SUPREME COURT OF THE UNITED STATES

Ford Motor Credit Co. v. Milhollin

444 U.S. 555 (1980) · No. No. 78-1487 · Decided February 20, 1980

SUMMARY

The Supreme Court held that the Truth in Lending Act and Regulation Z do not impose a general requirement that creditors disclose acceleration clauses on the face of credit agreements. The Court deferred to the Federal Reserve Board staff's reasonable interpretation that acceleration rebate practices need separate disclosure only when they differ from voluntary prepayment rebate practices. The Court reversed and remanded the Ninth Circuit's decision.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Brennan
JURISDICTION	Federal
DECIDED	February 20, 1980
DOCKET	No. 78-1487
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Petitioners sought Supreme Court review by certiorari of a Ninth Circuit decision holding that the Truth in Lending Act and Regulation Z generally required disclosure of acceleration clauses or acceleration rebate practices.
STANDARD OF REVIEW	De novo review of the interpretation of the Truth in Lending Act and Regulation Z, with substantial deference to the Federal Reserve Board and staff's reasonable administrative interpretation.
PRECEDENTIAL VALUE	binding Supreme Court precedent
PARTIES	Ford Motor Credit Co. v. Milhollin and other respondents

TOPICS

truth in lending · consumer protection · statutory interpretation · administrative law · judicial review of agency action

PRACTICE AREAS

consumer protection truth in lending administrative law statutory interpretation contracts

QUESTIONS PRESENTED

1. Whether the Truth in Lending Act requires creditors to disclose the existence of an acceleration clause on the face of a credit agreement.
2. Whether the Truth in Lending Act or Regulation Z requires creditors to disclose acceleration rebate practices in every case.
3. Whether courts must defer to Federal Reserve Board and staff interpretations resolving ambiguity or silence in the Truth in Lending Act and Regulation Z.

HOLDINGS

1. The Truth in Lending Act does not impose a general requirement that the existence of an acceleration clause be disclosed on the face of every credit agreement. An acceleration right is not itself a default, delinquency, or similar charge because it is a collection mechanism rather than a specific monetary penalty.
2. Separate disclosure of acceleration rebate practices is not invariably required. Under the Federal Reserve staff's reasonable interpretation, disclosure is necessary when the creditor's rebate practice upon acceleration differs from its voluntary prepayment rebate practice, but not when the practices are identical.
3. Federal Reserve Board and staff interpretations of the Truth in Lending Act and Regulation Z should be treated as dispositive unless demonstrably irrational when the statutory or regulatory text does not clearly resolve the issue.

KEY QUOTATIONS

> *"Because we believe that a high degree of deference to this administrative interpretation is warranted, we hold that TILA does not mandate a general rule of disclosure for acceleration clauses."* (557)

> *"In short, we would have to stretch these provisions beyond their obvious limits to construe them as a mandate for the disclosure of acceleration clauses."* (562)

> *"Unless demonstrably irrational, Federal Reserve Board staff opinions construing the Act or Regulation should be dispositive for several reasons."* (565)

> *"Thus, while not abdicating their ultimate judicial responsibility to determine the law, judges ought to refrain from substituting their own interstitial lawmaking for that of the Federal Reserve, so long as the latter's lawmaking is not irrational."* (568)

FACTUAL BACKGROUND

Respondents purchased automobiles from various dealers using standard retail installment contracts that were assigned to Ford Motor Credit Co. The contracts disclosed prepayment rebate terms and delinquency charges on their front pages but contained an acceleration clause in the body of the contract permitting the creditor to demand immediate payment of the entire outstanding debt upon default. Respondents alleged that the failure to disclose the acceleration clause and related rebate practices violated the Truth in Lending Act and Regulation Z.

PROCEDURAL HISTORY

Respondents filed four separate actions in the United States District Court for the District of Oregon alleging that Ford Motor Credit Co. violated the Truth in Lending Act and Regulation Z by failing to disclose acceleration provisions and related rebate practices. The district court imposed liability in two actions on the ground that acceleration clauses were default or delinquency charges, while respondents prevailed on different grounds in the other two. The Ninth Circuit consolidated the appeals and held that separate disclosure of acceleration rebate practices was generally required. The Supreme Court granted certiorari, reversed, and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Remand for consideration of any properly presented issue concerning whether the credit contract's acceleration-rebate language contradicted the disclosures on the face of the contract, and for further proceedings consistent with the Supreme Court's holding.

CASES CITED

- Mourning v. Family Publications Service, Inc., 411 U.S. 356 (1973)
- St. Germain v. Bank of Hawaii, 573 F.2d 572, 576-577 (9th Cir. 1977)
- Ford Motor Credit Co. v. Milhollin, 588 F.2d 753, 757-758 (9th Cir. 1978)
- Zenith Radio Corp. v. United States, 437 U.S. 443, 450 (1978)
- Udall v. Tallman, 380 U.S. 1, 16 (1965)
- Power Reactor Co. v. Electricians, 367 U.S. 396, 408 (1961)
- Bowles v. Seminole Rock Co., 325 U.S. 410, 413-414 (1945)
- Norwegian Nitrogen Products Co. v. United States, 288 U.S. 294, 315 (1933)
- SEC v. Chenery Corp., 318 U.S. 80, 92-94 (1943)
- Johnson v. McCrackin-Sturman Ford, Inc., 527 F.2d 257, 265-268 (3d Cir. 1975)
- Price v. Franklin Investment Co., 574 F.2d 594, 604 (D.C. Cir. 1978)
- McDaniel v. Fulton National Bank, 571 F.2d 948 (5th Cir. 1978) (en banc), clarified, 576 F.2d 1156 (5th Cir. 1978) (en banc)
- Griffith v. Superior Ford, 577 F.2d 455, 457-459 (8th Cir. 1978)
- United States ex rel. Hornell v. One 1976 Chevrolet, 585 F.2d 978, 981 (10th Cir. 1978)
- Croysdale v. Franklin Savings Assn., 601 F.2d 1340, 1342-1343 (7th Cir. 1979)