SUPREME COURT OF THE UNITED STATES

No. 03–377

KOONS BUICK PONTIAC GMC, INC., PETITIONER *v.* BRADLEY NIGH

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

[November 30, 2004]

JUSTICE GINSBURG delivered the opinion of the Court.

The meaning of a subparagraph in a section of the Truth in Lending Act (TILA or Act), 15 U. S. C. §1601 *et seq.*, is at issue in this case. As originally enacted in 1968, the provision in question bracketed statutory damages for violations of TILA prescriptions governing consumer loans: $100 was made the minimum recovery and $1,000, the maximum award. In 1995, Congress added a new clause increasing recovery for TILA violations relating to closed-end loans "secured by real property or a dwelling." §1640(a)(2)(A)(iii). In lieu of the $100/$1,000 minimum and maximum recoveries, Congress substituted $200/ $2,000 as the floor and ceiling.

Less-than-meticulous drafting of the 1995 amendment created an ambiguity. A divided panel of the United States Court of Appeals for the Fourth Circuit held that the 1995 amendment not only raised the statutory damages recoverable for TILA violations involving real-property-secured loans, it also removed the $1,000 cap on recoveries involving loans secured by personal property. We reverse that determination and hold that the 1995

amendment left unaltered the $100/$1,000 limits prescribed from the start for TILA violations involving personal-property loans. The purpose of the 1995 amendment is not in doubt: Congress meant to raise the minimum and maximum recoveries for closed-end loans secured by real property. There is scant indication that Congress simultaneously sought to remove the $1,000 cap on loans secured by personal property.

I

Congress enacted TILA in 1968, as part of the Consumer Credit Protection Act, Pub. L. 90–321, 82 Stat. 146, as amended, 15 U. S. C. §1601 *et seq.*, 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," §102, codified in 15 U. S. C. §1601(a). The Act requires a creditor to disclose information relating to such things as finance charges, annual percentage rates of interest, and borrowers' rights, see §§1631–1632, 1635, 1637–1639, and it prescribes civil liability for any creditor who fails to do so, see §1640. As originally enacted in 1968, the Act provided for statutory damages of twice the finance charge in connection with the transaction, except that recovery could not be less than $100 or greater than $1,000.[1] The original civil-liability provision stated:

> "(a) [A]ny creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount . . . of

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[1]The finance charge is determined, with certain exceptions, by "the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit." 15 U. S. C. §1605(a).

> "(1) twice the amount of the finance charge in connection with the transaction, except that liability under this paragraph shall not be less than $100 nor greater than $1,000 . . . ." Pub. L. 90–321, §130, 82 Stat. 157.

In 1974, Congress amended TILA's civil-liability provision, 15 U. S. C. §1640(a), to allow for the recovery of actual damages in addition to statutory damages and to provide separate statutory damages for class actions. Pub. L. 93–495, §408(a), 88 Stat. 1518. Congress reworded the original statutory damages provision to limit it to individual actions, moved the provision from §1640(a)(1) to §1640(a)(2)(A), and retained the $100/$1,000 brackets on recovery. In order to account for the restructuring of the statute, Congress changed the phrase "under this paragraph" to "under this subparagraph." The amended statute provided for damages in individual actions as follows:

> "(a) [A]ny creditor who fails to comply with any requirement imposed under this chapter . . . is liable to such person in an amount equal to the sum of—
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> "(1) any actual damage sustained by such person as a result of the failure;
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> "(2)(A) in the case of an individual action twice the amount of any finance charge in connection with the transaction, except that the liability under this subparagraph shall not be less than $100 nor greater than $1,000 . . . ." §408(a), 88 Stat. 1518.

A further TILA amendment in 1976 applied truth-in-lending protections to consumer leases. Consumer Leasing Act of 1976, 90 Stat. 257. Congress inserted a clause into §1640(a)(2)(A) setting statutory damages for individual actions relating to consumer leases at 25% of the total amount of monthly payments under the lease. Again, Congress retained the $100/$1,000 brackets on statutory damages. The amended §1640(a)(2)(A) provided for statu-

tory damages equal to

> "(2)(A)(i) in the case of an individual action twice the amount of any finance charge in connection with the transaction, or (ii) in the case of an individual action relating to a consumer lease . . . 25 per centum of the total amount of monthly payments under the lease, except that the liability under this subparagraph shall not be less than $100 nor greater than $1,000 . . . ." Pub. L. 94–240, §4(2), 90 Stat. 260, codified in 15 U. S. C. §1640(a) (1976 ed.).

Following the insertion of the consumer lease provision, courts consistently held that the $100/$1,000 limitation remained applicable to all consumer financing transactions, whether lease or loan. See, *e.g., Purtle* v. *Eldridge Auto Sales, Inc.*, 91 F. 3d 797, 800 (CA6 1996); *Cowen* v. *Bank United of Tex., FSB*, 70 F. 3d 937, 941 (CA7 1995); *Mars* v. *Spartanburg Chrysler Plymouth, Inc.*, 713 F. 2d 65, 67 (CA4 1983); *Dryden* v. *Lou Budke's Arrow Finance Co.*, 661 F. 2d 1186, 1191, n. 7 (CA8 1981); *Williams* v. *Public Finance Corp.*, 598 F. 2d 349, 358, 359, n. 17 (CA5 1979).

In 1995, Congress amended TILA's statutory damages provision once more. The 1995 amendment, which gave rise to the dispute in this case, added a new clause (iii) at the end of §1640(a)(2)(A), setting a $200 floor and $2,000 ceiling for statutory damages in an individual action relating to a closed-end credit transaction "secured by real property or a dwelling." Truth in Lending Act Amendments of 1995, Pub. L. 104–29, §6, 109 Stat. 274. These closed-end real estate loans, formerly encompassed by clause (i), had earlier been held subject to the $100/$1,000 limitation. See, *e.g., Mayfield* v. *Vanguard Sav. & Loan Assn.*, 710 F. Supp. 143, 146 (ED Pa. 1989) (ordering "the maximum statutory award of $1,000" for each TILA violation concerning a secured real estate loan). Section 1640(a), as amended in 1995, thus provides for statutory

damages equal to

> "(2)(A)(i) in the case of an individual action twice the amount of any finance charge in connection with the transaction, (ii) in the case of an individual action relating to a consumer lease . . . 25 per centum of the total amount of monthly payments under the lease, except that the liability under this subparagraph shall not be less than $100 nor greater than $1,000, or (iii) in the case of an individual action relating to a credit transaction not under an open end credit plan that is secured by real property or a dwelling, not less than $200 or greater than $2,000 . . . ."

Shortly after the passage of the 1995 TILA amendments, the Office of the Comptroller of the Currency issued an official policy announcement describing the changes. With respect to changes in TILA's civil-liability provisions, the announcement stated only that "[p]unitive damages have been increased for transactions secured by real property or a dwelling from a maximum of $1,000 to a maximum of $2,000 (*closed-end credit only*)." Administrator of National Banks, Truth in Lending Act Amendments of 1995, OCC Bulletin 96–1, p. 2 (Jan. 5, 1996).

In 1997, the Seventh Circuit, in *Strange* v. *Monogram Credit Card Bank of Ga.*, 129 F. 3d 943, held that the meaning of clauses (i) and (ii) remained untouched by the addition of clause (iii). The Seventh Circuit observed that prior to the addition of clause (iii) in 1995, "[c]ourts uniformly interpreted the final clause, which established the $100 minimum and the $1,000 maximum, as applying to both (A)(i) and (A)(ii)." *Id.,* at 947. The 1995 amendment, the Seventh Circuit reasoned, "was designed simply to establish a more generous minimum and maximum for certain secured transactions, without changing the general rule on minimum and maximum damage awards for the other two parts of §1640(a)(2)(A)." *Ibid.* As *Strange*

illustrates, TILA violations may involve finance charges that, when doubled, are less than $100. There, double-the-finance-charge liability was $54.27, entitling the plaintiff to the $100 minimum. *Id.,* at 945, 947.

II

On February 4, 2000, respondent Bradley Nigh attempted to purchase a used 1997 Chevrolet Blazer truck from petitioner Koons Buick Pontiac GMC. Nigh traded in his old vehicle and signed a buyer's order and a retail installment sales contract reflecting financing to be provided by Koons Buick. 319 F. 3d 119, 121–122 (CA4 2003). Koons Buick could not find a lender to purchase an assignment of the payments owed under the sales contract and consequently restructured the deal to require a larger downpayment. *Id.,* at 122. On February 25, after Koons Buick falsely told Nigh that his trade-in vehicle had been sold, Nigh signed a new retail installment sales contract. *Ibid.* Once again, however, Koons Buick was unable to find a willing lender. *Ibid.* Nigh ultimately signed, under protest, a third retail installment sales contract. *Ibid.*

Nigh later discovered one reason why Koons Buick had been unable to find an assignee for the installment payments due under the second contract: That contract contained an improperly documented charge of $965 for a Silencer car alarm Nigh never requested, agreed to accept, or received. *Ibid.* Nigh made no payments on the Blazer and returned the truck to Koons Buick. *Id.,* at 123.

On October 3, 2000, Nigh filed suit against Koons Buick alleging, among other things, a violation of TILA. Nigh sought uncapped recovery of twice the finance charge, an amount equal to $24,192.80. Koons Buick urged a $1,000 limitation on statutory damages under §1640(a)(2)(A)(i). The District Court held that damages were not capped at $1,000, and the jury awarded Nigh $24,192.80 (twice the amount of the finance charge). *Id.,* at 121; App. in No. 01–

2201 etc. (CA4), pp. 653–655, 670, 756–757, 764.

A divided panel of the Fourth Circuit affirmed. 319 F. 3d, at 126–129. The Court of Appeals acknowledged that it had previously interpreted the $1,000 cap to apply to clauses (i) and (ii). *Id.,* at 126; see *Mars* v. *Spartanburg Chrysler Plymouth, Inc.*, 713 F. 2d, at 67. But the majority held that "by striking the 'or' preceding (ii), and inserting (iii) after the 'under this subparagraph' phrase," Congress had "rendered *Mars*' interpretation defunct." 319 F. 3d, at 126. According to the majority: "The inclusion of the new maximum and minimum in (iii) shows that the clause previously interpreted to apply to all of (A), can no longer apply to (A), but must now apply solely to (ii), so as not to render meaningless the maximum and minimum articulated in (iii)." *Id.,* at 127.[2] The Court of Appeals therefore allowed Nigh to recover the full uncapped amount of $24,192.80 under clause (i).

Judge Gregory dissented. The new clause (iii), he stated, operates as a specific "carve-out" for real estate transactions from the general rule establishing the $100/$1,000 liability limitation. *Id.,* at 130, 132. Both parties acknowledged, and it was Fourth Circuit law under *Mars*, 713 F. 2d 65, that, before 1995, the $100/$1,000 brackets applied to the entire subparagraph. 319 F. 3d, at 130. Judge Gregory found "no evidence that Congress intended to override the Fourth Circuit's long-standing application of the $1,000 cap to both (2)(A)(i) and (2)(A)(ii)." *Id.*, at 131. If the $1,000 cap applied only to clause (ii), the dissent reasoned, the phrase "under this subparagraph" in clause (ii) would be "superfluous," because "the meaning of (ii) would be unchanged by its deletion." *Id.*, at 132. Moreover, Judge Gregory added,

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[2]The dissent adopts a similar structural argument to justify its conclusion that the $100/$1,000 brackets apply only to recoveries under clause (ii). See *post*, at 1–3.

limiting the $1,000 cap to recoveries for consumer leases under clause (ii) would create an inconsistency within the statute: The damage cap in clause (ii) would include the "under this subparagraph" modifier, but the cap in clause (iii) would not. *Ibid.*[3]

We granted certiorari, 540 U. S. 1148 (2004), to resolve the division between the Fourth Circuit and the Seventh Circuit on the question whether the $100 floor and $1,000 ceiling apply to recoveries under §1640(a)(2)(A)(i). We now reverse the judgment of the Court of Appeals for the Fourth Circuit.

III

Statutory construction is a "holistic endeavor." *United Sav. Assn. of Tex.* v. *Timbers of Inwood Forest Associates, Ltd.*, 484 U. S. 365, 371 (1988); accord *United States Nat. Bank of Ore.* v. *Independent Ins. Agents of America, Inc.,* 508 U. S. 439, 455 (1993); *Smith* v. *United States,* 508 U. S. 223, 233 (1993). "A provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme—because the same terminology is used elsewhere in a context that makes its meaning clear, or because only one of the permissible meanings produces a substantive effect that is compatible with the rest of the law." *United Sav. Assn. of Tex.*, 484 U. S., at 371 (citations omitted); see also *McCarthy* v. *Bronson*, 500 U. S. 136, 139 (1991) (statutory language must be read in its proper context and not viewed in isolation). In this case, both the conventional meaning of "subparagraph" and standard

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[3]Judge Gregory noted that the phrase "under this subparagraph," as it appears in §1640(a)(2)(B), covering statutory damages in class actions, "indisputably applies to all of subparagraph (B)." 319 F. 3d 119, 132 (CA4 2003). "[T]he most logical interpretation of the statute," he concluded, "is to read the phrase 'under this subparagraph' as applying generally to an entire subparagraph, either (A) or (B), and to read (2)(A)(iii) as creating a specific carve-out from that general rule for real-estate transactions." *Ibid.*

interpretive guides point to the same conclusion: The $1,000 cap applies to recoveries under clause (i).

Congress ordinarily adheres to a hierarchical scheme in subdividing statutory sections. See L. Filson, The Legislative Drafter's Desk Reference 222 (1992) (hereinafter Desk Reference). This hierarchy is set forth in drafting manuals prepared by the legislative counsel's offices in the House and the Senate. The House manual provides:

> "To the maximum extent practicable, a section should be broken into—
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> "(A) subsections (starting with (a));
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> "(B) paragraphs (starting with (1));
>
> "(C) subparagraphs (starting with (A));
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> "(D) clauses (starting with (i)) . . . ." House Legislative Counsel's Manual on Drafting Style, HLC No. 104–1, p. 24 (1995).

The Senate manual similarly provides:

> "A section is subdivided and indented as follows:
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> "(a) SUBSECTION.—
>
> "(1) PARAGRAPH.—
>
> "(A) SUBPARAGRAPH.—
>
> "(i) CLAUSE.—" Senate Office of the Legislative Counsel, Legislative Drafting Manual 10 (1997).[4]

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[4] These congressional drafting manuals, both postdating the 1995 TILA amendment, are consistent with earlier guides. See, *e.g.,* Desk Reference 222 ("Federal statutes . . . are always broken down successively into . . . subparagraphs (starting with subparagraph (A)), [and] clauses (starting with clause (i)) . . . ."); D. Hirsch, Drafting Federal Law §3.8, p. 27 (2d ed. 1989) ("Paragraphs are divided into tabulated lettered subparagraphs ('(A)', '(B)', etc.) . . . . Subparagraphs are divided into clauses bearing small roman numerals ('(i)', '(ii)', '(iii)', '(iv)') . . . ."); R. Dickerson, The Fundamentals of Legal Drafting §8.25, p. 197 (2d ed. 1986) ("For divisions of a paragraph (called 'subparagraphs'), use '(A),' '(B),' '(C),' etc. . . . When an additional designated breakdown is necessary, use '(i),' '(ii),' '(iii),' etc."); J. Peacock, Notes on Legislative Drafting 12 (1961) (paragraphs divided into "*sub-*

Congress followed this hierarchical scheme in drafting TILA. The word "subparagraph" is generally used to refer to a subdivision preceded by a capital letter,[5] and the word "clause" is generally used to refer to a subdivision preceded by a lower case Roman numeral.[6] Congress applied this hierarchy in §1640(a)(2)(B), which covers statutory damages in TILA class actions and states: "[T]he total recovery *under this subparagraph* . . . shall not be more than the lesser of $500,000 or 1 per centum of the net worth of the creditor . . . ." (Emphasis added.) In 1995, Congress plainly meant "to establish a more generous minimum and maximum" for closed-end mortgages. *Strange*, 129 F. 3d, at 947. On that point, there is no disagreement. Had Congress simultaneously meant to repeal the longstanding $100/$1,000 limitation on §1640(a)(2)(A)(i), thereby confining the $100/$1,000 limitation solely to clause (ii), Congress likely would have flagged that substantial change. At the very least, a Congress so minded might have stated in clause (ii): "liability under this clause."

The statutory history resolves any ambiguity whether the $100/$1,000 brackets apply to recoveries under clause (i).[7] Before 1995, clauses (i) and (ii) set statutory damages for the entire realm of TILA-regulated consumer credit

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paragraphs designated (A), (B), (C)," and subparagraphs further divided into "*clauses* (i), (ii), (iii)").

[5] *E.g.*, 15 U. S. C. §1602(aa)(2)(A) ("under this subparagraph"); §1602(aa)(2)(B) ("under subparagraph (A)"); §1605(f)(2)(A) ("except as provided in subparagraph (B)"); §1615(c)(1)(B) ("pursuant to subparagraph (A)"); §1637(c)(4)(D) ("in subparagraphs (A) and (B)"). But see §1637a(a)(6)(C) ("subparagraph" appears not to refer to a capital-letter subdivision).

[6] *E.g.*, §1637(a)(6)(B)(ii) ("described in clause (i)"); §1637a(a)(8)(B) ("described in clauses (i) and (ii) of subparagraph (A)"); §1640(i)(1)(B)(ii) ("described in clause (i)").

[7] The five separate writings this Court has produced demonstrate that §1640(a)(2)(A) is hardly a model of the careful drafter's art.

transactions. Closed-end mortgages were encompassed by clause (i). See, *e.g., Mayfield* v. *Vanguard Sav. & Loan Assn.*, 710 F. Supp., at 146. As a result of the addition of clause (iii), closed-end mortgages are subject to a higher floor and ceiling. But clause (iii) contains no other measure of damages. The specification of statutory damages in clause (i) of twice the finance charge continues to apply to loans secured by real property as it does to loans secured by personal property.[8] Clause (iii) removes closed-end mortgages from clause (i)'s governance only to the extent that clause (iii) prescribes $200/$2,000 brackets in lieu of $100/$1,000.[9]

There is scant indication that Congress meant to alter the meaning of clause (i) when it added clause (iii). Cf. *Church of Scientology of Cal.* v. *IRS,* 484 U. S. 9, 17–18 (1987) ("All in all, we think this is a case where common sense suggests, by analogy to Sir Arthur Conan Doyle's 'dog that didn't bark,' that an amendment having the effect petitioner ascribes to it would have been differently described by its sponsor, and not nearly as readily accepted by the floor manager of the bill."). By adding clause (iii), Congress sought to provide *increased recovery* when a TILA violation occurs in the context of a loan secured by real property. See, *e.g.,* H. R. Rep. No. 104–

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[8] In consumer credit transactions in which a security interest is taken in the borrower's principal dwelling, the borrower also has a right to rescission under certain circumstances. §1635.

[9] The dissent's reading, we note, hinges on an assumed alteration in Congress' design, assertedly effected by the bare addition of "(iii)" and the transposition of "or." See *post*, at 2–3, 4, n. 1. If Congress had not added "(iii)" when it raised the cap on recovery for closed-end mortgages, the meaning of the amended text would be beyond debate. The limitations provision would read: "except that the liability under this subparagraph shall not be less than $100 nor greater than $1,000, or in the case of an individual action relating to a credit transaction not under an open end credit plan that is secured by real property or a dwelling, not less than $200 or greater than $2,000."

193, p. 99 (1995) ("[T]his amendment increases the statutory damages available in closed end credit transactions secured by real property or a dwelling . . . ."). But cf. *post*, at 7 (SCALIA, J., dissenting) (hypothesizing that far from focusing on *raising* damages recoverable for closed-end mortgage transactions, Congress may have "focus[ed] more intently on limiting damages" for that category of loans). "[T]here is no canon against using common sense in construing laws as saying what they obviously mean." *Roschen* v. *Ward,* 279 U. S. 337, 339 (1929) (Holmes, J.). It would be passing strange to read the statute to cap recovery in connection with a closed-end, real-property-secured loan at an amount *substantially lower* than the recovery available when a violation occurs in the context of a personal-property-secured loan or an open-end, real-property-secured loan.[10] The text does not dictate this

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[10] This reading would lead to the anomalous result of double-the-finance-charge liability, uncapped by the fixed dollar limit, under clause (i) for an open-end loan secured by real property, while liability would be capped by clause (iii) at $2,000 for a closed-end loan secured by the same real property. TILA does not in general apply to credit transactions in which the total amount financed exceeds $25,000, but this limit does not apply to loans "secured by real property or a dwelling." 15 U. S. C. §1603. Double-the-finance-charge liability under clause (i) for a TILA violation in connection with an open-end, real-property-secured loan (*e.g.*, a home equity line of credit), could far exceed the $2,000 liability cap under clause (iii) for a TILA violation in connection with a standard closed-end home mortgage.

The dissent states that fixed mortgages are more prevalent than home equity lines of credit and that the mean home equity line of credit balance is considerably smaller than the mean first mortgage balance. *Post*, at 6–7. But even under the dissent's reading, a borrower stands to collect greater statutory damages if a TILA violation occurs in connection with a home equity line of credit than if it occurs in connection with a home mortgage acquisition loan. According to figures compiled by the Consumer Bankers Association and the Federal Reserve Board, in 2004 the average new home equity line of credit was $77,526, see Consumer Bankers Assn., Home Equity Lines Adjust on Prime Rate Change, PR Newswire, Nov. 10, 2004, available at

result; the statutory history suggests otherwise; and there is scant indication Congress meant to change the well-established meaning of clause (i).

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For the reasons stated, the judgment of the Court of Appeals for the Fourth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

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http://www.cbanet.org/news/press%20releases/home_equity/prime_rate_adjust.htm (as visited Nov. 15, 2004, and available in the Clerk of the Court's case file), and about a third of extended credit lines are mostly or fully in use, see G. Canner, T. Durkin, & C. Luckett, Recent Developments in Home Equity Lending, 84 Fed. Res. Bull. 241, 247 (Apr. 1998) (30% of home equity lines of credit 75–100% in use in 1997). Assuming, as the dissent does, a 10% annual interest rate, the annual finance charge could easily surpass $7,000, and double-the-finance-charge liability would substantially exceed the $2,000 cap prescribed for home mortgage loans. Additionally, the dissent's observation does not address the anomaly, illustrated by the facts of this case, of providing full double-the-finance charge liability for recoveries under clause (i), while capping recoveries under clause (iii). Nigh was awarded over $24,000 in damages for a violation involving a car loan. Had similar misconduct occurred in connection with a home mortgage, he would have received no more than $2,000 in statutory damages.