

dent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.

It is further ordered, That respondents herein shall within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

IN THE MATTER OF

FABBIS, INC., ET AL., DOING BUSINESS AS ROCHESTER
PLUMBING AND HEATING CONTRACTORS

ORDER, OPINION, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE TRUTH IN LENDING ACTS

Docket 8833. Complaint, Jan. 18, 1971—Decision Oct. 30, 1972.

Order requiring a Rochester, New York, firm engaged in the sale of plumbing and heating equipment and installation services to the public, among other things to cease violating the Truth in Lending Act by failing to provide each customer with a notice of the right to rescind prior to consummation of the transaction; making any physical changes in customer's property or performing any work on such property before expiration of the rescission period; and failing to make any other necessary disclosures as required by Regulation Z of the said Act.

COMPLAINT

Pursuant to the provisions of the Truth in Lending Act and the implementing regulation promulgated thereunder, and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Fabbis, Inc., a corporation, doing business as Rochester Plumbing and Heating Contractors, and Richard J. Fabrizio and James J. Rebis, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Acts and regulation, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Fabbis, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business

located at 123 Barberry Terrace, Rochester, New York. It is doing business under the name of Rochester Plumbing and Heating Contractors.

Respondents Richard J. Fabrizi and James J. Rebis are officers of said corporation. They formulate, direct and control the policies, acts and practices of said corporation, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the sale of plumbing and heating equipment and installation services to the public.

PAR. 3. In the ordinary course and conduct of their business as aforesaid, respondents arrange, and for some time last past regularly have arranged, for the extension of consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

PAR. 4. Subsequent to July 1, 1969, respondents in the ordinary course and conduct of their business and in connection with their arranging for consumer credit, have caused, and are causing, customers to execute retail installment contracts, herein referred to as "the contract," which results or may result in a security interest being retained or acquired in real property which is used or is expected to be used as the principal residence of the customer. The customers thereby have the right to rescind such transactions, as provided in Section 226.9(a) of Regulation Z.

PAR. 5. In connection with the consumer credit transactions set forth in Paragraphs Three and Four hereof, respondents prepare documents containing consumer credit cost disclosures required by Section 226.8 of Regulation Z and obtain from customers written acknowledgment of receipt of these disclosures, but in some instances nevertheless fail to provide the customer with a copy of such disclosures, as required by Section 226.8(a) of Regulation Z.

PAR. 6. In connection with the consumer credit transactions set forth in Paragraphs Three and Four hereof, respondents complete notices of the right of rescission in the form required by Section 226.9(b) of Regulation Z and obtain from customers written acknowledgment of receipt of these notices, but in some instances nevertheless fail to provide each customer who has the right to rescind the transaction with two copies of such notices, as required by Sections 226.9(b) and (f) of Regulation Z. In many such instances, respondents fail to provide the customer with any copies of the required notice.

PAR. 7. Having entered into the consumer credit transactions set forth in Paragraphs Three and Four hereof, respondents in some instances fail to delay making any physical changes in the property of the customer and fail to delay performing any work or service for the customer until the three day rescission period provided for in Section 226.9(a) of Regulation Z has expired, in violation of Section 226.9(c) of Regulation Z.

PAR. 8. Pursuant to Section 103(k) of the Truth in Lending Act, respondents' aforesaid failures to comply with the requirements of Regulation Z constitute violations of that Act and, pursuant to Section 108 thereof, respondents thereby have violated the Federal Trade Commission Act.

Mr. James M. Katz and Mr. Myer S. Tulko supporting the complaint.

Mr. Percival D. Oviatt, Jr., and Mr. Samuel P. Merlo, of Woods, Oviatt, Gilman, Sturman & Clarke, Rochester, New York for respondents.

INITIAL DECISION BY WALTER K. BENNETT, HEARING EXAMINER

JUNE 16, 1971

PRELIMINARY STATEMENT

Respondents, a corporation, and two individual officers, are charged with violating the Truth in Lending Act (15 U.S.C. 1601), as implemented by Federal Reserve Regulation Z (12 C.F.R. § 226). The complaint was issued on January 18, 1971, against Fabbis, Inc., doing business as Rochester Plumbing and Heating Contractors and its officers, Richard J. Fabrizi and James J. Rebis, individually and as officers of the corporation.

It charged that:

1. Respondents regularly arrange for the extension of consumer credit to their customers, and have failed to provide them with a duplicate copy of consumer credit cost disclosures, to retain, as required by Section 226.8(a) of Regulation Z.
2. In rescindable transactions, respondents have failed to provide their customers with requisite copies of notices of the right of rescission, as required by Section 226.9(b) of Regulation Z.
3. In rescindable transactions, respondents have failed to delay during the three day rescission period, making any physical changes in the customers' property, commencement of the work or deliveries to customers' residences for the duration of the rescission period, in violation of Section 226.9(c) of Regulation Z.

Respondents' Answer admitted the following facts:

1. Respondent Fabbis, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 123 Barberry Terrace, Rochester, New York. It is doing business under the name of Rochester Plumbing and Heating Contractors.

2. Respondents Richard J. Fabrizi and James J. Rebis are officers of said corporation. Their address is the same as that of the corporate respondent. Respondents are now, and for some time last past have been, engaged in the sale of plumbing and heating equipment and installation services to the public.

3. As a part of their business, in the ordinary course and conduct of their business as aforesaid, respondents arrange, and for some time last past regularly have arranged, for the extension of consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

Respondents' Answer either flatly denied, or denied knowledge of, all of the other allegations in the complaint.

A prehearing conference was held in Washington, D.C., on March 2, 1971. Evidentiary hearings were held in Rochester, New York commencing on March 18, 1971, and were concluded on March 22, 1971.

The following abbreviations will sometimes be used herein making references to the record: Transcript—Tr.; Commission Exhibits—CX; Respondents' Exhibits—RX; Complaint Counsels' proposed findings of fact—CPF;¹ Respondents' proposed findings of fact—RPF; Complaint—C; Answer—A.

On the basis of the entire record² the hearing examiner makes the following findings, conclusions and order. All proposed findings not found expressly or in substance are denied as erroneous, irrelevant or immaterial.

1. Respondent Fabbis, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at 123 Barberry Terrace, Rochester, New York. It is doing business under

¹ References to proposed findings of the parties include the citation of authority or reasons submitted therewith on the accuracy of which the hearing examiner has relied in light of the requirements of the ninety (90) day rule.

² In accordance with the Commission rules reference is made to the principal supporting items of evidence. The citation of particular references in no way indicates that the entire record has not been considered. The findings are based on the record as a whole and not only on the citations to the exhibits or transcript pages specifically noted.

the name of Rochester Plumbing and Heating Contractors (Tr. 44; C., A.).

2. Respondents are now, and for some time last past, have been engaged in the sale of plumbing and heating equipment and installation services to the public (Tr. 44; C., A.). There was no proof that respondents have engaged in interstate commerce (Tr. 98-101, 411, 423-425).

3. In the ordinary course and conduct of their business as aforesaid, respondent corporation under the direction and control of the individual respondents has arranged and for some time last past, regularly has arranged, for the extension of consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System (C., A.; Tr. 85-88, 95, 443-444, 528).

A number of customer witnesses testified expressly that respondent corporation arranged for the extension of consumer credit to them: (Tr. 61-62; Tr. 110; Tr. 137). Commission Exhibits 25A-59G (Tr. 390) are the bank records in evidence of thirty-six additional instances in which respondent corporation arranged credit for customers.

4. Subsequent to July 1, 1969, respondent corporation in the ordinary course and conduct of its business and in connection with arranging for consumer credit, has caused, and is causing, customers to execute retail installment contracts to finance home improvements on real property that is used as the principal residence of the customer.

A number of customer witnesses testified that respondent corporation performed work on a structure which was used as a home and that was the principal residence of the witness and his or her spouse (Tr. 56-57; 105-106; 132; 166; 182; 236-237; 253; 263-264; 280; 315; 335-336; 357).

5. Respondent corporation employed workmen to install the plumbing and heating equipment it sold to its customers (Tr. 80).

6. No waivers of workmen's liens were presented at the hearing (CPF 6), however, the corporate respondent specifically waived any security interest or right of lien in connection with each transaction (RPF 5).

7. In consumer credit transactions respondents have failed to render consumer credit cost disclosures to their customers prior to consummation of their transactions.

A number of customer witnesses who testified at the hearing indicated that he or she discussed the method of payment with respondents' salesman before or at the time the sales agreement was executed

and that it was understood that respondents would arrange for the extension of credit to them (Tr. 61; 110; 137; 173; 189-190; 212-213; 242; 256-257; 282-283; 317; 340-342; 361-362).

Mr. Apostalou, one of the respondents' salesmen, testified that the first thing discussed with a customer who indicated an intent to make a purchase was the method by which payment would be made (Tr. 478-479). Mr. Rease testified that the company wants to know that it is going to be paid so that the method of payment is discussed with the customer (Tr. 432, 440).

Mr. Apostalou testified that he would contact Mr. Rease after a contract was signed in order to have him come out to a customer's home and seek execution of the bank papers (Tr. 478).

Mr. Rease's testimony indicated that by the time he arrived at the home of a customer, to arrange for the extension of consumer credit, the sales contract would already be signed (Tr. 432).

Thus, the consumer witnesses would not receive the consumer credit cost disclosures prior to execution of the sales proposal or of the retail installment contract. (Tr. 62; 108-112; 116; 135-137; 168-169; 186-189; 212-214; 241-243; 258; 282-284; 317-318; 357-361).

8. In connection with consumer credit transactions respondents obtained from customers written acknowledgment of receipt of documents containing spaces for consumer credit cost disclosures, but in some instances, nevertheless, failed to provide customers with a completed copy of such disclosures.

Customer witnesses presented by counsel supporting the complaint testified that respondents failed to provide them with a fully completed retainable copy of consumer credit cost disclosures. The documents in evidence, nevertheless, reveal that each customer signed an acknowledgment of receipt of the disclosures. (Tr. 116-117, CX 10-A; Tr. 137, CX 12-A; Tr. 169, CX 8-B; Tr. 187-189, CX 11-A; Tr. 214-216, CX 14-B; Tr. 241, CX 9-C; Tr. 258-260, CX 17-C; Tr. 285-286, 288 CX 21-B; Tr. 323, CX 15-B; Tr. 345-346, CX 24-A; Tr. 360, CX 13-B).

9. In connection with consumer credit transactions, respondents obtained from customers written acknowledgment of receipt of notices of right of rescission, but failed, in fact, to provide each such customer who it is claimed had the right to rescind with any copies of such notices.

Customer witnesses testified that they did not receive a copy of these notices of right of rescission to retain. However, the documents reveal that receipt thereof was acknowledged (e.g. Tr. 170; 116-117; CX 10-C, 10-D; Tr. 137, 148, CX 12-C, D; Tr. 216; Tr. 258, CX 17-C, D; Tr. 288; Tr. 323, CX 15-D, E; Tr. 345-346, CX 24-C, D; Tr. 360, CX 13-D, E).

10. Having entered into credit transactions with their customers, respondents failed to delay making any physical changes in their customers' property, performing any work or making any deliveries to the residences of such customers, for the duration of a three-day period. A number of customer witnesses testified that the respondents commenced performance of the work during the first three days after the contract was signed (Tr. 62, 67; 111; 138-139; 172; 189; 217; 245; 262; 291; 317; 348; 362).

11. In such credit transactions, respondents did not obtain valid waivers of the right of rescission from such customers. A number of customer witnesses testified that there was no emergency situation requiring that the work upon their homes be performed before expiration of the three-day period (Tr. 117; 172; 208).

Although respondents' counsel elicited testimony from several of Commission witnesses indicating that they believed they had executed waivers of their right of rescission (Tr. 171; 204-205) the witnesses testified that there was no bona fide emergency situation requiring immediate performance of the work (Tr. 172; 190).

A witness from one of the banking institutions testified that he had examined the records of transactions arranged with his bank by respondents during the period of July 1, 1969, through December 30, 1969, and was unable to find any waivers of the right of rescission in the bank files for the period of July 1, 1969, through December 1969 (Tr. 387). George Rease, respondents' general manager, testified on cross-examination that, during the period covered by the Commission's investigation no valid waivers of the right of rescission were obtained (Tr. 446-447). Respondent Rebis confirmed that some waivers that had been obtained were deemed inadequate by counsel and were thrown away upon counsel's advice (Tr. 540-541).

12. Shortly before the hearings in this matter were scheduled, respondents' attorneys were supplied with a list of complaint counsel's prospective witnesses. Thereafter, Mr. Rebis, one of the individual respondents, contacted a number of prospective witnesses and sought to obtain handwritten statements (Tr. 537-539). Mr. Larmon, the respondents' customer relations man, accompanied Mr. Rebis to the homes of the prospective Federal Trade Commission witnesses. He made notes, then asked that witness copy, in his or her own handwriting, a statement embodying what was contained in the notes (Tr. 495-506).

A number of the Commission's witnesses testified that they executed such statements for respondents. However, each one also testified under oath, contrary to the written statement, at the hearing and in-

licated that the contradictory written statements were in error (Tr. 141; 146-148; 202-203; 231-232; 306-308; CPF 12).

13. During the hearing, respondents also produced certain questionnaires signed by customer witnesses, entitled "Help Us Maintain Good Business," and offered them into evidence to contradict the sworn testimony of these witnesses. Because of the manner in which these documents were procured and because of the concealment of their true purpose by respondents' employees, the hearing examiner accepts the sworn statements given at the hearing.

The questionnaire was prepared as a result of the Commission's investigation (Tr. 532-533). Examination of these questionnaire forms reveals that part of Question 2 relate to allegations of violations which were subsequently brought against the company by the Commission (RX 7, 9, 11, 13, 15, 16).

Representatives of the respondents called upon every credit customer with whom the company dealt during the period covered by the investigation (Tr. 550) and, in some instances, the salesman who sold the equipment to the customers interviewed was the same person who came with the questionnaire (Tr. 552).

The method by which these questionnaires were completed was confusing and lent itself to erroneous answers being obtained. The company's representative read each question orally to the respective signer (Tr. 468) and marked or checked off the answers himself (Tr. 467). Although Question 2 of the questionnaire referred to the respective customer's receipt or non-receipt of certain documents, the questioner did not have any samples of those documents available for the customer's examination (Tr. 488). The company's representative asked to see the documents that the customers had in their possession; some had them and others did not (Tr. 488). The customers were not informed as to the true purpose of the questionnaire. Although, one of the salesmen who went around with the questionnaires explained that they were merely designed to see if the company's customers received required papers and knew their rights (Tr. 482). Mr. Larmon, the customer relations man of the company, testified that he himself did not know the true purpose of the questionnaire (Tr. 505-508). Mr. Kramer, another company salesman, testified that it was merely to help the company maintain good business (Tr. 476).

Mrs. Szczepanski, one of the customer witnesses, testified that she believed the questionnaire which she executed (RX 4) was a public relations device (Tr. 178). She also stated that she was not told the significance of the document or the reason for its execution (Tr. 179).

Mrs. Simon testified that she did not pay much attention to the

questionnaire before signing (Tr. 199). She did not even look at it (Tr. 200).

Mrs. Grodner testified that she only signed the questionnaire because the company's representative, who came with it, promised that she would thereafter be furnished with copies of everything which she had signed at the time the transaction was entered into (Tr. 250).

Mr. Crews testified that the answers contained in the boxes in the questionnaire were not true and never had been true (Tr. 272-274).

Mr. Zimmer testified that the respondents' representatives came around with the questionnaire and indicated that the company had found a number of incomplete papers behind a desk and that they wanted to be sure he had received all documents which he was entitled to and that it was to be used merely for public relation purposes (Tr. 302, 305). He also stated that he did not read the statement (Tr. 304).

Mr. Dunbar testified that he did not read the statement and that the answers were marked by the company's representative (Tr. 355).

The statements contained in the questionnaire are unclear and capable of misinterpretation. The testimony of Mr. Henning indicates the possibility of misinterpretation because of the omission of dates (Tr. 75-76).

Mr. Wiemer testified that he did not understand the questions asked in the questionnaire (Tr. 119). Mrs. Szczepanski stated that she did not understand the questions and only later realized that what she had signed was not the truth (Tr. 179). Mrs. McKnight testified that her answers to the questionnaire were erroneous (Tr. 229-231).

14. Respondents Richard J. Fabrizi and James J. Rebis are officers of said corporation. Their address is the same as that of the corporate respondent. (Admitted by Respondents' Answer, and Amended Answer to Paragraph One of the Complaint, and Stipulation (Tr. 44).)

15. Respondents Richard J. Fabrizi and James J. Rebis are responsible for the acts and practices of Fabbis, Inc., with regard to the requirements of the Truth in Lending Act.

Mr. Fabrizi testified that he and Mr. Rebis are the president and vice president, respectively, of the corporate respondent, and have been such since the firm's incorporation in 1963 (Tr. 84-86). They are its chief operating officers, being the company's general manager (Tr. 78) and its sales manager (Tr. 85). During the entire corporate existence the individual respondents, Messrs. Fabrizi and Rebis, have been the company's sole stockholders, sharing the stock equally (Tr. 84, 86, 411). In essence, the company is a continuation of the informal partnership between these individuals which was begun several years

prior to formation of the present corporation (Stipulation, Tr. 44). The very name of the corporation, "Fabbis," was derived from a combination of the first part of Mr. Fabrizi's name and the last part of Mr. Rebis' name (Tr. 84).

The individual respondents testified that they were aware of what Regulation Z required of them. Mr. Fabrizi stated that the lending institutions with which the respondents dealt informed him and Mr. Rebis about these requirements (Tr. 90). Marine Midland's sales representative, Frank Griffin, testified that he called upon the individual respondents many times regarding Truth in Lending matters and spoke with them personally (Tr. 377-379). Additionally, the individual respondents had conferences with their attorney relating to compliance with Truth in Lending (Tr. 415). Mr. Rebis testified that he and Mr. Fabrizi knew what their company was required to do to comply with the law (Tr. 528).

Mr. Fabrizi testified that he or Mr. Rebis telephoned one out of ten customers when the law first became effective to ascertain whether they received their copies of the bank papers (Tr. 95).

Mr. Rebis hired all the company salesmen, was responsible for assigning them their duties and supervising their activities (Tr. 85-87). Together, the individual respondents hired George Rease (Tr. 86) whose duty it was to make consumer credit cost disclosures and to secure execution of retail installment obligations on the finance paper of the various local banks (Tr. 94). Mr. Rease was, and is, responsible to them for his activities (Tr. 87). Mr. Rease testified that he has been employed by the company for 7 years (Tr. 427) and that he sees Messrs. Fabrizi and Rebis every day that they are in town and often discusses individual consumer credit transactions with them (Tr. 443-444). He testified that Mr. Fabrizi was shown every paper relating to every transaction of the company during the period in question (Tr. 444).

REASONS FOR DECISION

The threshold question in this matter, *i.e.*, the power of Congress to legislate on credit questions regardless of their interstate character has been resolved by the Supreme Court's action on another Title of the Truth in Lending legislation.³ Since the jurisdiction delegated to the Commission expressly deals with the the question of commerce and states that the Commission may act "irrespective of whether the person is engaged in commerce * * *."⁴ The question of jurisdiction requires no further comment.

³ *Perez v. United States* 39 LW 4487 [402 U.S. 146], April 26, 1971.

⁴ 15 U.S.C. 1601.

The next serious question involves the credibility of the consumer witnesses. Respondents take the position that because the witnesses, prior to the trial, signed statements for the respondents that were contradictory to their testimony (some both in the form of questionnaires and also in the form of written statements and others in the form of questionnaires only) their testimony should be given no weight. We disagree.

The questionnaires were presented as a form of public relations device. "Help Us Maintain Good Business" was the title. These questionnaires were made out after the investigation by the Federal Trade Commission was commenced, and designed, not by counsel who would have had a responsibility to the Commission to insure that they were properly taken, but, by employees of the corporate respondent who were wholly untrained and who were clearly interested in securing the "right" answers. The written statements were not secured until after the complaint was issued and the list of witnesses submitted to counsel. These too were taken, not by counsel, but by one of the respondents accompanied by another employee. One witness was told that she could avoid coming to the hearing if she signed (Tr. 202-203). Under the circumstances, the weight of the combined testimony under oath that the questionnaires and statements were false makes it much more probable than not that the respondents had failed to abide by the Truth in Lending Act and regulations. This is particularly true when the recollection of the respondents' employees was vague concerning their instructions in securing the questionnaires and concerning the events which gave rise to the requirements for notice of rescission and delay of commencement of the work. Moreover, several of respondents' witnesses made it clear that the question of how the financing was to be done was discussed before the sales proposal was signed and at that time the prerequisites of disclosure were not complied with so that the customers had no opportunity to compare financing costs. The contention that the transactions started out as cash transactions and only later credit was sought is inherently incredible, despite the form of the proposal.⁵ The witnesses made it very apparent in their testimony that they they could not afford the large expenditures required and had to secure financing. We turn next to the far more serious question of the waiver of lien by respondents.

Respondents contend and the papers filed establish that they waived any lien they would secure on the property. Thus, they claim the transaction does not create any security interest and accordingly it is not

⁵ We need therefore not consider the claim by respondents that they had secured an interpretation from the Chief of the New York Office of the Federal Trade Commission that in the case of financing, not discussed at the time of the proposal but later requested, the provisions of the act and regulation have no application.

rescindable. Respondents further claim that an interpretation to this effect was secured from the Chief of the New York Office of the Commission.⁶

Complaint counsel take the position that even though the waiver might be effective to prevent respondents from securing a lien on the property for themselves, the New York lien law creates a lien in favor of their workmen and their material supplies in the event that the wages or material charges are not paid⁷ and it was the purpose of the Truth in Lending legislation to require that all liens be considered even though not under the control of the lender. This position, it seems to the undersigned is wholly unwarranted. It would make it impossible ever to secure a waiver because, particularly in the case of union labor where the union may dispatch the employees directly to the job, the employer would not even know who they were at the time the transaction was entered into and could not secure waivers from them. There is moreover, here, no claim that the materialmen were unpaid or that the workmen did not receive their wages. To the contrary, the materials were paid for in the normal course in advance of their delivery to the job. Unless the law and regulations are to be construed to require a waiting period and a right to rescission in all cases—which is clearly not true since a waiver by the customer in cases of emergency is provided for⁸—there cannot be a requirement that the possible liens of workmen and materialmen must be waived also. By reason of the waivers of the banks and of the respondents, it seems to me that this phase of the charge must be dismissed.

This is not, however, dispositive of the proceeding. Paragraph Five of the complaint contains the following charge:

In connection with the consumer credit transactions set forth in Paragraphs Three and Four⁹ hereof, respondents prepare documents containing consumer

⁶ Since the person by whom the interpretation was allegedly given was not called to deny it, we must assume that the claim was correct. While as a matter of law such interpretation may carry little weight, from the standpoint of the public interest in issuing an order in this matter it may be very significant.

⁷ McKinneys "Lien Law" Volume Article 1, 1-3.

⁸ I have not discussed the waiver by the customer of the waiting period because respondents admit that the waivers secured were inadequate.

⁹ The paragraphs referred to provide as follows:

Paragraph Three: In the ordinary course and conduct of their business as aforesaid, respondents arrange, and for some time last past regularly have arranged, for the extension of consumer credit, as "consumer credit" is defined in Regulation Z, the implementing regulation of the Truth in Lending Act, duly promulgated by the Board of Governors of the Federal Reserve System.

Paragraph Four: Subsequent to July 1, 1969, respondents in the ordinary course and conduct of their business and in connection with their arranging for consumer credit, have caused, and are causing, customers to execute retail installment contracts, herein referred to as "the contract," which results or may result in a security interest being retained or acquired in real property which is used or is expected to be used as the principal residence of the customer. The customers thereby have the right to rescind such transactions, as provided in Section 226.9(a) of Regulation Z.

