

determined by the CCC, in any one of the crop years 1991 through 1995 or 1998 through 2001, in which case the payment acres for the farm shall be reduced on an acre-for-acre basis; or

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PART 1413—HARD WHITE WHEAT INCENTIVE PROGRAM

■ 8. Amend § 1413.101 by revising paragraph (b) to read as follows:

§ 1413.101 Applicability.

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(b) A production payment incentive shall be available only for hard white wheat that grades U.S. # 2 grade or higher, established by the Federal Grain Inspection Service, that is produced and harvested in the United States.

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§ 1413.105 [Amended]

■ 9. Amend § 1413.105 by redesignating the second paragraph (c)(1) and paragraph (c)(2) as paragraphs (c)(2) and (c)(3) respectively.

Signed in Washington, DC, on February 19, 2003.

James R. Little,

Administrator, Farm Service Agency and Executive Vice-President, Commodity Credit Corporation.

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FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Regulation Z; Docket No. R-1136]

Truth in Lending

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; official staff commentary.

SUMMARY: This final rule revises the official staff commentary to Regulation Z, which implements the Truth in Lending Act. The commentary interprets the requirements of Regulation Z. The revisions state the rules for disclosing fees to expedite a payment or delivery of a card. The revisions interpret the rules for replacing an accepted credit card to permit an issuer, under certain conditions, to replace an accepted card with more than one card. The revisions also discuss the treatment of private mortgage insurance payments in disclosing the payment schedule and the selection of Treasury security yields for determining whether a mortgage loan is covered by provisions in

Regulation Z that implement the Home Ownership and Equity Protection Act.

DATES: This rule is effective April 1, 2003; the date for mandatory compliance is October 1, 2003.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

I. Background

The purpose of the Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq.*, is to promote the informed use of consumer credit by providing for uniform disclosures about its terms and cost. TILA gives consumers the right to rescind certain transactions that involve a lien on their principal dwelling, and it requires additional disclosures and imposes substantive restrictions on certain home-secured loans with rates or fees above a certain amount. The act also addresses the rights and responsibilities of credit card issuers and cardholders.

TILA is implemented by the Board's Regulation Z (12 CFR part 226). The Board has delegated to officials in the Board's Division of Consumer and Community Affairs authority to issue official staff interpretations of Regulation Z. Good faith compliance with the commentary affords creditors protection from liability under section 130(f) of TILA. The commentary is a substitute for individual staff interpretations; it is updated periodically to address significant questions that arise.

In December 2002, the Board published for comment proposed changes to the commentary (67 FR 72,618, December 6, 2002). The revisions discuss the rules for disclosing fees to expedite a payment or delivery of a card; replacing an accepted credit card; including private mortgage insurance premiums in the payment schedule disclosure; and selecting Treasury security yields for determining whether a mortgage loan is covered by the Home Ownership and Equity Protection Act. The Board received approximately 350 comment letters, most on the inquiry about overdraft or "bounced check" services. About 280 of the comments were from financial institutions, other creditors, and their representatives. The remaining comment letters were from consumer

groups, individuals, and one state agency.

With one exception, the final rule is being adopted substantially as proposed; the proposed comment concerning expedited payment fees has not been adopted. In addition, some changes have been made for clarity in response to commenters' suggestions.

In addition to the proposed commentary revisions, the Board's staff requested information on overdraft or "bounced check" protection services. Institutions provide the service in lieu of establishing a traditional overdraft line of credit for the customer. Under these programs, even though the institution generally reserves the right not to pay particular items, a dollar limit is typically established for the account holder and then the institution routinely pays overdrafts on the account up to that amount without a case-by-case assessment. The staff solicited comment and information from the public about how these services are designed and operated, to determine the need for additional guidance to financial institutions under Regulation Z or other laws.

About 300 of the comment letters responded to the request to provide information about the various ways that depository institutions offer bounced check protection services. The comment letters describe programs being offered to depository institutions by a number of vendors. The programs vary from vendor to vendor, and also appear to vary in their implementation from institution to institution. The Board's staff is continuing to gather information on these services, which are not addressed in the final rule.

II. Commentary Revisions

Subpart B—Open-End Credit

Section 226.6—Initial Disclosure Statement

6(b) Other Charges

Representatives of the credit card industry requested official guidance on the rules for disclosing two fees charged to consumers in connection with open-end credit plans—a fee imposed when a consumer requests that an individual payment be expedited, and a fee imposed when a consumer requests expedited delivery of a credit card. Because the proper characterization of these fees under TILA previously has been unclear, the staff proposed to revise comment 6(b) to provide guidance.

Under Regulation Z, creditors must disclose fees that are "finance charges," which are defined as "charges payable