



OVERVIEW OF LAWS AND REGULATIONS

Truth in Lending Act

Truth in Lending Act (Regulation Z)

Executive Summary:

Regulation Z, which implements the Truth in Lending Act (TILA), promotes the informed use of consumer credit by requiring disclosures about its terms and cost. Regulation Z: (i) requires that creditors provide specified disclosures in connection with all consumer credit transactions; (ii) regulates certain credit card practices; (iii) imposes certain requirements relating to the form and content of advertisements of consumer credit products; (iv) provides a means for resolution of credit billing disputes; and (v) furnishes consumers with the right to cancel certain credit transactions involving a lien on their principal residence. In the case of high-cost mortgages (as defined by Regulation Z), Regulation Z furnishes consumers with additional rights and imposes on lenders certain restrictions as well. The regulation does not regulate or limit the charges assessed in a consumer credit transaction (with certain exceptions for high-cost mortgages) nor does it require financial institutions to grant a loan in any given instance.

Regulation Z applies to credit extended primarily for personal, family, or household purposes. The regulation divides credit transactions into two categories: “open-end” credit and “closed-end” credit. Open-end credit involves consumer credit extended under a plan in which: (i) repeated transactions are contemplated; (ii) a finance charge may be imposed on outstanding unpaid balances; and (iii) credit extensions are available to the extent that any outstanding balance is repaid. (Examples: credit card accounts, home equity lines of credit) Closed-end credit encompasses all consumer credit transactions not extended under an open-end plan. (Examples: residential mortgage transactions, automobile loans)

Noncompliance with the requirements of Regulation Z can result in administrative actions, civil liability, and/or criminal liability. Administrative actions based on inaccurate (understated) disclosures of finance charges or annual percentage rates may result in a requirement that a creditor reimburse affected customers.

The following summary discusses: (i) general requirements applicable to both closed-end and open-end credit transactions; (ii) open-end credit requirements exclusively; and (iii) closed-end credit requirements exclusively.

Business Areas Impacted:

- Retail and Mortgage Lending Units
- Credit Application Processing
- Credit Operations
- Credit Product Marketing
- Customer Service



Highlights:

GENERAL REQUIREMENTS

Applicable to Both Closed-End and Open-End Extensions of Credit

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	WRITTEN DOCUMENT OR RECORD
<p>Policy/Procedures</p> <p>Adopt a policy for implementing the TILA and Regulation Z. Ensure that comprehensive procedures are maintained and that actual practices are consistent with the procedures.</p>	<p>Continuing</p>	<p>Policy Statement</p> <p>Written Procedures</p>
<p>Coverage</p> <p>Ensure a firm understanding of coverage requirements of Regulation Z. Basically, the regulation applies to any individual or business offering/extending credit if:</p> <ol style="list-style-type: none"> 1. the credit is offered or extended to consumers; 2. the offering or extension of credit occurs regularly; 3. the credit is subject to a finance charge or is payable by a written agreement in more than four installments; and 4. the credit is primarily for personal, family, or household purposes. <p>Note: A flow chart outlining coverage considerations under Regulation Z is included as Exhibit Z-1.</p>	<p>Continuing</p>	<p>Loan Origination Manuals</p>



GENERAL REQUIREMENTS

Applicable to Both Closed-End and Open-End Extensions of Credit

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	WRITTEN DOCUMENT OR RECORD
<p>Exempt Transactions include:</p> <ol style="list-style-type: none"> 1. Business, commercial, agricultural, or organizational credit (unless tied to a credit card); 2. Credit over \$25,000 not secured by real property or personal property used as principal dwelling; 3. Public utility credit; 4. Securities or commodities accounts in which credit is extended by a registered broker-dealer; 5. Home fuel budget plans; and 6. Student Loan Programs. <p>Note: A flow chart outlining coverage considerations under Regulation Z is included as Exhibit Z-1.</p>	<p>Continuing</p>	<p>Loan Origination Manuals</p>
<p>Finance Charge</p> <p>Ensure that the concept of "Finance Charge" is clearly understood by appropriate employees. It represents the cost of consumer credit as a dollar amount, including any charge payable directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge that would be payable in a comparable cash transaction.</p> <p>Section 226.4 provides: (i) specific examples of finance charges; (ii) charges excluded from the finance charge; and (iii) insurance and debt-cancellation coverage.</p> <p>Note: A flow chart outlining finance charges and excludable/exempt charges is included as Exhibit Z-2.</p>	<p>Continuing</p>	<p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>



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<p>Calculations</p> <p>In preparing disclosures, notices, periodic statements, and internal account records, ensure that all calculation devices are in proper working order and that employees are properly trained to use these devices. Also ensure that completed disclosures reflect the terms of the legal contract between the institution and consumer.</p> <p>The most important of these calculations include:</p> <ol style="list-style-type: none"> 1. "Annual Percentage Rate" as described in Sections 226.14 and 226.22 (and Appendices F and J); 2. "Finance Charge" as described in Section 226.4; and 3. Determination of account balances to which periodic rates apply. 	<p>Continuing</p>	<p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p> <p>Disclosure Forms</p>
<p>General Disclosure Requirements</p> <p>Disclosures must be made clearly and conspicuously in writing, in a form that the customer may keep. The terms "finance charge" and "annual percentage rate," when required to be disclosed with a corresponding amount or percentage rate, must be more conspicuous than any other required disclosure. (For exceptions, see footnotes to Sections 226.5(a) and 226.17(a).)</p>	<p>Continuing</p> <p>(Timing of disclosures depends upon the specific type of transaction disclosed)</p>	<p>Disclosure Statement</p> <p>Loan Origination Manuals</p> <p>Disclosure Forms</p>



GENERAL REQUIREMENTS

Applicable to Both Closed-End and Open-End Extensions of Credit

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<p>Right of Rescission</p> <p>In a credit transaction in which a security interest is or will be retained or acquired in a consumer's principal dwelling, any consumer with an ownership interest has the right to rescind (cancel) the transaction until midnight of the third business day following the latest of:</p> <ol style="list-style-type: none"> 1. consummation of a closed-end transaction (Section 226.23(a)) or the opening of a credit plan for an open-end transaction (or one of the other triggering events described in Section 226.15(a) including extending credit under the plan, adding or increasing a security interest in an existing plan, or increasing the credit limit on the plan); 2. delivery of all the material disclosures; or 3. delivery of the required rescission notice. <p>Ensure that each person with the right to cancel a credit transaction is given two copies of the rescission notice and that no funds are disbursed until the rescission period has expired.</p> <p>Sections 226.15 (open end) and 226.23 (closed end) include the content requirements for rescission notices that the creditor must deliver, the manner in which the right may be exercised, the effect of rescission, and the consumer's waiver of the right to rescind.</p>	<p>The consumer has the right to rescind within the 3-business day period described to the left.</p> <p>If the required notice and material disclosures are not delivered, the consumer has the right to rescind until the first of one of the following occurs:</p> <ul style="list-style-type: none"> • three years after (a) the occurrence giving rise to the right of rescission (for open-end credit) or (b) consummation (for closed-end credit) • transfer of all of the consumer's interest in the property; or • the property is sold. 	<p>Notice of Right of Rescission</p> <p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>



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<p>Advertising</p> <p>Ensure that credit advertisements, including those found on or in newspapers, radio, television, Internet, brochures, and billboards comply with Sections 226.16 (open end) and 226.24 (closed end), and:</p> <ol style="list-style-type: none"> 1. state only those terms arranged or offered by the creditor (no “bait” advertising); 2. include all required disclosures when “triggering terms” are present; and 3. follow requirements for catalogs and multiple-page advertisements. 	<p>Continuing</p>	<p>Marketing Materials</p> <p>Internet Web Sites</p>
<p>Record Retention</p> <p>Retain evidence of compliance with the regulation for two years after the date disclosures are required to be made or action is required to be taken. Retain only enough information to reconstruct the required disclosures or other records.</p>	<p>Two years after required disclosures are given or action is performed</p>	<p>Loan Operations Manuals</p> <p>Record Retention Guidelines</p> <p>Retain sufficient information via paper copies, microfiche, computer programs, or any other method that reproduces records accurately.</p>
<p>Training</p> <p>Provide initial and ongoing training to employees involved in the origination, processing or marketing of consumer credit as well as to any other personnel who may be involved in various functions that relate to consumer credit or residential real estate transactions.</p>	<p>Continuing</p>	<p>Training Materials</p>



GENERAL REQUIREMENTS

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REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	WRITTEN DOCUMENT OR RECORD
<p>Updating</p> <p>Update policies, procedures, loan origination and operation manuals, and disclosure forms as necessary to reflect changes in the TILA and/or Regulation Z as well as changes in the hardware and/or software used to generate disclosures. Ensure effective notification and distribution of updated information.</p>	<p>Continuing</p>	<p>All affected documentation</p>
<p>Internal Review</p> <p>Conduct an internal review or audit at least annually to assess compliance with the regulation and conformity of an institution's practices with its policies and procedures. Correct errors detected during the review or audit.</p>	<p>Annual (or sooner)</p>	<p>Internal Review Procedures/Reports</p> <p>Audit Procedures/Reports</p> <p>Review may include some or all documentation</p>



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>Identification of "Open-End Credit"</p> <p>Consumer credit extended by a creditor under a plan in which:</p> <ol style="list-style-type: none"> 1. the creditor reasonably contemplates repeated transactions; 2. the creditor may impose a finance charge from time to time on an outstanding unpaid balance; and 3. the amount of credit extended to the consumer during the term of the plan is generally made available to the extent that any outstanding balance is repaid. 	<p>Continuing</p>	<p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>
<p>Early Disclosures Required in Connection with Credit or Charge Card Applications</p> <p>The following items must be disclosed on or with an application or solicitation to open a credit or charge card account (in the form and manner described in Section 226.5a):</p> <ol style="list-style-type: none"> 1. Annual Percentage Rate (APR); 2. Fees for issuance or availability; 3. Minimum finance charge; 4. Transaction charges; 5. Grace period; 6. Balance-computation method; 7. Statement on charge card payments; 8. Cash-advance fee; 	<p>If by direct-mail: disclose all 10 items on or with application or solicitation mailed to customers</p> <p>If by telephone: orally disclose items 1-7 (Alternatively, later written disclosures of all 10 items may be given in some circumstances)</p> <p>If made available to the general public (e.g. in a catalog or magazine): provide disclosures in a manner permitted by Section 226.5a(e)</p>	<p>Early Disclosure Statement</p> <p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
9. Late-payment fee; and 10. Over-the-limit fee.		
<p>Early Disclosures Required in Connection with Home-Equity Plan Applications</p> <p>The following disclosures, as applicable, must be provided in connection with open-end credit plans secured by the consumer's dwelling (in the form and manner described in Section 226.5b):</p> <ol style="list-style-type: none"> 1. Statement about retention of disclosures; 2. Conditions for disclosed terms; 3. Security interest and risk to home; 4. Possible actions by creditor; 5. Payment terms; 6. APR; 7. Fees imposed by creditor; 8. Fees imposed by third parties to open plan; 9. Negative amortization; 10. Transaction requirements; 11. Tax implications; and 12. Disclosures for variable-rate plans. <p>In addition, the "home equity brochure" published by the Federal Reserve Board (or suitable substitute) must be provided.</p>	<p>Provide disclosures and brochure at same time that an application is given to the consumer.</p> <p>Disclosures and brochure may be mailed or delivered not later than 3 business days following receipt of a consumer's application.</p>	<p>Early Disclosure Statement</p> <p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>Note the various limitations and other requirements imposed on home equity plans as reflected in Section 226.5b(f),(g), and (h).</p>		
<p>Initial Disclosures</p> <p>The following disclosures must be delivered before the consumer becomes obligated under an open-end credit plan:</p> <ol style="list-style-type: none"> 1. Finance charge: <ul style="list-style-type: none"> • When finance charges begin to accrue; • Periodic rates and corresponding APR; • Method used to determine the balance; and • How finance charge determined. 2. Other charges; 3. Security interests acquired by creditor; 4. Statement of billing rights; and 5. Home-equity plan information. (see Section 226.6(e) for details). 	<p>Furnish before the first transaction is made under the plan.</p>	<p>Initial Disclosure Statement</p> <p>Loan Origination Manuals</p>
<p>Periodic Statements</p> <p>Periodic statements must contain the following information, as applicable:</p> <ol style="list-style-type: none"> 1. Previous balance; 2. Identification of transactions (in accordance with Section 226.8); 3. Credits (including amount and date); 	<p>Mail or deliver for each billing cycle involving an account that has a debit or credit balance of more than \$1 or on which a finance charge has been imposed.</p> <p>Must be mailed or delivered at least 14 days prior to any date or the</p>	<p>Periodic Statement</p> <p>Loan Operations Manuals</p>



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
4. Periodic rates to compute finance charges; 5. Balance used to compute finance charge; 6. Amount of finance charge; 7. APR; 8. Other charges; 9. Closing date of billing cycle; new balance; 10. Free ride period; and 11. Address for notice of billing errors.	end of any time period required to be disclosed on the periodic statement in order for the consumer to avoid an additional finance charge.	



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

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<p>Subsequent Disclosures</p> <p>Subsequent disclosures are required in connection with the following:</p> <ol style="list-style-type: none"> 1. Statement of billing rights; 2. Adding certain supplemental credit devices and other features to the account; 3. Certain changes in terms; 4. Renewal of credit or charge card when fees imposed for renewal; or; 5. Change in credit card account insurance provider. <p>See Section 226.9 for details concerning the content and timing of the disclosures</p>	<ol style="list-style-type: none"> 1. Billing rights statement: annually or on each periodic statement 2. Supplemental features: provide notice prior to consumer's use of the feature 3. Change in terms: generally, 15 days before date of change 4. Renewal of credit card: 30 days or one billing cycle, whichever is less 5. Change in credit card insurance provider: prescribed notices must be provided (i) not less than 30 days before the change and (ii) no later than 30 days after the change (See Section 226.9(f)) 	<p>Disclosure Statements or Notices (as appropriate)</p> <p>Loan Operations Manuals</p>
<p>Prompt Crediting of Payment</p> <p>Ensure that payments to the consumer's account are credited as of the day of receipt.</p>	<p>Credit payment as of day of receipt, except when delay in crediting does not result in finance or other change.</p>	<p>Loan Operations Manuals</p> <p>Accounting Guidelines</p>



REQUIREMENTS THAT APPLY TO OPEN-END CREDIT

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<p>Liability of Cardholder for Unauthorized Use and Other Special Credit Card Provisions</p> <p>A cardholder's liability for unauthorized use of a credit card may not exceed the lesser of \$50 or the amount of money, property, labor, or services obtained by the unauthorized use before notification to the card issuer under Section 226.12 (b)(3).</p> <p>Note also special credit card rules contained in Section 226.12 relating to:</p> <ol style="list-style-type: none"> 1. Right of cardholder to assert claims or defenses against card issuer; 2. Prompt crediting of refunds; and 3. Discount, tie-in arrangements. 	<p>Liability up to \$50 imposed before notification to card issuer</p> <p>Written notice to cardholder considered given at time of receipt or at expiration of time ordinarily required for transmission, whichever is earlier.</p>	<p>Loan Operations Manuals</p>
<p>Billing Error Resolution</p> <p>Ensure that billing error resolution procedures are correctly applied, as described in Section 226.13. Note in particular:</p> <ol style="list-style-type: none"> 1. Definition of "billing error"; 2. Explanation of "billing-error notice"; 3. Time period for resolution; 4. Rules pending resolution; 5. Procedures if billing error occurred as asserted; 6. Procedures if different or no billing error occurred; 7. Creditor's rights and duties after resolution; and 8. Relation to Electronic Fund Transfer Act and Regulation E. 	<p>Note various time frames in Section 226.13 for handling claims of billing errors</p>	<p>Periodic Statement</p> <p>Billing-Error Notice</p> <p>Written Acknowledgment to Consumer</p> <p>Notification and/or Explanation to Consumer</p> <p>Loan Operations Manuals</p> <p>Credit Reporting Information Guidelines</p>

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>Identification of "Closed-End Credit"</p> <p>Consumer credit other than "open-end credit" as defined above and in Section 226.2(a)(20).</p>	<p>Continuing</p>	<p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>
<p>General Disclosure Requirements</p> <p>Ensure that the following terms are disclosed in connection with closed-end transactions as described in Section 226.18:</p> <ol style="list-style-type: none"> 1. Identity of creditor; 2. Amount financed; 3. Itemization of amount financed; 4. Finance charge; 5. APR; 6. Variable rate information, when necessary; 7. Payment schedule; 8. Total of Payments; 9. Demand feature, when applicable; 10. Total sale price, when applicable; 11. Prepayment information; 12. Late payment information; 13. Security interest information; 14. Insurance, debt cancellation information; 15. Certain security interest charges; 16. Contract reference; 	<p>Disclosures must be made prior to consummation</p> <p>In residential mortgage transactions subject to RESPA, good faith estimates of disclosures must be made within 3 business days after receipt of a written application. (Note that redisclosure may be required at consummation if APR varies by more than a certain percentage.)</p>	<p>Disclosure Statement</p> <p>Loan Origination Manuals</p>

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>17. Assumption policy; and</p> <p>18. Required deposit information.</p> <p>See also Section 226.17 (c) and (d) concerning:</p> <ul style="list-style-type: none"> * The basis of disclosures and use of estimates. * Transactions involving multiple creditors or consumers. 		
<p>Early Disclosures for Certain Variable-Rate Transactions</p> <p>In cases where the APR may increase after consummation in a transaction secured by the consumer’s principal dwelling with a term greater than one year, Section 226.19 requires that the following disclosures be provided:</p> <ol style="list-style-type: none"> 1. Consumer Handbook on Adjustable Rate Mortgages published by the FRB and the Federal Home Loan Bank Board, or a suitable substitute. 2. Loan program disclosure for each variable rate program of interest to the consumer, containing the information described in Section 226.19(b)(2). 	<p>Give disclosures when an application form is provided or prior to the payment of a nonrefundable fee by the consumer, whichever is earlier.</p> <p>When an application is submitted by telephone or through an agent/broker, the disclosures may be put in the mail not later than 3 business days after receipt of the application.</p>	<p>Early Disclosure Statement</p> <p>Loan Origination Manuals</p>
<p>Subsequent Disclosure Requirements</p> <p>Ensure that appropriate disclosures, as described in Section 226.20 are made for:</p> <ol style="list-style-type: none"> 1. “Refinancings” – when an existing obligation subject to Subpart C of Regulation Z is satisfied and replaced by a new obligation undertaken by the same consumer. (See Section 226.20 (a) requiring new disclosures upon a refinancing) and 	<p>Refinancings provide disclosures in a time frame equivalent to that of a new transaction.</p> <p>Assumptions provide new disclosures prior to the assumption.</p> <p>Variable rate disclosures</p>	<p>Disclosure Statements</p> <p>Loan Origination Manuals</p> <p>Loan Operations Manuals</p>

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

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<p>2. "Assumptions" – when a creditor expressly agrees to accept a subsequent consumer as a primary obligor on an existing residential mortgage transaction. (See Section 226.20 (b) requiring new disclosures based on the remaining obligation)</p> <p>Ensure that required disclosures are provided when adjusting the interest rate in a variable rate transaction subject to Section 226.19(b), in the manner prescribed by Section 226.20 (c).</p>	<p>1. At least annually when payment unchanged</p> <p>2. At least 25 but not more than 120 days before a payment at a new level is due</p>	

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>Special Disclosures for Certain Closed-End Home Mortgage Transactions (High-Cost Mortgages)</p> <p>In cases involving consumer credit transactions secured by the consumer's principal dwelling, in which either</p> <p>APR Trigger</p> <ul style="list-style-type: none"> The APR at consummation will exceed by more than 8 percentage points for first-lien loans, or by more than 10 percentage points for subordinate-lien loans, the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the fifteenth day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor; or <p>Points and Fees Trigger</p> <ul style="list-style-type: none"> The total points and fees* payable by the consumer at or before loan closing will exceed the greater of 8 percent of the total loan amount, or \$400 (this dollar amount is to be adjusted annually on January 1 based on changes to the Consumer Price Index as of the preceding June 1), <p>[*Note: Points and fees include all items, except interest or time-price differential:</p> <ul style="list-style-type: none"> <i>required to be disclosed under Section 226.4(a) & (b) Finance Charges;</i> <i>all compensation paid to mortgage brokers;</i> 	<p>Give disclosures when an application form is provided or prior to the payment of a nonrefundable fee by the consumer, whichever is earlier.</p> <p>When an application is submitted by telephone or through an agent/broker, the disclosures may be put in the mail not later than 3 business days after receipt of the application.</p> <p>Refinancings provide disclosures in a time frame equivalent to that of a new transaction.</p> <p>Assumptions provide new disclosures prior to the assumption.</p> <p>Variable rate disclosures</p> <ol style="list-style-type: none"> At least annually when payment unchanged <p>At least 25 but not more than 120 days before a payment at a new level is due.</p>	<p>Early Disclosure Statement</p> <p>Loan Origination Manuals</p>

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<ul style="list-style-type: none"> all items listed in Section 226.4(c)(7) Real Estate Related Fees otherwise excluded from the finance charge (except for amounts held for future payment of taxes) <u>unless:</u> <u>the charge is reasonable,</u> <u>the creditor receives no direct or indirect compensation in connection with the charge, and</u> <u>the charge is not paid to an affiliate of the creditor;</u> <p>and,</p> <ul style="list-style-type: none"> Premiums or other charges for credit life, accident, health, or loss-of-income insurance, or debt-cancellation coverage written in connection with the credit transaction.] <p>Disclosures</p> <p>Section 226.32 requires that the following <u>additional</u> disclosures be provided in conspicuous type size:</p> <ul style="list-style-type: none"> The following statement: “You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan.” 	<p>Give disclosures at least three business days prior to consummation of a mortgage transaction covered by Section 226.32.</p> <p>If the creditor makes any changes to the loan’s terms prior to consummation, the creditor shall re-disclose at least three days prior to consummation.</p> <p>A creditor may provide new disclosures by telephone if the consumer initiates the change in terms and if, at consummation:</p> <ul style="list-style-type: none"> The creditor provides new written disclosures; and The consumer and creditor sign a statement that the new disclosures were provided by telephone at least three days prior to consummation. <p>The consumer may, after receiving the disclosures, modify or waive the three-day waiting period between delivery of the disclosures and con-</p>	<p>Loan Origination Manuals</p> <p>Pre-consummation Disclosure Statement</p> <p>In the case of telephonic disclosure of loan term changes prior to consummation, at consummation:</p> <ul style="list-style-type: none"> New written disclosures; and A statement (signed by both consumer and creditor) that new disclosures were provided by telephone at least three days prior to consummation. <p>Where a consumer needs to meet a bona fide financial emergency and, therefore, wishes to waive the right to receive disclosures three days prior to consummation, the consumer must provide a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all the consumers entitled to the waiting period.</p>

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<ul style="list-style-type: none"> • The annual percentage rate. • The amount of the regular payment and the amount of any balloon payment. • For variable-rate transactions, a statement that the interest rate and monthly payment may increase, and the amount of the single maximum monthly payment, based on the maximum interest rate. • For a mortgage refinancing, the total amount the consumer will borrow, as reflected by the face amount of the note; and where the amount borrowed includes premiums or other charges for optional credit insurance or debt-cancellation coverage, that fact shall be stated, grouped together with disclosure of the amount borrowed. (Note: Disclosure of the total amount borrowed is deemed accurate if it is within \$100 of actual amount.) <p>Limitations</p> <p>Mortgage loans subject to this section must <u>not</u> include the following terms:</p> <ul style="list-style-type: none"> • <i>Balloon payment.</i> For a loan with a term less than five years (<i>other than a short-term less than one year - bridge loan used to acquire or construct a principal dwelling</i>), a payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance. 	<p>summation if the consumer determines that the extension of credit is needed to meet a bona fide personal financial emergency.</p> <p>To modify or waive the right, the consumer shall give the creditor a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all the consumers entitled to the waiting period. Printed forms for this purpose are prohibited (see Section 226.23(e)(2) for exception to the prohibition against printed forms).</p>	

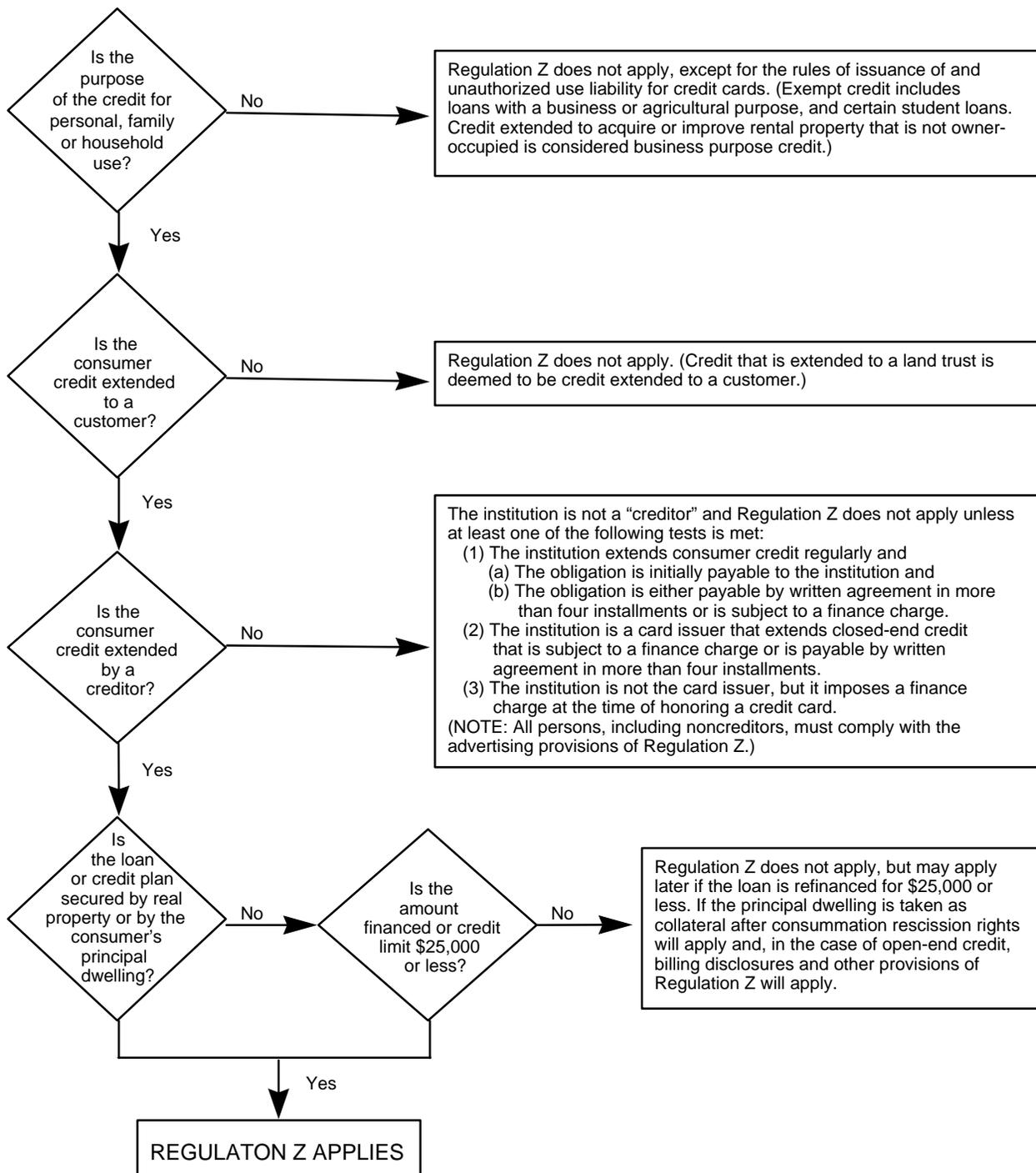
REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<ul style="list-style-type: none"> • <u>Negative amortization.</u> A payment schedule with regular periodic payments that cause the principal balance to increase. • <u>Advance payments.</u> A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds. • <u>Increased interest rate.</u> An increase in the interest rate after default. • <u>Rebates.</u> A refund calculated by a method less favorable than the actuarial method (see section 933(d) of the Housing and Community Development Act of 1992, 15 U.S.C. 1615(s)), for rebates of interest arising from a loan acceleration due to default. • <u>Prepayment penalties.</u> A penalty for paying all or part of the principal before the date on which the principal is due. • See exception below. • A prepayment penalty includes computing a refund of unearned interest by a method that is less favorable to the consumer than the actuarial computation method (as that method is defined in section 933(d) of the Housing and Community Development Act of 1992). • <u>Prepayment penalty exception.</u> A mortgage transaction subject to this section may provide for a prepayment penalty otherwise permitted by law if: 		

REQUIREMENTS THAT APPLY TO CLOSED-END CREDIT

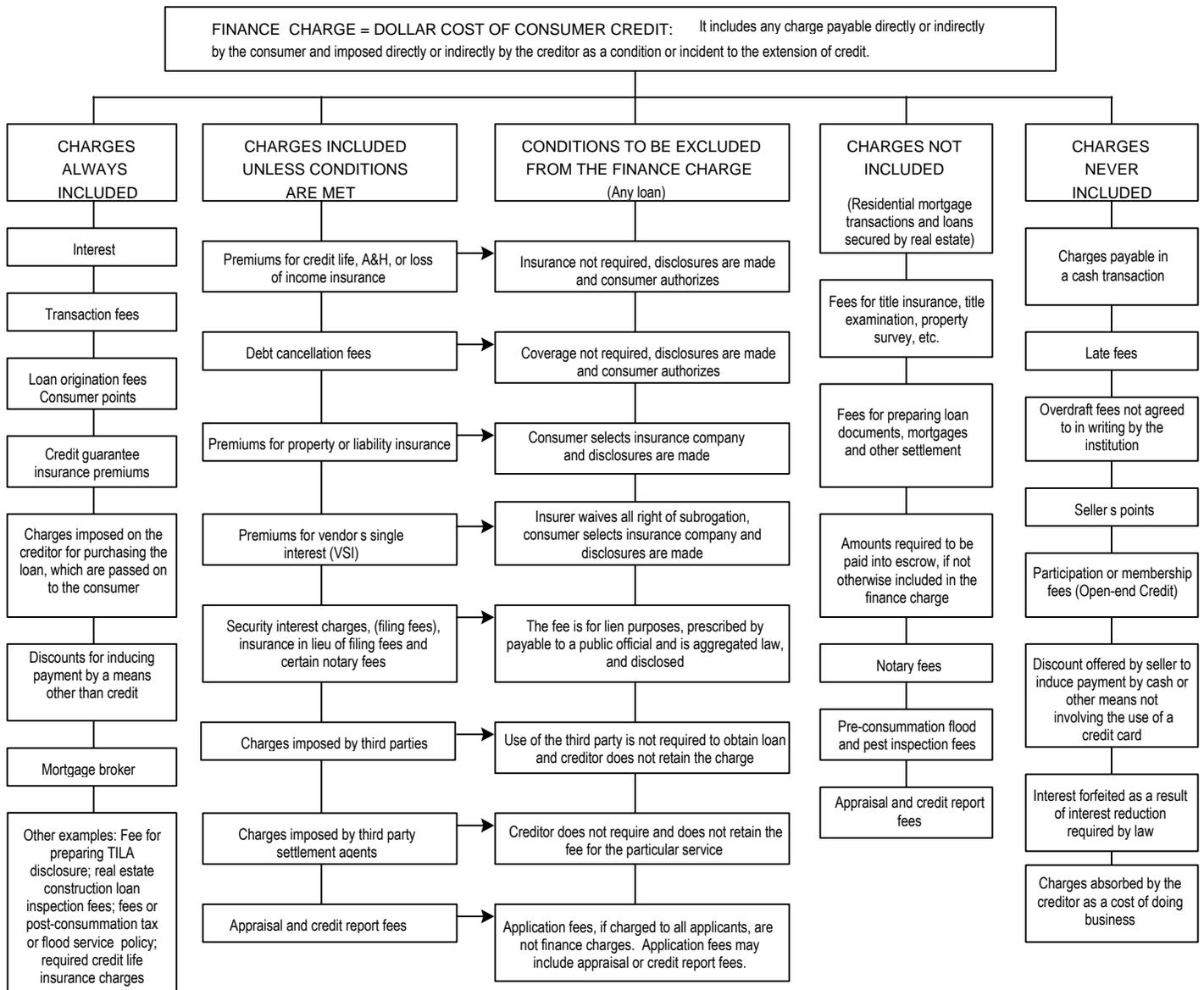
REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<ul style="list-style-type: none"> • The penalty can be exercised only for the first five years following consummation; • The source of the prepayment funds is not a refinancing by the creditor or an affiliate of the creditor; and • At consummation, the consumer's total monthly debts (including amounts owed under the mortgage) do not exceed 50 percent of the consumer's monthly gross income, as verified by the consumer's signed financial statement, a credit report, and payment records for employment income. • <i>Due-on-demand clause.</i> A demand feature that permits the creditor to terminate the loan in advance of the original maturity date and to demand repayment of the entire outstanding balance, except in the following circumstances: <ul style="list-style-type: none"> • There is fraud or material misrepresentation by the consumer in connection with the loan; • The consumer fails to meet the repayment terms of the agreement for any outstanding balance; or • There is any action or inaction by the consumer that adversely affects the creditor's security for the loan, or any right of the creditor in such security. 		

COVERAGE CONSIDERATIONS UNDER REGULATION Z

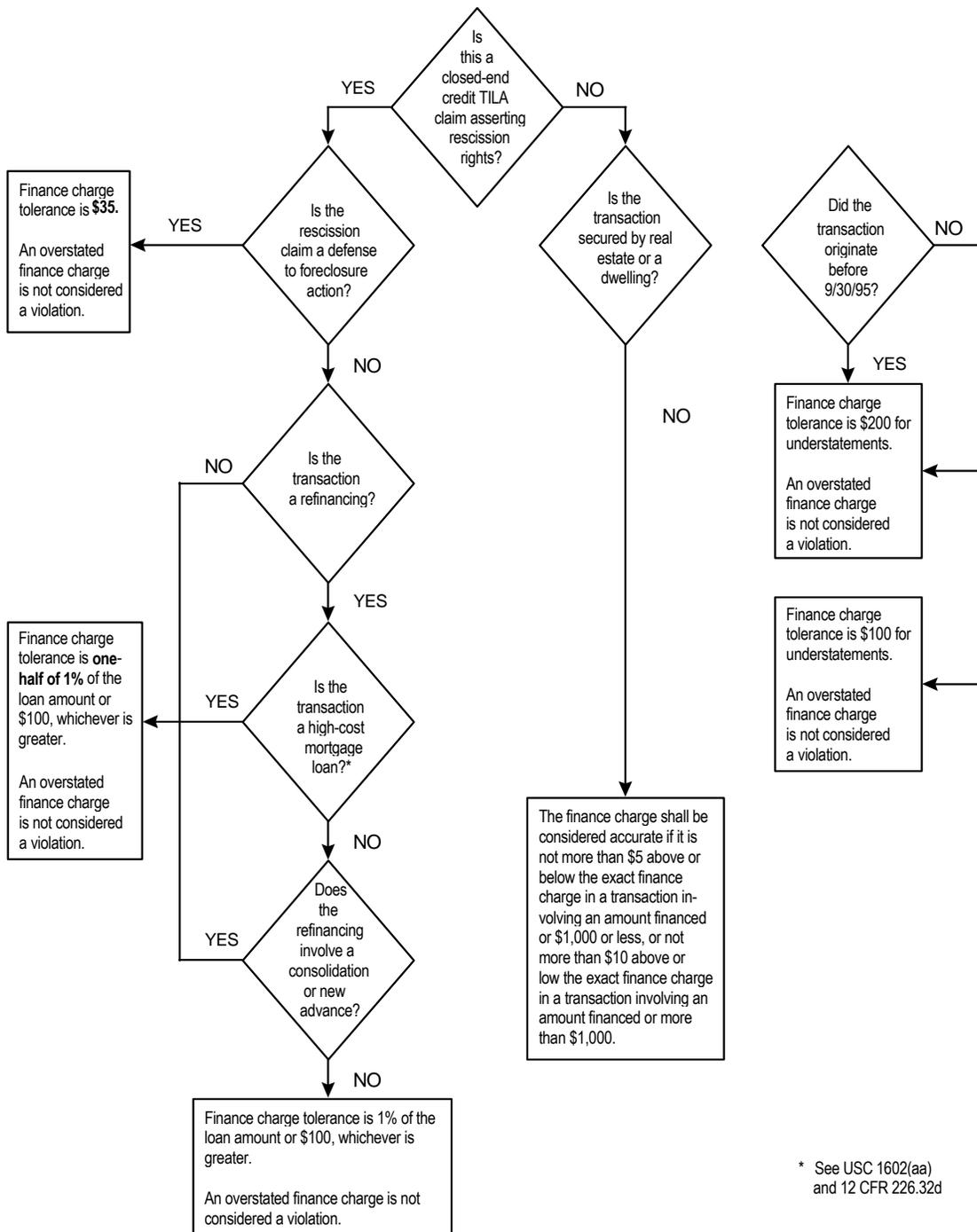


Truth in Lending Act

Exhibit Z-2

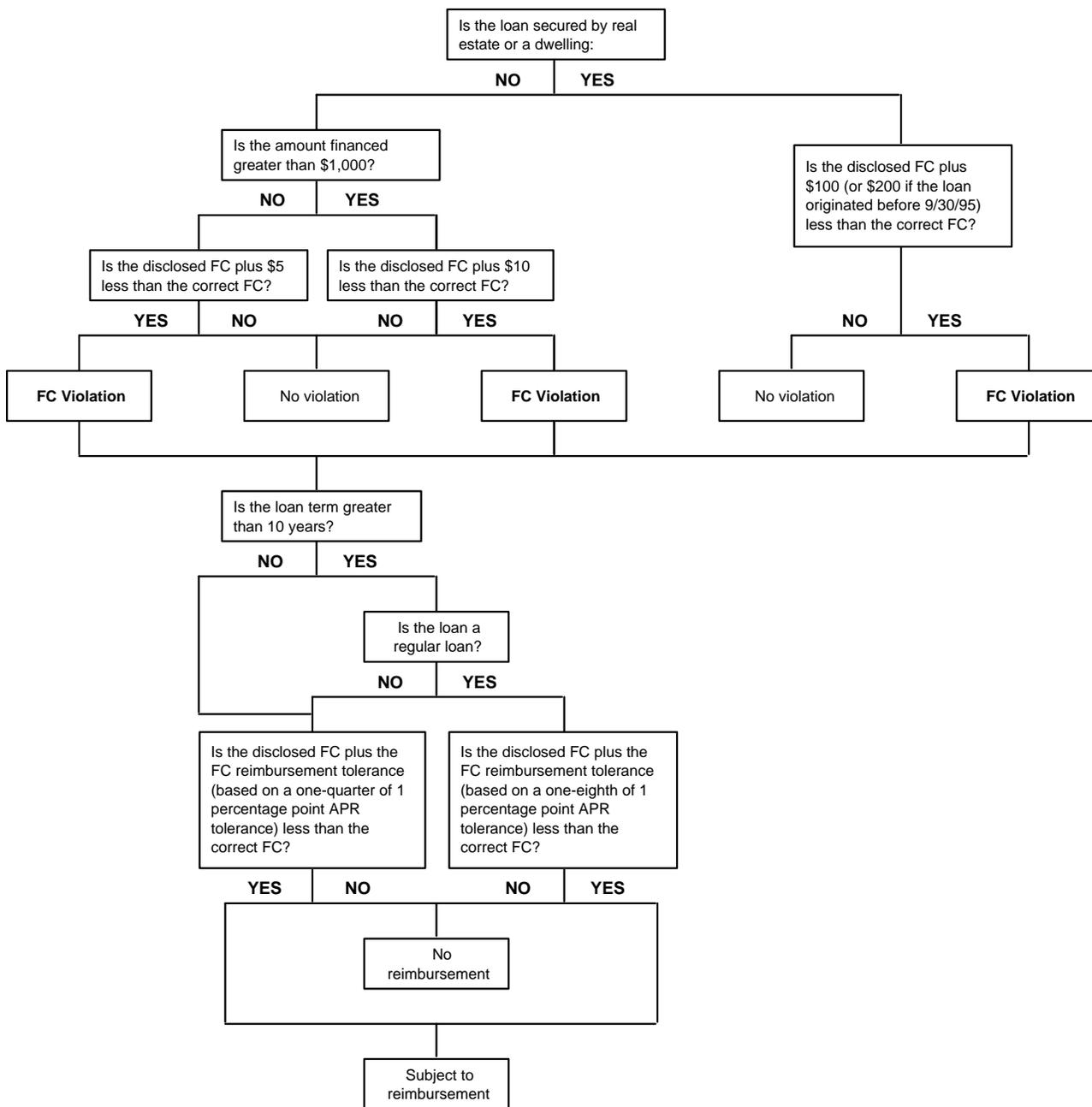


Closed-End Credit: Finance Charge Accuracy Tolerances

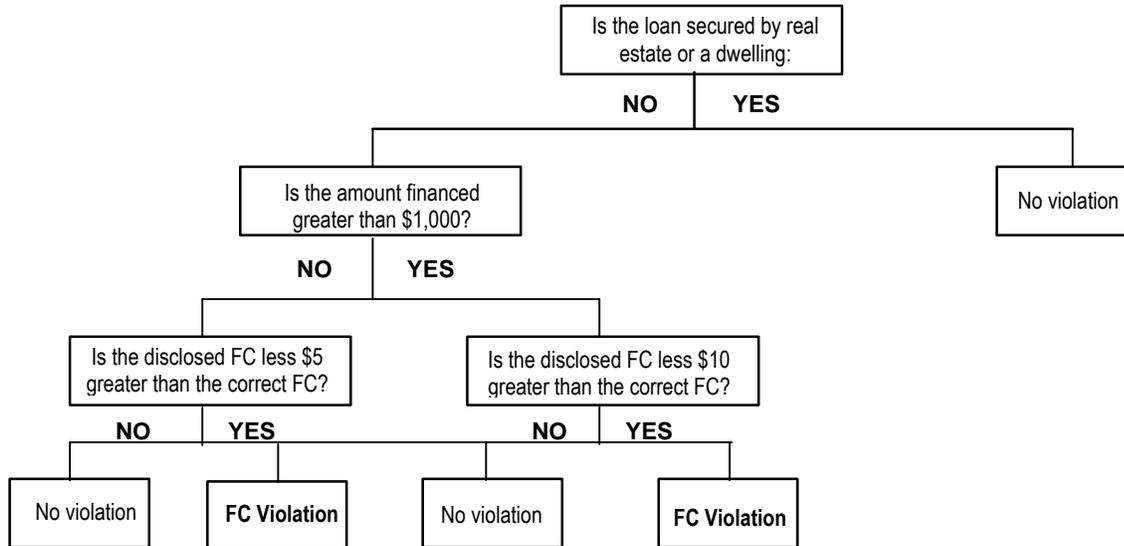


* See USC 1602(aa) and 12 CFR 226.32d

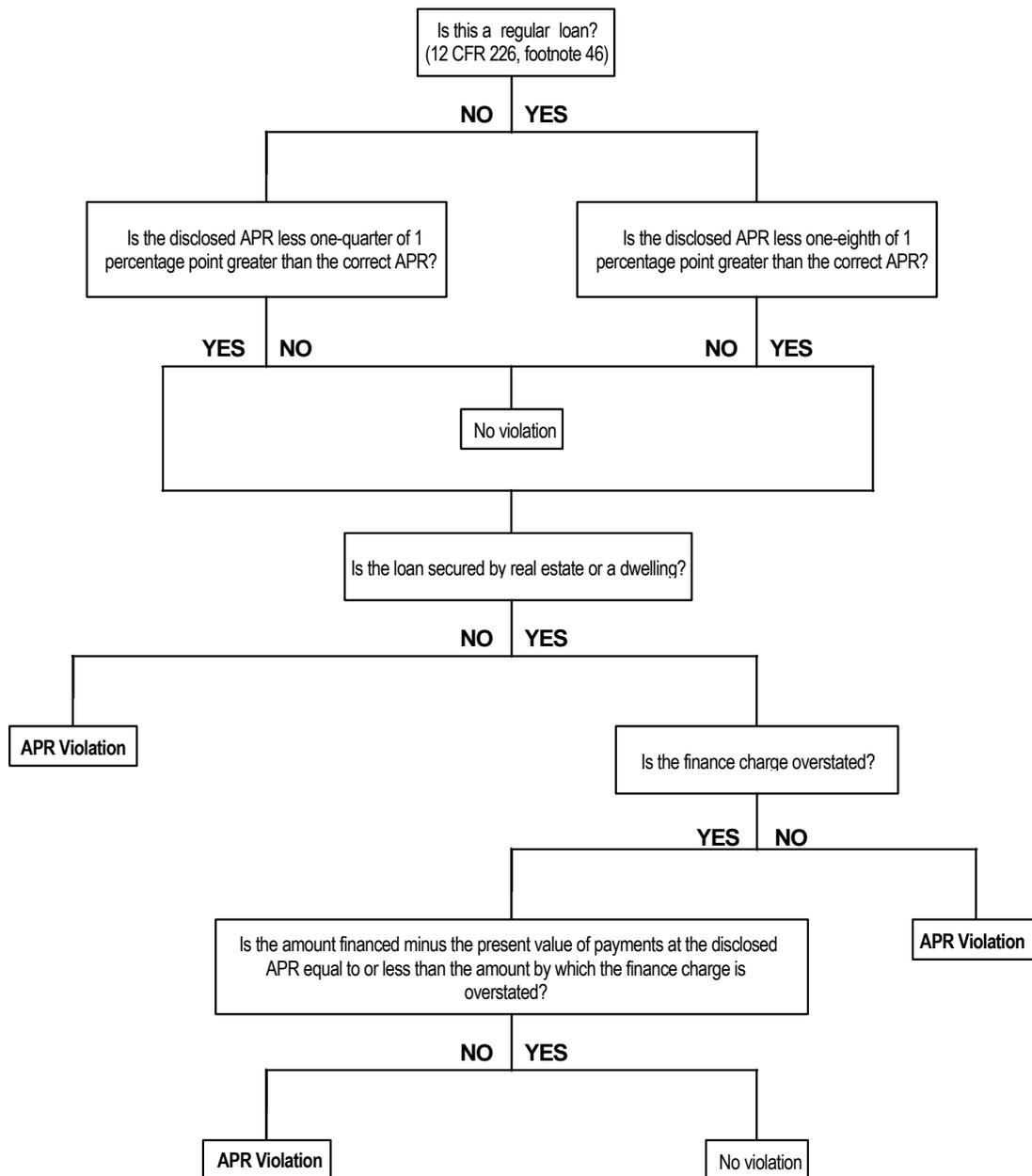
Closed-End Credit: Accuracy and Reimbursement Tolerances
for **Understated** Finance Charges



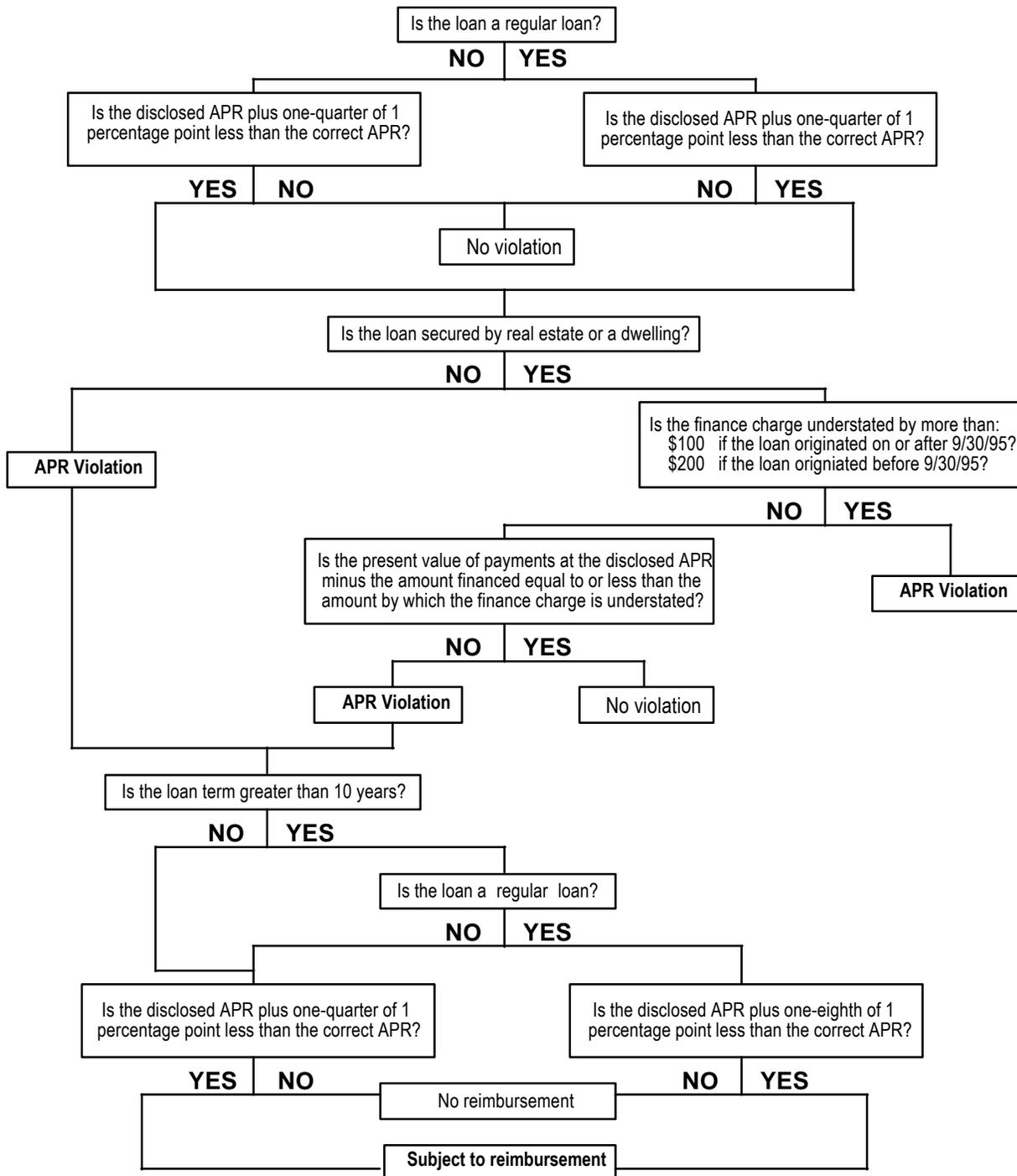
Closed-End Credit: Accuracy Tolerances
for **Overstated** Finance Charges



Closed-End Credit: Accuracy and Reimbursement Tolerances
For **Overstated** APRs



Closed-End Credit: Accuracy and Reimbursement Tolerances for **Understated** APRs



Timing of Certain Disclosures On Residential Real Estate Secured Loans*

Covers:

1. Truth in Lending Act (TILA) - Regulation Z

2. Real Estate Settlement Procedure Act (RESPA) - Regulation X

Timing	TILA 12 CFR 226	RESPA 24 CFR 3500
At or before referral		Affiliated business arrangement disclosure (3500.15).
At or before application	Home equity line of credit booklet and disclosure (226.5b). Adjustable rate booklet and disclosure (226.19b).	
Within three days of application	TILA disclosure (including APR and finance charge) (226.19a).	Special information booklet (3500.6) Good faith estimate (3500.7). Required providers (3500.7). Initial transfer of servicing disclosure (3500.21).
Three days before closing/consummation	Section 32 disclosures (226.32) Reverse mortgage disclosures (226.33)	
One day before closing/consummation		Right to inspect HUD-1 or HUD-1A (3500.10).
At closing/consummation	TILA disclosure (226.18) Rescission notice (226.23)	HUD-1 or HUD-1A (3500.8) Initial escrow account statement (within 45 days of closing) (3500.17).

*Taken from Advance Notice of Proposed Rulemaking on Improvement of Disclosure under RESPA and TILA (61 FR 69055).