reserve System shall solicit participation from consumers, representatives of consumers, lenders, and other interested parties."

STUDY BY FEDERAL RESERVE BOARD OF GOVERNORS
COVERING EFFECT OF CHARGE CARD TRANSACTIONS
UPON CARD ISSUERS, MERCHANTS, AND CONSUMERS

INFERENCE OF LEGISLATIVE INTENT IN SECTION
CAPTIONS AND CATCHLINES
Section 502 of Pub. L. 90–321 provided that: “Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act [enacting this chapter, section 891 to 896 of Title 18, Crimes and Criminal Procedure, and provisions set out as notes under this section, sections 1631 and 1671 of this title, and section 891 of Title 18] may be drawn from them.”

GRAMMATICAL USAGES
Section 503 of Pub. L. 90–321 provided that: “In this Act [enacting this chapter, section 891 to 896 of Title 18, Crimes and Criminal Procedure, and provisions set out as notes under sections 1601, 1631 and 1671 of this title, and section 891 of Title 18]:

``(1) The word ‘may’ is used to indicate that an action either is authorized or is permitted.

``(2) The word ‘shall’ is used to indicate that an action is both authorized and required.

``(3) The phrase ‘may not’ is used to indicate that an action is both unauthorized and forbidden.

``(4) Rules of law are stated in the indicative mood.”

§ 1602. Definitions and rules of construction

(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this subchapter.

(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 only to a person who both (1) regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, and (2) is the person to whom the debt arising from the consumer credit transaction is initially payable on the face of the evidence of indebtedness or, if there is no such evidence of indebtedness, by agreement. Notwithstanding the preceding sentence, in the case of an open-end credit plan involving a credit card, the card issuer and any person who honors the credit card and offers a discount which is a finance charge are creditors. For the purpose of the requirements imposed under part D of this subchapter and sections 1637(a)(5), 1637(a)(6), 1637(a)(7), 1637(b)(1), 1637(b)(2), 1637(b)(3), 1637(b)(8), and 1637(b)(10) of this title, the term “creditor” shall also include card issuers whether or not the amount due is payable by agreement in more than four installments or the payment of a finance charge is or may be required, and the Board shall, by regulation, apply these requirements to such card issuers, to the extent appropriate, even though the requirements are by their terms applicable only to creditors offering open-end credit plans. Any person who originates 2 or more mortgages referred to in subsection (aa) of this section in any 12-month period or any person who originates 1 or more such mortgages through a mortgage broker shall be considered to be a creditor for purposes of this subchapter.

(g) The term “credit sale” refers to any sale in which the seller is a creditor in a transaction in the form of a sale or lease where the seller’s interest in the property involved and any services involved is or may be acquired by the lessee or a nominal consideration has the option or in excess of the aggregate value of the property and services involved and it is agreed that the lessee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

(h) The adjective “consumer”, used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, or household purposes.

(i) The term “open end credit plan” means a plan under which the creditor reasonably contemplates repeated transactions, which prescribes the terms of such transactions, and which provides for a finance charge which may be computed from time to time on the outstanding-