

## Family First Credit Union Lending Policy Truth-In-Lending Act Policy

### **Purpose**

The Truth-In-Lending Act (TILA) as implemented by Regulation Z requires Family First Credit Union to disclose to the consumer the credit terms of a transaction prior to consummation. The purpose of TILA is to promote the informed use of credit. TILA governs both open-end and closed-end credit transactions as well as advertising and record retention. The regulation also gives members the right to cancel certain credit transactions that involve a lien on a member's principal dwelling, regulates credit card practices, and provides a means for fair and timely resolution of credit billing disputes.

### **Policy Statement**

Family First Credit Union will make all necessary disclosures clearly and conspicuously in writing at consummation or within the time frames set forth in Regulation Z.

- All loan interest rates will be disclosed as an annual percentage rate (APR).
- Loan documentation and disclosures will be provided prior to the consummation of the loan as required by Regulation Z.
- For non-purchase mortgage transactions, each borrower will be given the right to rescind the transaction prior to any disbursement of loan proceeds.

### **Open-End Credit**

It is the policy of Family First Credit Union to comply with all open-end credit disclosure requirements applicable to the Credit Union's credit programs. The required Regulation Z disclosures will be made clearly and conspicuously in writing and in a form that the member may keep. Disclosures will reflect the terms of the legal obligation between the parties. If a subsequent event renders a previous disclosure inaccurate, Family First Credit Union will provide the new disclosures as required by Regulation Z.

TILA requires Family First Credit Union to make certain disclosures on loans subject to the Real Estate Settlement Procedures Act (RESPA) within three business days after their receipt of a written application. This early disclosure statement is partially based on the initial information provided by the member. A final disclosure statement is provided at the time of loan closing. The disclosure is required to be in a specific format and include the following information:

- Name and address of creditor
- Amount financed
- Itemization of amount financed (optional, if Good Faith Estimate is provided)
- Finance charge
- Annual percentage rate (APR)
- Variable rate information
- Payment schedule

- Total of payments
- Demand feature
- Total sales price
- Prepayment policy
- Late payment policy
- Security interest
- Insurance requirements
- Certain security interest charges
- Contract reference
- Assumption policy
- Required deposit information

Family First Credit Union will mail or otherwise deliver periodic statements for each billing cycle where the open-end loan has a debit or credit-balance of more than \$1.00, or on which a finance charge has been imposed.

### **Right of Rescission**

In Regulation Z, a provision specific to home mortgage loans is the right of rescission for non-purchase mortgage transactions. (A purchase money transaction is not subject to the right of rescission.) This provision requires Family First Credit Union to inform borrowers that a security interest will be taken in their home and that there is a risk of loss if the member defaults. Regulation Z requires lenders to wait three business days after the loan is consummated before the loan proceeds can be distributed to the borrower. In effect, this is a cooling-off period to allow a borrower to be certain that they wish to proceed with placing a lien or mortgage on their homestead. If a borrower elects to rescind the transaction within three days, Family First Credit Union will cancel the transaction and refund all fees the borrower paid relating to the loan, including fees paid to third parties.

In order to exercise the right to rescind, the member must perform the following:

- Notify Family First Credit Union via US mail, fax, or other means of communication.
- Notification must be received by midnight of the third business day following consummation of the transaction; delivery of the right to rescind notice; or delivery of all material disclosures, whichever occurs last.
- When more than one member in a transaction has the right to rescind, the exercise of the right by one member shall be effective for all consumers.

When a member rescinds a transaction:

- The security interest giving rise to the right of rescission becomes void and the member will no longer be liable for any amount, including any finance charge.
- Within 20 calendar days after receipt of a notice of rescission, the Credit Union

is required to return any money or property that was given to anyone in connection with the transaction and must take any action necessary to reflect the termination of the security interest.

- If we, Family First Credit Union have delivered any money or property, the member may retain possession until the Family First Credit Union has complied with the above.

The member may modify or waive the right to rescind if the member determines that the extension of credit is needed to meet a bona fide personal financial emergency. To modify or waive the right the member must give Family First Credit Union a dated written statement that describes the emergency and specifically modifies or waives the right to rescind. Printed forms for this purpose are prohibited and the statement must bear the signature of all of the members entitled to rescind.

### **Advertising Disclosure Requirements**

Family First Credit Union advertisement will disclose the credit terms and rate in a certain manner.

- Our advertisement for credit will only state those terms that actually are or will be arranged or offered by the Credit Union.
- The rate of finance charge will be stated as an “annual percentage rate” (APR).
- If the annual percentage rate is subject to change after consummation, our advertisement will state that fact.
- Advertisement will not state any other rate, except that a simple annual rate or periodic rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the annual percentage rate.

Additional disclosures will be provided for trigger terms. The following is a list of trigger terms requiring additional disclosures for open-end loans:

- The finance charge (whether expressed as an APR or dollar amount)
- Other charges that may be imposed as part of the plan (such as a participation fee).

Advertisements that include any of the above trigger terms will include the following disclosures:

- Any minimum, fixed, transaction, activity or similar charge that may be imposed.
- Any periodic rate that may be applied expressed as an annual percentage rate, if the plan provided for a variable rate, that fact must be disclosed.
- Any membership or participation fee that may be imposed.

### **Record Retention**

Family First Credit Union will retain a copy of the Truth-In-Lending Act disclosures and records for a period of at least two years from the date on which the disclosures are required to be made or the action was taken.