

Consumer Financial Protection Bureau

Pt. 1026, App. H

**FICUS BANK**

4321 Random Boulevard • Somecity, ST 12340

Guarde esta Estimación de Préstamo para compararla con su Declaración de Cierre.

**Estimación de Préstamo**

**FECHA DE EMISIÓN** 2/15/2013  
**SOLICITANTES** Michael Jones and Mary Stone  
 123 Anywhere Street  
 Anytown, ST 12345  
**INMUEBLE** 456 Somewhere Avenue  
 Anytown, ST 12345  
**VALOR ESTIMADO DE LA PROPIEDAD** \$180,000

**PLAZO DEL PRÉSTAMO** 30 años  
**FINALIDAD** Refinanciamiento  
**PRODUCTO** Tasa fija  
**TIPO DE PRÉSTAMO**  Convencional  FHA  VA   
**N.º DEL PRÉSTAMO** 123456789  
**BLOQUEO DE TASA**  NO  Sí, hasta el 4/16/2013 a las 5:00 p.m. EDT

Antes del cierre, la tasa de interés, los puntos y los créditos del prestamista podrían cambiar, a menos que usted bloquee la tasa de interés. Todos los demás costos de cierre estimados estarán vigentes hasta el 3/4/2013 a las 5:00 p.m. EDT.

**Términos del préstamo**

¿Puede aumentar este monto después del cierre?

Monto del préstamo	\$150,000	NO
Tasa de interés	4.25%	NO
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>	\$737.91	NO
¿Tiene el préstamo estas características?		
Multa por pago anticipado	NO	
Cuota extraordinaria	NO	

**Pagos proyectados**

Cálculo de los pagos	Años 1 a 4	Años 5 a 30
Capital e intereses	\$737.91	\$737.91
Seguro hipotecario	+ 82	+ —
Depósito estimado para impuestos y seguros de la vivienda <small>El monto puede aumentar con el paso del tiempo</small>	+ 206	+ 206
<b>Pago total mensual estimado</b>	<b>\$1,026</b>	<b>\$944</b>
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo</small>	\$206 por mes	<p>Esta estimación incluye  <input checked="" type="checkbox"/> Impuestos sobre la propiedad  <input checked="" type="checkbox"/> Seguro de la vivienda  <input type="checkbox"/> Otro:  <small>Consulte la Sección G en la página 2 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small></p>

**Costos al momento del cierre**

Costos de cierre estimados	\$5,099	Incluye \$3,521 por costos del préstamo + \$2,078 por otros costos – \$500 por créditos del prestamista. Consulte los detalles en la página 2.
Dinero en efectivo estimado para el cierre	\$24,901	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 2. <input type="checkbox"/> Del Deudor <input checked="" type="checkbox"/> Para Deudor

Visite [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) para información general y ayuda.

ESTIMACIÓN DE PRÉSTAMO

PÁGINA 1 DE 3 • N.º DEL PRÉSTAMO 123456789

**Detalles de los costos del cierre**

<b>Costos del préstamo</b>		<b>Otros costos</b>	
<b>A. Gastos por tramitación</b>	<b>\$1,950</b>	<b>E. Impuestos y otros cargos gubernamentales</b>	<b>\$80</b>
.5 % del monto del préstamo (Puntos)	\$750	Costos de registro y otros impuestos	\$80
Cargo por tramitación	\$450	Impuestos por transferencia de título	
Cargo por el estudio del crédito	\$500		
Cargo por la solicitud del préstamo	\$250		
		<b>F. Pagos anticipados</b>	<b>\$1,585</b>
		Impuestos sobre la propiedad (6 meses)	\$632
		Pago anticipado de intereses (\$17.71 diarios durante 15 días a la tasa de 4.25 %)	\$266
		Prima del seguro de hipoteca (1 meses)	\$82
		Prima del seguro de la vivienda ( 6 meses)	\$605
		<b>G. Pago inicial de la cuenta en depósito para impuestos y seguros de la vivienda al clausura</b>	<b>\$413</b>
		Impuestos sobre la propiedad de \$105.30 por mes durante 2 meses	\$211
		Seguro de hipoteca de _____ por mes durante _____ meses	
		Seguro de la vivienda de \$100.83 por mes durante 2 meses	\$202
		<b>H. Otros</b>	<b>\$0</b>
		<b>I. TOTAL DE OTROS COSTOS (E + F + G + H)</b>	<b>\$2,078</b>
<b>C. Servicios que usted puede contratar</b>	<b>\$936</b>	<b>J. TOTAL DE COSTOS DE CIERRE</b>	<b>\$5,099</b>
Cargo por inspección de plagas	\$85	D + I	\$5,599
Título - Estudio de títulos de propiedad	\$200	Créditos del prestamista	-\$500
Título - Honorarios del agente a cargo de la operación de cierre	\$350		
Título - Política del título de propiedad del prestamista	\$251		
Título - garantía provisional de seguro del título de propiedad	\$50		
		<b>Cálculo del dinero en efectivo para el cierre</b>	
		Monto del préstamo	\$150,000
		Total de costos de cierre (J)	-\$5,099
		Liquidaciones y pagos totales estimados	-\$120,000
		Dinero en efectivo estimado para el cierre	\$24,901
		<input type="checkbox"/> Del Deudor <input checked="" type="checkbox"/> Para Deudor	
<b>D. COSTOS TOTALES DEL PRESTAMO (A + B + C)</b>	<b>\$3,521</b>	Costos de cierre financiados estimados (pagados del monto del préstamo)	<b>\$5,099</b>

**Información adicional sobre este préstamo**

<b>PRESTAMISTA</b> N.º DE NMLS/ LICENCIA DE _____	Ficus Bank	<b>CORREDOR HIPOTECARIO</b> N.º DE NMLS/ LICENCIA DE _____
<b>AGENTE DE PRÉSTAMO</b>	Joe Smith	<b>AGENTE DE PRÉSTAMO</b>
<b>N.º DE NMLS/ LICENCIA DE _____</b>	12345	<b>N.º DE NMLS/ LICENCIA DE _____</b>
<b>CORREO ELECTRÓNICO</b>	joesmith@ficusbank.com	<b>CORREO ELECTRÓNICO</b>
<b>TELÉFONO</b>	123-456-7890	<b>TELÉFONO</b>
<b>Comparaciones</b> Utilice estas medidas para comparar este préstamo con otros.		
<b>En 5 años</b>	\$51,932	Total que habrá pagado en capital, intereses, seguro hipotecario y costos del préstamo.
	\$13,788	Capital que habrá pagado.
<b>Tasa porcentual anual (APR)</b>	4.537%	Sus costos durante el plazo del préstamo expresados como una tasa. Esta no es su tasa de interés.
<b>Total de intereses pagados a lo largo del plazo del préstamo (TIP)</b>	77.28%	El monto total de intereses que pagará durante el plazo del préstamo como porcentaje del monto del préstamo.
<b>Otras consideraciones</b>		
<b>Aceptación del préstamo</b>	No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.	
<b>Administración del préstamo</b>	Nuestra intención es <input type="checkbox"/> brindarle servicios de administración de su préstamo. De ser así, usted emitirá los pagos a nuestro nombre. <input checked="" type="checkbox"/> transferir los servicios de administración de su préstamo.	
<b>Pago atrasado</b>	Si su pago presenta un retraso de más de 15 días, le cobraremos un recargo de 5% sobre el monto total de los intereses y el capital que paga mensualmente.	
<b>Refinanciamiento</b>	El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de la propiedad y de las condiciones del mercado. Es posible que no se pueda refinanciar este préstamo.	
<b>Responsabilidad luego de la ejecución de la hipoteca</b>	Si usted acepta este préstamo, podría perder la protección de la ley estatal que quizás tenga en este momento contra la responsabilidad de pagar la deuda impaga si su prestamista ejecuta la hipoteca sobre su casa. Si pierde esta protección, puede que tenga que pagar la deuda restante incluso después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.	
<b>Seguro de la vivienda</b>	Este préstamo exige un seguro de la vivienda, que puede obtenerse de una empresa que usted seleccione y que nosotros consideremos aceptable.	
<b>Supuestos</b>	Si usted vende o transfiere esta propiedad a otra persona, <input type="checkbox"/> permitiremos, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input checked="" type="checkbox"/> no permitiremos que se asuma este préstamo con sus términos y condiciones originales.	
<b>Valoración de la vivienda</b>	Es posible que pidamos una valoración de la vivienda para determinar el valor de la propiedad y que le cobremos por esta valoración de la vivienda. Inmediatamente, le daremos una copia de la valoración aunque su préstamo no se cierre. Puede pagar para que se haga otra valoración de la vivienda más para su uso personal y esta correrá por su cuenta.	

ESTIMACIÓN DE PRÉSTAMO

PÁGINA 3 DE 3 • N.º DEL PRÉSTAMO 123456789

H-28(D) MORTGAGE LOAN TRANSACTION LOAN ESTIMATE—SPANISH LANGUAGE BALLOON PAYMENT SAMPLE

*Description:* This is a sample of the information required by § 1026.37(a) through (c) for

a transaction with a loan term of seven years that includes a final balloon payment illustrated by form H-24(E), translated into the Spanish language as permitted by § 1026.37(o)(5)(ii).

## FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Guarde esta Estimación de Préstamo para compararla con su Declaración de Cierre.

**Estimación de Préstamo**

**FECHA DE EMISIÓN** 7/23/2012  
**SOLICITANTES** Michael Jones and Mary Stone  
 123 Anywhere Street  
 Anytown, ST 12345  
**INMUEBLE** 456 Somewhere Avenue  
 Anytown, ST 12345  
**PRECIO DE VENTA** \$190,000

**PLAZO DEL PRÉSTAMO** 7 años  
**FINALIDAD** Adquisición por compra  
**PRODUCTO** Año 7 cuota extraordinaria, tasa fija  
**TIPO DE PRÉSTAMO**  Convencional  FHA  VA   
**N.º DEL PRÉSTAMO** 123456789  
**BLOQUEO DE TASA**  NO  Sí, hasta el 9/21/2012 a las 5:00 p. m. EDT

Antes del cierre, la tasa de interés, los puntos y los créditos del prestamista podrían cambiar, a menos que usted bloquee la tasa de interés. Todos los demás costos de cierre estimados estarán vigentes hasta el 8/6/2012 a las 5:00 p. m. EDT

Términos del préstamo		¿Puede aumentar este monto después del cierre?	
Monto del préstamo	\$171,000	NO	
Tasa de interés	4.375%	NO	
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>	\$853.78	NO	
¿Tiene el préstamo estas características?			
Multa por pago anticipado	NO		
Cuota extraordinaria	Sí • Usted deberá pagar \$149,263 a finales del año 7.		

Pagos proyectados			
Cálculo de los pagos	Años 1 a 7	Pago final pactado	
Capital e intereses	\$853.78	\$149,262.95	
Seguro hipotecario	+ 87	+ —	
Depósito estimado para impuestos y seguros de la vivienda <small>El monto puede aumentar con el paso del tiempo</small>	+ 309	+ —	
Pago total mensual estimado	\$1,250	\$149,262.95	
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo</small>	\$309 por mes	Esta estimación incluye <input checked="" type="checkbox"/> Impuestos sobre la propiedad <input checked="" type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro: <small>Consulte la Sección G en la página 2 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	¿En depósito? <input checked="" type="checkbox"/> Sí <input checked="" type="checkbox"/> Sí

H-28(E) MORTGAGE LOAN TRANSACTION LOAN ESTIMATE—SPANISH LANGUAGE NEGATIVE AMORTIZATION SAMPLE

Description: This is a sample of the information required by §1026.37(a) and (b) for a

transaction with negative amortization illustrated by form H-24(F), translated into the Spanish language as permitted by §1026.37(o)(5)(ii).

**FICUS BANK**  
4321 Random Boulevard • Somecity, ST 12340

Guarde esta Estimación de Préstamo para compararla con su Declaración de Cierre.

### Estimación de Préstamo

FECHA DE EMISIÓN 7/23/2012  
 SOLICITANTES Michael Jones and Mary Stone  
 123 Anywhere Street  
 Anytown, ST 12345  
 INMUEBLE 456 Somewhere Avenue  
 Anytown, ST 12345  
 PRECIO DE VENTA \$180,000

PLAZO DEL PRÉSTAMO 30 años  
 FINALIDAD Adquisición por compra  
 PRODUCTO Año 5 amortización negativa, 1/1 tasa ajustable  
 TIPO DE PRÉSTAMO  Convencional  FHA  VA   
 N.º DEL PRÉSTAMO 123456789  
 BLOQUEO DE TASA  NO  Sí, hasta el 9/21/2012 a las 5:00 p. m. ET  
Antes del cierre, la tasa de interés, los puntos y los créditos del prestamista podrían cambiar, a menos que usted bloquee la tasa de interés. Todos los demás costos de cierre estimados estarán vigentes hasta el 8/6/2012 a las 5:00 p. m. EDT

Términos del préstamo		¿Puede aumentar este monto después del cierre?	
Monto del préstamo	\$171,000	SÍ	<ul style="list-style-type: none"> <li>Puede subir hasta \$176,032</li> <li>Puede aumentar hasta el año 6</li> </ul>
Tasa de interés	2%	SÍ	<ul style="list-style-type: none"> <li>Se ajusta cada año a partir del año 2</li> <li>Puede subir hasta el 7% en el año 10</li> <li>Para obtener más información, consulte la tabla de tasas de interés ajustable (TIA) en la página 2</li> </ul>
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>	\$632.05	SÍ	<ul style="list-style-type: none"> <li>Se ajusta cada año a partir del año 6</li> <li>Puede subir hasta \$1,227 en el año 10</li> <li>Incluye solo el Interés y no el Capital hasta el año 6</li> <li>Para obtener más información, consulte la tabla de pagos ajustables (PA) en la página 2</li> </ul>
¿Tiene el préstamo estas características?			
Multa por pago anticipado		NO	
Cuota extraordinaria		NO	

H-28(F) MORTGAGE LOAN TRANSACTION CLOSING DISCLOSURE—SPANISH LANGUAGE MODEL FORM

*Description:* This is a blank model Closing Disclosure that illustrates the content requirements in §1026.38, and is translated into the Spanish language as permitted by

§ 1026.38(t)(5)(viii). This form provides three variations of page one, one page two, one page three, four variations of page four, four variations of page five, and two variations of page six reflecting the variable content requirements in §1026.38. This form does not reflect any other modifications permitted under §1026.38(t).

## Declaración de Cierre

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

Información sobre el cierre	Información sobre la transacción	Información sobre el préstamo
Fecha de emisión	Déudor	Plazo del préstamo
Fecha de cierre	Vendedor	Finalidad
Fecha de desembolso	Prestamista	Producto
Agente a cargo de la operación de cierre		Tipo de préstamo
N.º de Archivo		<input type="checkbox"/> Convencional <input type="checkbox"/> FHA
Inmueble		<input type="checkbox"/> VA <input type="checkbox"/>
Precio de venta		N.º del préstamo _____
		N.º de MIC _____

Términos del préstamo		¿Puede aumentar este monto después del cierre?
Monto del préstamo		
Tasa de interés		
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>		¿Tiene el préstamo estas características?
Multa por pago anticipado		
Cuota extraordinaria		
Pagos proyectados		
Cálculo de los pagos		
Capital e intereses		
Seguro hipotecario <small>Depósito estimado para impuestos y seguros de la vivienda El monto puede aumentar con el paso del tiempo</small>		
Pago total mensual estimado		
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo. Consulte los detalles en la página 4.</small>	Esta estimación incluye	¿En depósito?
	<input type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro: <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	
Costos al momento del cierre		
Costos de cierre	Incluye - por costos del préstamo + por créditos del prestamista. Consulte los detalles en la página 2.	por otros costos
Dinero en efectivo para el cierre	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3.	

### Declaración de Cierre

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

Información sobre el cierre	Información sobre la transacción	Información sobre el préstamo
Fecha de emisión Fecha de cierre Fecha de desembolso Agente a cargo de la operación de cierre N.º de Archivo Inmueble  Valoración de la vivienda	Deudor  Vendedor  Prestamista	Plazo del préstamo Finalidad Producto  Tipo de préstamo <input type="checkbox"/> Convencional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> N.º del préstamo N.º de MIC
Términos del préstamo	¿Puede aumentar este monto después del cierre?	
Monto del préstamo		
Tasa de interés		
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>		
Multa por pago anticipado	¿Tiene el préstamo estas características?	
Cuota extraordinaria		
Pagos proyectados		
Cálculo de los pagos		
Capital e intereses  Seguro hipotecario <small>Depósito estimado para impuestos y seguros de la vivienda El monto puede aumentar con el paso del tiempo</small>		
Pago total mensual estimado		
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo. Consulte los detalles en la página 4.</small>	Esta estimación incluye <input type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro:  <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	¿En depósito?
Costos al momento del cierre		
Costos de cierre	Incluye -	por costos del préstamo + por créditos del prestamista. Consulte los detalles en la página 2.
Dinero en efectivo para el cierre	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3.	

### Declaración de Cierre

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

Información sobre el cierre	Información sobre la transacción	Información sobre el préstamo
Fecha de emisión Fecha de cierre Fecha de desembolso Agente a cargo de la operación de cierre N.º de Archivo Inmueble Valor estimado de la vivienda	Déudor  Vendedor  Prestamista	Plazo del préstamo Finalidad Producto  Tipo de préstamo <input type="checkbox"/> Convencional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> N.º del préstamo N.º de MIC
<b>Términos del préstamo</b>		<b>¿Puede aumentar este monto después del cierre?</b>
Monto del préstamo		
Tasa de interés		
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>		
Multa por pago anticipado	¿Tiene el préstamo estas características?	
Cuota extraordinaria		
<b>Pagos proyectados</b>		
Cálculo de los pagos		
Capital e intereses Seguro hipotecario Depósito estimado para impuestos y seguros de la vivienda <small>El monto puede aumentar con el paso del tiempo</small>		
Pago total mensual estimado		
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo. Consulte los detalles en la página 4.</small>	Esta estimación incluye <input type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro: <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	¿En depósito?
<b>Costos al momento del cierre</b>		
Costos de cierre	Incluye - por costos del préstamo + por créditos del prestamista. Consulte los detalles en la página 2.	por otros costos
Dinero en efectivo para el cierre	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3.	

Consumer Financial Protection Bureau

Pt. 1026, App. H

## **Detalles de los costos de cierre**

<b>Costos del préstamo</b>	Pagados por el deudor		Pagados por el vendedor		Pagados por otros
	Al cierre	Antes del cierre	Al cierre	Antes del cierre	
<b>A. Gastos por tramitación</b>					
01 % del monto del préstamo (Puntos)					
02					
03					
04					
05					
06					
07					
08					
<b>B. Servicios que el deudor no contrató</b>					
01					
02					
03					
04					
05					
06					
07					
08					
09					
<b>C. Servicios que el deudor contrató</b>					
01					
02					
03					
04					
05					
06					
07					
<b>D. COSTOS TOTALES DEL PRÉSTAMO (pagados por el deudor)</b>					
Subtotales de los costos del préstamo (A + B + C)					

### Otros costos

<b>E. Impuestos y otros cargos gubernamentales</b>			
01 Costos de registro y otros impuestos por registro del título de inmueble:	Hipoteca:		
02			
<b>F. Pagos anticipados</b>			
01 Impuestos sobre la propiedad ( meses)			
02 Pago anticipado de intereses ( por día del al )			
03 Prima del seguro de hipoteca ( meses)			
04 Prima del seguro de la vivienda ( meses)			
05			
<b>G. Pago inicial de la cuenta en depósito para impuestos y seguros de la vivienda</b>			
01 Impuestos sobre la propiedad de	por mes, durante	meses	
02 Impuestos sobre la propiedad de	por mes, durante	meses	
03 Seguro de Hipoteca	de	por mes, durante	meses
04 Seguro de la vivienda	de	por mes, durante	meses
05			
06			
07 Ajuste acumulado			
<b>H. Otros</b>			
01			
02			
03			
04			
05			
06			
07			
08			
<b>I. TOTAL DE OTROS COSTOS (pagados por el deudor)</b>			
Subtotales de otros costos (E + F + G + H) -			

<b>J. TOTAL DE COSTOS DE CIERRE (pagados por el deudor)</b>			
Subtotales de costos de cierre (D + I)			
Créditos del prestamista			

### DECLARACIÓN DE CIERRE

PÁGINA 2 DE 6 • N.º DEL PRÉSTAMO

<b>Cálculo del dinero en efectivo para el cierre</b>		<b>Utilice esta tabla para saber lo que ha cambiado en su Estimación de Préstamo.</b>	
	Estimación del Préstamo	Final	¿Esto cambió?
Total de costos de cierre (J)			
Costos de cierre pagados antes del cierre			
Costos de cierre financieros (pagados del monto del préstamo)			
Pago inicial/Fondos del deudor			
Depósito			
Fondos para el deudor			
Créditos del vendedor			
Ajustes y otros créditos			
<b>Dinero en efectivo para el cierre</b>			

  

<b>Resúmenes de transacciones</b>		<b>Utilice esta tabla para ver el resumen de su transacción.</b>			
<b>TRANSACTIONS DEL DEUDOR</b>					
<b>K. Pagaderos por el deudor al cierre</b>					
01 Precio de venta de la propiedad					
02 Precio de venta de cualquier propiedad personal incluida en la venta					
03 Costos de cierre pagados al cierre (J)					
04					
<b>Ajustes</b>					
05					
06					
07					
<b>Ajustes para los artículos pagados por el vendedor por anticipado</b>					
08 Impuestos municipales al					
09 Impuestos del condado al					
10 Evaluaciones estimadas al					
11					
12					
13					
14					
15					
16					
17					
<b>L. Pagado por el deudor, o en su nombre, al cierre</b>					
01 Depósito					
02 Monto del préstamo					
03 Préstamos existentes atribuidos o adquiridos sujetos a					
04 Crédito del vendedor					
<b>Otros créditos</b>					
06					
07					
<b>Ajustes</b>					
08					
09					
10					
11					
<b>Ajustes para los artículos no pagados por el vendedor</b>					
12 Impuestos municipales del al					
13 Impuestos del condado al					
14 Evaluaciones estimadas al					
15					
16					
17					
<b>CÁLCULO</b>					
Total pagado por el deudor al cierre (K)					
Total pagado por el deudor, o en su nombre, al cierre (L)					
<b>Dinero en efectivo para el cierre</b>					
<input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor					

DECLARACIÓN DE CIERRE

PÁGINA 3 DE 6 • N.º DEL PRÉSTAMO

**Información adicional sobre este préstamo****Declaraciones del préstamo****Amortización negativa** (aumento del monto del préstamo)

De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

**Con cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad con una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
Pago inicial para la cuenta en depósito	Es posible que tenga que pagar otros costos de la propiedad.
Pago mensual para la cuenta en depósito	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.

- no tendrá una cuenta en depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

**Sin cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad estimados durante el primer año	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

### Información adicional sobre este préstamo

#### Declaraciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad con una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
	Es posible que tenga que pagar otros costos de la propiedad.
Pago inicial para la cuenta en depósito	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
Pago mensual para la cuenta en depósito	El monto incluido en su pago mensual total.
	<input type="checkbox"/> no tendrá una cuenta en depósito porque <input type="checkbox"/> usted la rechazó <input type="checkbox"/> su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

Sin cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad estimados durante el primer año	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez, tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

#### Tabla de pagos ajustables (PA)

¿Pago de interés solamente?	
¿Pagos opcionales?	
¿Pagos escalonados?	
¿Pagos estacionales?	
<b>Pagos mensuales de capital e intereses</b>	
Primer cambio/Monto	
Cambios subsiguientes	
Pago máximo	

#### Tabla de tasa de interés ajustable (TIA)

Índice + Margen	
Tasa de interés inicial	
Tasa de interés mínima/máxima	
Frecuencia de los cambios	
Primer cambio	
Cambios subsiguientes	
Límites de cambios en la tasa de interés	
Primer cambio	
Cambios subsiguientes	

DECLARACIÓN DE CIERRE

PÁGINA 4 DE 6 • N.º DEL PRÉSTAMO

**Información adicional sobre este préstamo****Declaraciones del préstamo****Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad con una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
	Es posible que tenga que pagar otros costos de la propiedad.
Pago inicial para la cuenta en depósito	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
Pago mensual para la cuenta en depósito	El monto incluido en su pago mensual total.
<input type="checkbox"/> no tendrá una cuenta en depósito porque <input type="checkbox"/> usted la rechazó	<input type="checkbox"/> su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

  

Sin cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad estimados durante el primer año	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

**Tabla de pagos ajustables (PA)**

¿Pago de interés solamente?	
¿Pagos opcionales?	
¿Pagos escalonados?	
¿Pagos estacionales?	
Pagos mensuales de capital e intereses	
Primer cambio/Monto	
Cambios subsiguientes	
Pago máximo	

### Información adicional sobre este préstamo

#### Deducciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad con una cuenta en depósito durante el primer año		Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año		Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
Pago inicial para la cuenta en depósito		Es posible que tenga que pagar otros costos de la propiedad.
Pago mensual para la cuenta en depósito		Riesgo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
		El monto incluido en su pago mensual total.
<input type="checkbox"/> no tendrá una cuenta en depósito porque	<input type="checkbox"/> usted la rechazó	
<input type="checkbox"/> su prestamista no la ofrece.	Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.	

  

Sin cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad estimados durante el primer año		Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito		

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podría variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

#### Tabla de tasa de interés ajustable (TIA)

Índice + Margen
Tasa de interés inicial
Tasa de interés mínima/máxima
Frecuencia de los cambios
Primer cambio
Cambios subsiguientes
Límites de cambios en la tasa de Interés
Primer cambio
Cambios subsiguientes

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

<b>Declaraciones del préstamo</b>		<b>Otras declaraciones</b>										
<p><b>Intereses de garantía</b>        Se le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b>        Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pagos parciales</b>        Su prestamista</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.</li> <li><input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.</li> <li><input type="checkbox"/> no acepta pagos parciales.</li> </ul> <p>Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b>        Si usted vende o transfiere esta propiedad a otra persona su prestamista,</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.</li> <li><input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.</li> </ul>												
<p><b>Deducciones tributarias</b>        Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Deberá consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b>        Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:</p> <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> <p><b>Refinanciamiento</b>        El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b>        Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> la ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.</li> <li><input type="checkbox"/> la ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</li> </ul> <p><b>Valoración de la vivienda</b>        Si la propiedad tuvo una valoración para su préstamo, su prestamista debe proporcionarle una copia sin costo adicional, al menos tres días antes del cierre. Si aún no la ha recibido, comuníquese con su prestamista utilizando la información que se le brinda en la página 6.</p>												
<p><b>Cálculos del préstamo</b></p> <table border="1"> <tr> <td><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td></td> </tr> <tr> <td><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td></td> </tr> <tr> <td><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td></td> </tr> <tr> <td><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td></td> </tr> <tr> <td><b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td></td> </tr> </table>			<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.												
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.												
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.												
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.												
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.												
<p><b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p>												

Declaraciones del préstamo	Otras declaraciones
<b>Intereses de garantía</b> Se le otorga un interés de garantía en _____  Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.	<b>Deducciones tributarias</b> Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Deberá consultar con un asesor fiscal para obtener más información.
<b>Pago atrasado</b> Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.	<b>Detalles del contrato</b> Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente: <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul>
<b>Pagos parciales</b> Su prestamista <input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo. <input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo. <input type="checkbox"/> no acepta pagos parciales. Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.	<b>Refinanciamiento</b> El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.
<b>Supuestos</b> Si usted vende o transfiere esta propiedad a otra persona su prestamista, <input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.	<b>Responsabilidad luego de la ejecución de la hipoteca</b> Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo: <input type="checkbox"/> la ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información. <input type="checkbox"/> la ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.
<b>Cálculos del préstamo</b>	<p><b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p>
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.	
<b>Cargo financiero.</b> El monto en dólares que costará el préstamo.	
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.	
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.	
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	

Consumer Financial Protection Bureau

Pt. 1026, App. H

Información de contacto					
	Prestamista	Corredor hipotecario	Corredor Inmobiliario (Deudor)	Corredor Inmobiliario (Vendedor)	Agente a cargo de la operación de cierre
Nombre					
Dirección					
N.º de NMLS					
N.º de licencia de _____					
Contacto					
ID. de contacto de NMLS					
ID. de contacto de licencia de _____					
Correo electrónico					
Teléfono					

**Confirmación de recepción**

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

Firma del solicitante

Fecha

Firma del cosolicitante

Fecha

<b>Deducciones del préstamo</b>		<b>Otras declaraciones</b>
<b>Intereses de garantía</b> Se le otorga un interés de garantía en _____  Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.		
<b>Pago atrasado</b> Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.		
<b>Pago parcial</b> Su prestamista <input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo. <input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo. <input type="checkbox"/> no acepta pagos parciales. Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.		
<b>Supuestos</b> Si usted vende o transfiere esta propiedad a otra persona su prestamista, <input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.		
<b>Cálculos del préstamo</b>		
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.	<b>Valoración de la vivienda</b> Si la propiedad tuvo una valoración para su préstamo, su prestamista debe proporcionarle una copia sin costo adicional, al menos tres días antes del cierre. Si aún no la ha recibido, comuníquese con su prestamista utilizando la información que se le brinda en la página 6.	
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.		
<b>Aceptación del préstamo</b> No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.		
<b>Deducciones tributarias</b> Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Debería consultar con un asesor fiscal para obtener más información.		
<b>Detalles del contrato</b> Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente: <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul>		
<b>Refinanciamiento</b> El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.		
<b>Responsabilidad luego de la ejecución de la hipoteca</b> Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo: <input type="checkbox"/> La ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información. <input type="checkbox"/> La ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.		
<b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a> .		

## Consumer Financial Protection Bureau

Pt. 1026, App. H

<b>Declaraciones del préstamo</b>		<b>Otras declaraciones</b>										
<p><b>Intereses de garantía</b>            Se le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b>            Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pago parcial</b>            Su prestamista  <input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.  <input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.  <input type="checkbox"/> no acepta pagos parciales.            Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b>            Si usted vende o transfiere esta propiedad a otra persona su prestamista,  <input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.  <input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.</p>												
<p><b>Cálculos del préstamo</b></p> <table border="1"> <tr> <td><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td></td> </tr> <tr> <td><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td></td> </tr> <tr> <td><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td></td> </tr> <tr> <td><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td></td> </tr> <tr> <td><b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td></td> </tr> </table>			<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.												
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.												
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.												
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.												
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.												
<p><b>Aceptación del préstamo</b>            No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.</p> <p><b>Deducciones tributarias</b>            Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Debería consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b>            Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:  <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> </p> <p><b>Refinanciamiento</b>            El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b>            Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:  <input type="checkbox"/> La ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.  <input type="checkbox"/> La ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</p> <p><b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p>												

Información de contacto		Prestamista	Corredor hipotecario	Corredor Inmobiliario (Deudor)	Corredor Inmobiliario (Vendedor)	Agente a cargo de la operación de cierre
Nombre						
Dirección						
N.º de NMLS						
N.º de licencia de _____						
Contacto						
ID. de contacto de NMLS						
ID. de contacto de licencia de _____						
Correo electrónico						
Teléfono						

DECLARACIÓN DE CIERRE

PÁGINA 6 DE 6 • N.º DEL PRÉSTAMO

H-28(G) MORTGAGE LOAN TRANSACTION CLOSING DISCLOSURE—SPANISH LANGUAGE PURCHASE SAMPLE

*Description:* This is a sample of the Closing Disclosure illustrated by form H-25(B) trans-

lated into the Spanish language as permitted by §1026.38(t)(5)(viii).

**Declaración de Cierre**

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

Información sobre el cierre		Información sobre la transacción	Información sobre el préstamo
Fecha de emisión	4/15/2013	Déudor	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345
Fecha de cierre	4/15/2013	Vendedor	Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345
Fecha de desembolso	4/15/2012	Prestamista	Ficus Bank
Agente a cargo de la operación de cierre	Epsilon Title Co.		
N.º de Archivo	123456		
Inmueble	456 Somewhere Ave Anytown, ST 12345		
Precio de venta	\$180,000		
			Plazo del préstamo: 30 años Finalidad: Adquisición por compra Producto: Tasa fija Tipo de préstamo: <input checked="" type="checkbox"/> Convencional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> N.º del préstamo: 123456789 N.º de MIC: 000654321

Términos del préstamo	¿Puede aumentar este monto después del cierre?
Monto del préstamo	\$162,000 NO
Tasa de interés	3.875% NO
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>	\$761.78 NO
	¿Tiene el préstamo estas características?
Multa por pago anticipado	SÍ • Hasta \$3,240 si usted paga el préstamo en su totalidad durante los primeros 2 años
Cuota extraordinaria	NO

Pagos proyectados	Años 1 a 7	Años 8 a 30
Cálculo de los pagos		
Capital e intereses	\$761.78	\$761.78
Seguro hipotecario	+ 82.35	+ —
Depósito estimado para impuestos y seguros de la vivienda <small>El monto puede aumentar con el paso del tiempo</small>	+ 206.13	+ 206.13
Pago total mensual estimado	\$1,050.26	\$967.91
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo. Consulte los detalles en la página 4.</small>	\$356.13 por mes	Esta estimación incluye <input checked="" type="checkbox"/> Impuestos sobre la propiedad <input checked="" type="checkbox"/> Seguro de la vivienda <input checked="" type="checkbox"/> Otro: Obligaciones de la Asociación de Propietarios <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>
		¿En depósito? SÍ SÍ NO

Costos al momento del cierre	
Costos de cierre	\$9,712.10 Incluye \$4,694.05 por costos del préstamo + \$5,018.05 por otros costos - \$0 por créditos del prestamista. Consulte los detalles en la página 2.
Dinero en efectivo para el cierre	\$14,147.26 Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3.

## Detalles de los costos de cierre

Costos del préstamo	Pagados por el deudor Al cierre Antes del cierre	Pagados por el vendedor Al cierre Antes del cierre	Pagados por otros
<b>A. Gastos por tramitación</b>	<b>\$1,802.00</b>		
01 0.25 % del monto del préstamo (Puntos)	\$405.00		
02 Cargo por el estudio del crédito	\$1,097.00		
03 Cargo por la solicitud del préstamo	\$300.00		
04			
05			
06			
07			
08			
<b>B. Servicios que el deudor no contrató</b>	<b>\$236.55</b>		
01 Cargo por control de zonas de inundación para Info Co.	\$31.75		
02 Cargo por determinación de zonas de inundación para Info Co.	\$20.00		
03 Cargo por fiscalización tributaria para Info Co.	\$75.00		
04 Cargo por Informe de crédito para Information Inc.		\$29.80	
05 Cargo por Investigación sobre situación tributaria para Info Co.	\$45.00		
06 Cargo por valuación de la vivienda para John Smith Appraisers Inc.			\$405.00
07			
08			
09			
<b>C. Servicios que el deudor contrató</b>	<b>\$2,655.50</b>		
01 Cargo por inspección de plagas para Pests Co.	\$120.50		
02 Cargo por perfaje (tuscos) para Surveys Co.	\$85.00		
03 Título - Estudio de títulos de propiedad para Epsilon Title Co.	\$800.00		
04 Título - Garantía provisional de seguro del título de propiedad para Epsilon Title Co.	\$650.00		
05 Título - Honorarios del agente a cargo de la operación del título del inmueble para Epsilon Title Co.	\$500.00		
06 Título - Póliza del prestamista para Epsilon Title Co.	\$500.00		
07			
<b>D. COSTOS TOTALES DEL PRÉSTAMO (pagados por el deudor)</b>	<b>\$4,694.05</b>		
Subtotales de los costos del préstamo (A + B + C)	\$4,664.25	\$29.80	
<b>Otros costos</b>			
<b>E. Impuestos y otros cargos gubernamentales</b>	<b>\$85.00</b>		
01 Costos de registro y otros impuestos por registro del título de inmueble: \$40.00 Hipoteca: \$45.00	\$85.00		
02 Impuesto a las transferencias estatales para Any State		\$950.00	
<b>F. Pagos anticipados</b>	<b>\$2,120.80</b>		
01 Impuestos sobre la propiedad (6 meses) para Any County USA	\$631.80		
02 Pago anticipado de intereses (\$17.44 por día del 4/15/13 al 5/1/13)	\$279.04		
03 Prima del seguro de hipoteca ( meses)			
04 Prima del seguro de la vivienda (12 meses) para Info Co.	\$1,209.96		
05			
<b>G. Pago inicial de la cuenta en depósito para impuestos y seguros de la vivienda</b>	<b>\$412.25</b>		
01 Impuestos sobre la propiedad de \$105.30 por mes, durante 2 meses	\$201.66		
02 Seguro de hipoteca de por mes, durante meses			
03 Seguro de la vivienda de \$100.83 por mes, durante 2 meses	\$210.60		
04			
05			
06			
07 Ajusto acumulado	-0.01		
<b>H. Otros</b>	<b>\$2,400.00</b>		
01 Aporte de capital de la HOA para HOA Ace Inc.	\$500.00		
02 Comisión de Bienes Raíces para Alpha Real Estate Broker		\$5,700.00	
03 Comisión de Bienes Raíces para Omega Real Estate Broker		\$5,700.00	
04 Tarifa de garantía de la vivienda para XYZ Warranty Inc.		\$450.00	
05 Tarifa de inspección de la vivienda para Engineers Inc.	\$750.00		
06 Tarifa de procesamiento de HOA para HOA Ace Inc.	\$150.00		
07 Título - Póliza del título de propiedad del propietario (opcional) para Epsilon Title Co.	\$1,000.00		
08			
<b>I. TOTAL DE OTROS COSTOS (pagados por el deudor)</b>	<b>\$5,018.05</b>		
Subtotales de otros costos (E + F + G + H)	\$5,018.05		
<b>J. TOTAL DE COSTOS DE CIERRE (pagados por el deudor)</b>	<b>\$9,712.10</b>		
Subtotales de costos de cierre (D + I)	\$9,682.30	\$29.80	\$12,800.00
Créditos del prestamista			\$750.00
			\$405.00

DECLARACIÓN DE CIERRE

PÁGINA 2 DE 6 • N.º DEL PRÉSTAMO 123456789

Consumer Financial Protection Bureau

Pt. 1026, App. H

Cálculo del dinero en efectivo para el cierre		Utilice esta tabla para saber lo que ha cambiado en su Estimación de Préstamo.	
	Estimación del Préstamo	Final	¿Esto cambió?
Total de costos de cierre (J)	\$8,054.00	\$9,712.10	SI • Consulte Costos totales del préstamo (D) y Total de otros costos (I)
Costos de cierre pagados antes del cierre	\$0	-\$29.80	SI • Pagó estos costos de cierre <b>antes del cierre</b>
Costos de cierre financiados (pagados del monto del préstamo)	\$0	\$0	NO
Pago inicial/Fondos del deudor	\$18,000.00	\$18,000.00	NO
Depósito	-\$10,000.00	-\$10,000.00	NO
Fondos para el deudor	\$0	\$0	NO
Créditos del vendedor	\$0	-\$2,500.00	SI • Consulte créditos del vendedor en la sección L
Ajustes y otros créditos	\$0	-\$1,035.04	SI • Consulte los detalles en las secciones K y L
Dinero en efectivo para el cierre	\$16,054.00	\$14,147.26	

Resúmenes de transacciones		Utilice esta tabla para ver el resumen de su transacción.	
<b>TRANSACCIONES DEL DEUDOR</b>		<b>TRANSACCIONES DEL VENDEDOR</b>	
<b>K. Pagaderos por el deudor al cierre</b>		<b>M. Pagaderos al vendedor al cierre</b>	
01 Precio de venta de la propiedad \$189,762.00		01 Precio de venta de la propiedad \$180,080.00	
02 Precio de venta de cualquier propiedad personal incluida en la venta		02 Precio de venta de cualquier propiedad personal incluida en la venta	
03 Costos de cierre pagados al cierre (J) \$9,682.30		03	
04		04	
<b>Ajustes</b>		05	
05		06	
06		07	
07		08	
<b>Ajustes para los artículos pagados por el vendedor por anticipado</b>		<b>Ajustes para los artículos pagados por el vendedor por anticipado</b>	
08 Impuestos municipales al		09 Impuestos municipales al	
09 Impuestos del condado al		10 Impuestos del condado al	
10 Evaluaciones estimadas al		11 Evaluaciones estimadas al	
11		12	
12		13	
13		14	
14		15	
15		16	
16		17	
<b>L. Pagado por el deudor, o en su nombre, al cierre</b>		<b>N. Pagaderos por el vendedor al cierre</b>	
01 Depósito \$10,000.00		01 Depósito excedente	
02 Monto del préstamo \$162,000.00		02 Costos de cierre pagados al cierre (J) \$12,800.00	
03 Préstamos existentes atribuidos o adquiridos sujetos a		03 Préstamos existentes atribuidos o adquiridos sujetos a	
04		04 Pago del primer préstamo hipotecario \$100,000.00	
05 Crédito del vendedor \$2,500.00		05 Pago del segundo préstamo hipotecario	
<b>Otros créditos</b>		06	
06 Devolución de Epsilon Title Co. \$750.00		07	
07		08 Crédito del vendedor \$2,500.00	
<b>Ajustes</b>		09	
08		10	
09		11	
10		12	
11		13	
<b>Ajustas para los artículos no pagados por el vendedor</b>		<b>Ajustas para los artículos no pagados por el vendedor</b>	
12 Impuestos municipales del 1/1/13 al 4/14/13 \$365.04		14 Impuestos municipales del 1/1/13 al 4/14/13 \$365.04	
13 Impuestos del condado al		15 Impuestos del condado al	
14 Evaluaciones estimadas al		16 Evaluaciones estimadas al	
15		17	
16		18	
17		19	
<b>CÁLCULO</b>			
Total pagado por el deudor al cierre (K) \$189,762.30			
Total pagado por el deudor, o en su nombre, al cierre (L) -\$175,615.04			
<b>Dinero en efectivo para el cierre</b>			
<input checked="" type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor \$14,147.26			

DECLARACIÓN DE CIERRE

PÁGINA 3 DE 6 - N.º DEL PRÉSTAMO 123456789

### Información adicional sobre este préstamo

#### Deducciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad con una cuenta en depósito durante el primer año	\$2,473.56	Monto total estimado durante el primer año para sus costos de la propiedad con depósito: <b>Seguro de la vivienda</b> <b>Impuestos sobre la propiedad</b>
Costos de la propiedad sin una cuenta en depósito durante el primer año	\$1,800.00	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito: <b>Obligaciones de la Asociación de Propietarios</b> Es posible que tenga que pagar otros costos de la propiedad.
Pago inicial para la cuenta en depósito	\$412.25	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
Pago mensual para la cuenta en depósito	\$206.13	El monto incluido en su pago mensual total.

- no tendrá una cuenta de depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente los costos de la propiedad, como impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguro de la vivienda.

Sin cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad estimados durante el primer año		Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito		

**En el futuro,**

Es posible que los costos de la propiedad cambien y, como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

## Consumer Financial Protection Bureau

Pt. 1026, App. H

### Declaraciones del préstamo

#### Intereses de garantía

Se le otorga un interés de garantía en  
456 Somewhere Ave, Anytown, ST 12345

Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.

#### Pago atrasado

Si su pago presenta un retraso de más de 15 días, le cobraremos un recargo de 5 % sobre el monto total de los intereses y el capital que paga mensualmente.

#### Pagos parciales

Su prestamista

- aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.
  - podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.
  - no acepta pagos parciales.
- Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.

#### Supuestos

Si usted vende o transfiere esta propiedad a otra persona su prestamista,

- permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.
- no permitirá que se asuma este préstamo con sus términos y condiciones originales.

### Cálculos del préstamo

<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.	\$285,803.36
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.	\$118,830.27
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.	\$162,000.00
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.	4.174%
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	69.46%

### Otras declaraciones

#### Deducciones tributarias

Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Deberá consultar con un asesor fiscal para obtener más información.

#### Detalles del contrato

Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:

- ¿Qué sucede si no hace sus pagos?
- ¿Qué es un incumplimiento de pago del préstamo?
- Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.
- Las reglas para realizar pagos antes de la fecha estipulada.

#### Refinanciamiento

El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.

#### Responsabilidad luego de la ejecución de la hipoteca

Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:

- la ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.
- la ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.

#### Valoración de la vivienda

Si la propiedad tuvo una valoración para su préstamo, su prestamista debe proporcionarle una copia sin costo adicional, al menos tres días antes del cierre. Si aún no la ha recibido, comuníquese con su prestamista utilizando la información que se le brinda en la página 6.

**¿Tiene preguntas?** Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en [www.consumerfinance.gov/mortgage-closing](http://www.consumerfinance.gov/mortgage-closing).

Información de contacto						
	Prestamista	Corredor hipotecario	Corredor inmobiliario (Deudor)	Corredor inmobiliario (Vendedor)	Agente a cargo de la operación de cierre	
Nombre	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.	
Dirección	4321 Random Blvd. Sometown, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Sometown, ST 12344	
N.º de NMLS						
N.º de licencia de ST			Z765416	Z61456	Z61616	
Contacto	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold	
ID. de contacto de NMLS	12345					
ID. de contacto de licencia de ST			P16415	P51461	PT1234	
Correo electrónico	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com	
Teléfono	123-456-7890		123-555-1717	321-555-7171	987-555-4321	

## Confirmación de recepción

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

Firma del solicitante	Fecha	Firma del cosolicitante	Fecha
-----------------------	-------	-------------------------	-------

**Declaración de Cierre**

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

**Información sobre el cierre**

Fecha de emisión 4/15/2013  
 Fecha de cierre 4/15/2013  
 Fecha de desembolso 4/15/2012  
 Agente a cargo de la operación de cierre Zeta Title  
 N.º de Archivo 12-3456  
 Inmueble 123 Anywhere Street  
 Anytown, ST 12345  
 Valoración de la vivienda \$180,000

**Información sobre la transacción**

Deudor Michael Jones and Mary Stone  
 123 Anywhere Street  
 Anytown, ST 12345  
 Prestamista Ficus Bank

**Información sobre el préstamo**

Plazo del préstamo 30 años  
 Finalidad Refinanciamiento  
 Producto Tasa fija  
 Tipo de préstamo  Convencional  FHA  
 VA   
 N.º del préstamo 123456789  
 N.º de MIC 009874513

**Términos del préstamo**

		¿Puede aumentar este monto después del cierre?
Monto del préstamo	\$150,000	NO
Tasa de interés	4.25%	NO
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>	\$737.91	NO
		¿Tiene el préstamo estas características?
Multa por pago anticipado		NO
Cuota extraordinaria		NO

**Pagos proyectados**

Cálculo de los pagos	Años 1 a 4	Años 5 a 30
Capital e intereses	\$737.91	\$737.91
Seguro hipotecario	+ 82.35	+ —
Depósito estimado para impuestos y seguros de la vivienda <small>El monto puede aumentar con el paso del tiempo</small>	+ 206.13	+ 206.13
Pago total mensual estimado	\$1,026.39	\$944.04
Impuestos, seguro y evaluaciones estimados <small>El monto puede aumentar con el paso del tiempo. Consulte los detalles en la página 4.</small>	\$356.13 por mes	Esta estimación incluye <input checked="" type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Sí <input checked="" type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Sí <input checked="" type="checkbox"/> Otro: Obligaciones de la asociación de propietarios <input type="checkbox"/> NO <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>

**Costos al momento del cierre**

Costos de cierre	\$5,757.57	Incluye \$3,495.50 por costos del préstamo + \$2,762.07 por otros costos – \$500 por créditos del prestamista. Consulte los detalles en la página 2.
Dinero en efectivo para el cierre	\$29,677.43	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3. <input type="checkbox"/> Del Deudor <input checked="" type="checkbox"/> Para Deudor

**Detalles de los costos de cierre**

<b>Costos del préstamo</b>	<b>Pagados por el deudor</b> Al cierre      Antes del cierre	<b>Pagados por otros</b>
<b>A. Gastos por tramitación</b>	<b>\$1,950.00</b>	
01 .5 % del monto del préstamo (Puntos)	\$750.00	
02 Cargo por el estudio del crédito	\$500.00	
03 Cargo por tramitación	\$450.00	
04 Cargo por la solicitud del préstamo	\$250.00	
05		
06		
07		
08		
<b>B. Servicios que el deudor no contrata</b>	<b>\$610.00</b>	
01 Cargo por control de zonas de inundación para Info Co.	\$45.00	
02 Cargo por delimitación de zonas de inundación para Info Co.	\$20.00	
03 Cargo por fiscalización tributaria para Info Co.	\$65.00	
04 Cargo por Informe de crédito para Information Inc.		\$30.00
05 Cargo por Investigación sobre situación tributaria para Info Co.	\$45.00	
06 Cargo por valuación de la vivienda para John Smith Appraisers Inc.		\$405.00
07		
08		
09		
<b>C. Servicios que el deudor contrata</b>	<b>\$935.50</b>	
01 Cargo por inspección de plagas para Perts Co.	\$85.00	
02 Título - Estudio de títulos de propiedad para Epsilon Title Co.	\$200.00	
03 Título - Garantía provisional de seguro del título de propiedad para Epsilon Title Co.	\$50.00	
04 Título - Honorarios del agente a cargo de la operación del título del inmueble para Epsilon Title Co.	\$350.00	
05 Título - Política del prestamista para Epsilon Title Co.	\$250.50	
06		
<b>D. COSTOS TOTALES DEL PRÉSTAMO (pagados por el deudor)</b>	<b>\$3,495.50</b>	
Subtotales de los costos del préstamo (A + B + C)	\$3,060.50	\$435.00
<b>Otros costos</b>		
<b>E. Impuestos y otros cargos gubernamentales</b>	<b>\$60.00</b>	
01 Costos de registro y otros impuestos por registro del título de inmueble: Hipoteca: \$60.00	\$60.00	
02		
<b>F. Pagos anticipados</b>	<b>\$2,125.12</b>	
01 Impuestos sobre la propiedad (6 meses) para Any County USA	\$631.80	
02 Pago anticipado de intereses (\$17.71 por día del 4/15/2013 al 5/1/2013)	\$283.36	
03 Prima del seguro de hipoteca (meses)		
04 Prima del seguro de la vivienda (12 meses) para Insurance Co.	\$1,209.96	
05		
<b>G. Pago inicial de la cuenta en depósito para impuestos y seguros de la vivienda</b>	<b>\$576.95</b>	
01 Impuestos sobre la propiedad de \$105.30 por mes, durante 2 meses	\$210.60	
02 Seguro de hipoteca de \$82.35 por mes, durante 2 meses	\$164.70	
03 Seguro de la vivienda de \$100.83 por mes, durante 2 meses	\$201.66	
04		
05		
06		
07 Ajusto acumulado	-0.01	
<b>H. Otros</b>		
01		
02		
03		
04		
05		
06		
07		
08		
<b>I. TOTAL DE OTROS COSTOS (pagados por el deudor)</b>	<b>\$2,762.07</b>	
Subtotales de otros costos (E + F + G + H)	\$2,762.07	
<b>J. TOTAL DE COSTOS DE CIERRE (pagados por el deudor)</b>	<b>\$5,757.57</b>	
Subtotales de costos de cierre (D + I)	\$5,827.57	\$435.00
Créditos del prestamista	-\$500.00	

DECLARACIÓN DE CIERRE

PÁGINA 2 DE 6 • N.º DEL PRÉSTAMO 123456789

Consumer Financial Protection Bureau

Pt. 1026, App. H

Liquidaciones y pagos		Utilice esta tabla para ver un resumen de sus liquidaciones y de sus pagos realizados a otros utilizando el monto del préstamo.
PARA		MONTO
01	Liquidará el préstamo existente de Rho Servicing	\$115,000.00
02		
03		
04		
05		
06		
07		
08		
09		
10		
11		
12		
13		
14		
15		
<b>K. TOTAL DE LIQUIDACIONES Y PAGOS</b>		<b>\$115,000.00</b>

Cálculo del dinero en efectivo para el cierre		Utilice esta tabla para saber lo que ha cambiado en su Estimación de Préstamo.	
		Estimación del Préstamo	Final
Monto del préstamo		\$150,000.00	\$150,000.00
Total de costos de cierre (J)		-\$5,099.00	-\$5,757.57
Costos de cierre pagados antes del cierre		\$0	\$435.00
Total de liquidaciones y pagos (K)		-\$120,000	-\$115,000
Dinero en efectivo para el cierre		\$24,901.00	\$29,677.43
		<input type="checkbox"/> Del Deudor <input checked="" type="checkbox"/> Para Deudor	<input type="checkbox"/> Del Deudor <input checked="" type="checkbox"/> Para Deudor
			Costos de cierre financiados (pagados del monto del préstamo) \$5,322.57

### Información adicional sobre este préstamo

#### Deducciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad con una cuenta en depósito durante el primer año	\$2,473.56	Monto total estimado durante el primer año para sus costos de la propiedad con depósito: <i>Obligaciones de la asociación de propietarios</i> Seguro de la vivienda Impuestos sobre la propiedad
Costos de la propiedad sin una cuenta en depósito durante el primer año	\$1,800.00	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito: <i>Obligaciones de la asociación de propietarios</i> Es posible que tenga que pagar otros costos de la propiedad.
Pago inicial para la cuenta en depósito	\$576.95	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
Pago mensual para la cuenta en depósito	\$206.13	El monto incluido en su pago mensual total.

- no tendrá una cuenta de depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente los costos de la propiedad, como impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguro de la vivienda.

Sin cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad estimados durante el primer año		Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito		

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede ser que cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

## Consumer Financial Protection Bureau

Pt. 1026, App. H

Declaraciones del préstamo		Otras declaraciones
<b>Intereses de garantía</b> Se le otorga un interés de garantía en 456 Somewhere Ave, Anytown, ST 12345		
Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.		
<b>Pago atrasado</b> Si su pago presenta un retraso de más de 15 días, le cobraremos un recargo de 5 % sobre el monto total de los intereses y el capital que paga mensualmente.		
<b>Pagos parciales</b> Su prestamista <input checked="" type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo. <input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo. <input type="checkbox"/> no acepta pagos parciales. Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.		
<b>Supuestos</b> Si usted vende o transfiere esta propiedad a otra persona su prestamista, <input type="checkbox"/> su prestamista permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input checked="" type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.		
<b>Cálculos del préstamo</b>		
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.	\$273,214.50	
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.	\$121,029.00	
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.	\$148,241.94	
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.	4.543%	
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	77.29%	
<b>?</b> <b>Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a> .		

DECLARACIÓN DE CIERRE

PÁGINA 5 DE 6 • N.º DEL PRÉSTAMO 123456789

Información de contacto			
	Prestamista	Corredor hipotecario	Agente a cargo de la operación de cierre
Nombre	Ficus Bank		Zeta Title
Dirección	4321 Random Blvd. Somewhere, ST 12340		321 Uptown Dr. Anytown, ST 12345
N.º de NMLS			
N.º de licencia de ST			P76821
Contacto	Joe Smith		Joan Taylor
ID. de contacto de NMLS	12345		
ID. de contacto de licencia de ST			PT1234
Correo electrónico	joesmith@ficusbank.com		joan@zt.biz
Teléfono	123-456-7890		555-321-9876

#### **Confirmación de recepción**

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

**Firma del solicitante** \_\_\_\_\_ **Fecha** \_\_\_\_\_ **Firma del cosolicitante** \_\_\_\_\_ **Fecha** \_\_\_\_\_

### DECLARACIÓN DE CIERRE

PÁGINA 6 DE 6 - N° DEL PRÉSTAMO 123456789

H-28(I) MORTGAGE LOAN TRANSACTION LOAN  
ESTIMATE—MODIFICATION TO LOAN ESTI-  
MATE FOR TRANSACTION NOT INVOLVING  
SELLER—SPANISH LANGUAGE MODEL FORM

*Description:* This is a blank model Loan Estimate that illustrates form H-24(G), with

the optional alternative disclosures permitted by §1026.37(d)(2) and (h)(2) for transactions without a seller, translated into the Spanish language as permitted by §1026.37(o)(5)(ii).

Guarde esta Estimación de Préstamo para compararla con su Declaración de Cierre.

### Estimación de Préstamo

FECHA DE EMISIÓN  
SOLICITANTES

PLAZO DEL PRÉSTAMO  
FINALIDAD  
PRODUCTO  
TIPO DE PRÉSTAMO  Convencional  FHA  VA  \_\_\_\_\_  
N.º DEL PRÉSTAMO  
BLOQUEO DE TASA  NO  Sí, hasta el \_\_\_\_\_ a las \_\_\_\_\_

INMUEBLE

VALOR ESTIMADO  
DE LA VIVIENDA

*Antes del cierre, la tasa de interés, los puntos y los créditos del prestamista podrían cambiar, a menos que usted bloquee la tasa de interés. Todos los demás costos de cierre estimados estarán vigentes hasta el \_\_\_\_\_.*

## Términos del préstamo

## ¿Puede aumentar este monto después del cierre?

Monto del préstamo

Tasa de interés

Pago mensual de intereses y capital

*Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual*

## ¿Tiene el préstamo estas características?

Multa por pago anticipado

Cuota extraordinaria

## Pagos proyectados

Cálculo de los pagos

Capital e intereses

Seguro hipotecario

Depósito estimado para impuestos y seguros de la vivienda  
*El monto puede aumentar con el paso del tiempo*

Pago total mensual estimado

## Esta estimación incluye

- Impuestos sobre la propiedad
- Seguro de la vivienda
- Otro:

## ¿En depósito?

*Consulte la Sección G en la página 2 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.*

## Costos al momento del cierre

Costos de cierre estimados

Incluye \_\_\_\_\_ por costos del préstamo + \_\_\_\_\_ por otros costos  
- \_\_\_\_\_ por créditos del prestamista. Consulte los detalles en la página 2.

Dinero en efectivo estimado para el cierre

Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 2.  Del Deudor  Para Deudor

Visite [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) para información general y ayuda.

**Detalles de los costos del cierre**

<b>Costos del préstamo</b>	<b>Otros costos</b>
<b>A. Gastos por tramitación</b> % del monto del préstamo (Puntos)	<b>E. Impuestos y otros cargos gubernamentales</b> Costos de registro y otros impuestos Impuestos por transferencia de título
	<b>F. Pagos anticipados</b> Impuestos sobre la propiedad ( meses) Pago anticipado de intereses ( diarios durante días a la tasa de ) Prima del seguro de hipoteca ( meses) Prima del seguro de la vivienda ( meses)
<b>B. Servicios que usted no puede contratar</b>	<b>G. Pago Inicial de la cuenta en depósito al cierre</b> Impuestos sobre la propiedad de por mes durante meses Seguro de hipoteca de por mes durante meses Seguro de la vivienda de por mes durante meses
	<b>H. Otros</b>
	<b>I. TOTAL DE OTROS COSTOS (E + F + G + H)</b>
<b>C. Servicios que usted puede contratar</b>	<b>J. TOTAL DE COSTOS DE CIERRE</b> D + I Créditos del prestamista
	<b>Cálculo del dinero en efectivo para el cierre</b> Monto del préstamo Total de costos de cierre (J) Liquidaciones y pagos totales estimados Dinero en efectivo estimado para el cierre <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor
<b>D. COSTOS TOTALES DEL PRESTAMO (A + B + C)</b>	Costos de cierre financiados estimados (pagados del monto del préstamo)

**Detalles de los costos del cierre**

<b>Costos del préstamo</b>	<b>Otros costos</b>
<b>A. Gastos por tramitación</b> % del monto del préstamo (Puntos)	<b>E. Impuestos y otros cargos gubernamentales</b> Costos de registro y otros impuestos Impuestos por transferencia de título
<b>B. Servicios que usted no puede contratar</b>	<b>F. Pagos anticipados</b> Impuestos sobre la propiedad ( meses) Pago anticipado de intereses ( diarios durante días a la tasa de ) Prima del seguro de hipoteca ( meses) Prima del seguro de la vivienda ( meses)
<b>C. Servicios que usted puede contratar</b>	<b>G. Pago Inicial de la cuenta en depósito al cierre</b> Impuestos sobre la propiedad de por mes durante meses Seguro de hipoteca de por mes durante meses Seguro de la vivienda de por mes durante meses
<b>D. COSTOS TOTALES DEL PRESTAMO (A + B + C)</b>	<b>H. Otros</b>
<b>I. TOTAL DE OTROS COSTOS (E + F + G + H)</b>	
<b>J. TOTAL DE COSTOS DE CIERRE</b> D + I Créditos del prestamista	
<b>Cálculo del dinero en efectivo para el cierre</b> Monto del préstamo Total de costos de cierre (J) Liquidaciones y pagos totales estimados Dinero en efectivo estimado para el cierre <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	
Costos de cierre financiados estimados (pagados del monto del préstamo)	
<b>Tabla de pagos ajustables (PA)</b>	<b>Tabla de tasa de interés ajustable (TIA)</b>
1 Pago de interés solamente?	Índice + Margen
2 Pagos opcionales?	Tasa de interés inicial
3 Pagos escalonados?	Tasa de interés mínima/máxima
4 Pagos estacionales?	Frecuencia de los cambios
Pagos mensuales de capital e intereses	Primer cambio
Primer cambio/Monto	Cambios subsiguientes
Cambios subsiguientes	Límites de cambios en la tasa de interés
Pago máximo	Primer cambio
	Cambios subsiguientes

ESTIMACIÓN DE PRÉSTAMO

PÁGINA 2 DE 3 • N.º DEL PRÉSTAMO

**Detalles de los costos del cierre**

<b>Costos del préstamo</b>	<b>Otros costos</b>
<b>A. Gastos por tramitación</b> % del monto del préstamo (Puntos)	<b>E. Impuestos y otros cargos gubernamentales</b> Costos de registro y otros impuestos Impuestos por transferencia de título
	<b>F. Pagos anticipados</b> Impuestos sobre la propiedad ( meses) Pago anticipado de intereses ( diarios durante días a la tasa de ) Prima del seguro de hipoteca ( meses) Prima del seguro de la vivienda ( meses)
	<b>G. Pago inicial de la cuenta en depósito al cierre</b> Impuestos sobre la propiedad de por mes durante meses Seguro de hipoteca de por mes durante meses Seguro de la vivienda de por mes durante meses
<b>B. Servicios que usted no puede contratar</b>	<b>H. Otros</b>
	<b>I. TOTAL DE OTROS COSTOS (E + F + G + H)</b>
<b>C. Servicios que usted puede contratar</b>	<b>J. TOTAL DE COSTOS DE CIERRE</b> D + I Créditos del prestamista
	<b>Cálculo del dinero en efectivo para el cierre</b> Monto del préstamo Total de costos de cierre (J) Liquidaciones y pagos totales estimados Dinero en efectivo estimado para el cierre <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor
<b>D. COSTOS TOTALES DEL PRESTAMO (A + B + C)</b>	Costos de cierre financiados estimados (pagados del monto del préstamo)
<b>Tabla de pagos ajustables (PA)</b>	
¿Pago de interés solamente?	
¿Pagos opcionales?	
¿Pagos escalonados?	
¿Pagos estacionales?	
Pagos mensuales de capital e intereses	
Primer cambio/Monto	
Cambios subsiguientes	
Pago máximo	

ESTIMACIÓN DE PRÉSTAMO

PÁGINA 2 DE 3 • N.º DEL PRÉSTAMO

**Detalles de los costos del cierre**

<b>Costos del préstamo</b>	<b>Otros costos</b>
<b>A. Gastos por tramitación</b> % del monto del préstamo (Puntos)	<b>E. Impuestos y otros cargos gubernamentales</b> Costos de registro y otros impuestos Impuesto por transferencia de título
<b>B. Servicios que usted no puede contratar</b>	<b>F. Pagos anticipados</b> Impuestos sobre la propiedad ( meses) Pago anticipado de intereses ( diarios durante días a la tasa de ) Prima del seguro de hipoteca ( meses) Prima del seguro de la vivienda ( meses)
<b>C. Servicios que usted puede contratar</b>	<b>G. Pago inicial de la cuenta en depósito al cierre</b> Impuestos sobre la propiedad de por mes durante meses Seguro de hipoteca de por mes durante meses Seguro de la vivienda de por mes durante meses
<b>D. COSTOS TOTALES DEL PRESTAMO (A + B + C)</b>	<b>H. Otros</b>
<b>I. TOTAL DE OTROS COSTOS (E + F + G + H)</b>	
<b>J. TOTAL DE COSTOS DE CIERRE</b> D + I Créditos del prestamista	
<b>Cálculo del dinero en efectivo para el cierre</b> Monto del préstamo Total de costos de cierre (J) Liquidaciones y pagos totales estimados Dinero en efectivo estimado para el cierre <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	
Costos de cierre financiados estimados (pagados del monto del préstamo)	
<b>Tabla de tasa de interés ajustable (TIA)</b>	
Índice + Margen	
Tasa de interés inicial	
Tasa de interés mínima/máxima	
Frecuencia de los cambios	
Primer cambio	
Cambios subsiguientes	
Límites de cambios en la tasa de Interés	
Primer cambio	
Cambios subsiguientes	

**Información adicional sobre este préstamo**

**PRESTAMISTA**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

**CORREDOR HIPOTECARIO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

Comparaciones	Utilice estas medidas para comparar este préstamo con otros.
<b>En 5 años</b>	Total que habrá pagado en capital, intereses, seguro hipotecario y costos del préstamo. Capital que habrá pagado.
<b>Tasa porcentual anual (APR)</b>	Sus costos durante el plazo del préstamo expresados como una tasa. Esta no es su tasa de interés.
<b>Total de intereses pagados a lo largo del plazo del préstamo (TIP)</b>	El monto total de intereses que pagará durante el plazo del préstamo como porcentaje del monto del préstamo.

**Otras consideraciones**

<b>Administración del préstamo</b>	Nuestra intención es <input type="checkbox"/> brindarle servicios de administración de su préstamo. De ser así, usted emitirá los pagos a nuestro nombre. <input type="checkbox"/> transferir los servicios de administración de su préstamo.
<b>Pago atrasado</b>	Si su pago presenta un retraso de más de _____ días, le cobraremos un recargo de _____.
<b>Refinanciamiento</b>	El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de la propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.
<b>Responsabilidad luego de la ejecución de la hipoteca</b>	Si usted acepta este préstamo, podría perder la protección de la ley estatal que quizás tenga en este momento contra la responsabilidad de pagar la deuda impaga si su prestamista ejecuta la hipoteca sobre su casa. Si pierde esta protección, puede que tenga que pagar la deuda restante incluso después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.
<b>Seguro de la vivienda</b>	Este préstamo exige un seguro de la vivienda, que puede obtenerse de una empresa que usted seleccione y que nosotros consideremos aceptable.
<b>Supuestos</b>	Si usted vende o transfiere esta propiedad a otra persona, <input type="checkbox"/> permitiremos, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitiremos que se asuma este préstamo con sus términos y condiciones originales.
<b>Valoración de la vivienda</b>	Es posible que pidamos una valoración de la vivienda para determinar el valor de la propiedad y que le cobremos por esta valoración de la vivienda. Inmediatamente, le daremos una copia de la valoración aunque su préstamo no se cierre. Puede pagar para que se haga otra valoración de la vivienda más para su uso personal y esta correrá por su cuenta.

**Confirmación de recepción**

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

Firma del solicitante	Fecha	Firma del cosolicitante	Fecha
ESTIMACIÓN DE PRÉSTAMO			

PÁGINA 3 DE 3 • N.º DEL PRÉSTAMO

**Información adicional sobre este préstamo**

**PRESTAMISTA**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
 TELÉFONO

**CORREDOR HIPOTECARIO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
 TELÉFONO

Comparaciones	Utilice estas medidas para comparar este préstamo con otros.
<b>En 5 años</b>	Total que habrá pagado en capital, intereses, seguro hipotecario y costos del préstamo. Capital que habrá pagado.
<b>Tasa porcentual anual (APR)</b>	Sus costos durante el plazo del préstamo expresados como una tasa. Esta no es su tasa de interés.
<b>Total de intereses pagados a lo largo del plazo del préstamo (TIP)</b>	El monto total de intereses que pagará durante el plazo del préstamo como porcentaje del monto del préstamo.

**Otras consideraciones**

<b>Aceptación del préstamo</b>	No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.
<b>Administración del préstamo</b>	Nuestra intención es <input type="checkbox"/> brindarle servicios de administración de su préstamo. De ser así, usted emitirá los pagos a nuestro nombre. <input type="checkbox"/> transferir los servicios de administración de su préstamo.
<b>Pago atrasado</b>	Si su pago presenta un retraso de más de _____ días, le cobraremos un recargo de _____.
<b>Refinanciamiento</b>	El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de la propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.
<b>Responsabilidad luego de la ejecución de la hipoteca</b>	Si usted acepta este préstamo, podría perder la protección de la ley estatal que quizás tenga en este momento contra la responsabilidad de pagar la deuda impaga si su prestamista ejecuta la hipoteca sobre su casa. Si pierde esta protección, puede que tenga que pagar la deuda restante incluso después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.
<b>Seguro de la vivienda</b>	Este préstamo exige un seguro de la vivienda, que puede obtenerse de una empresa que usted seleccione y que nosotros consideremos aceptable.
<b>Supuestos</b>	Si usted vende o transfiere esta propiedad a otra persona, <input type="checkbox"/> permitiremos, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitiremos que se asuma este préstamo con sus términos y condiciones originales.
<b>Valoración de la vivienda</b>	Es posible que pidamos una valoración de la vivienda para determinar el valor de la propiedad y que le cobremos por esta valoración de la vivienda. Inmediatamente, le daremos una copia de la valoración aunque su préstamo no se cierre. Puede pagar para que se haga otra valoración de la vivienda más para su uso personal y esta correrá por su cuenta.

**Información adicional sobre este préstamo**

**PRESTAMISTA**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

**CORREDOR HIPOTECARIO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

Comparaciones	Utilice estas medidas para comparar este préstamo con otros.
<b>En 5 años</b>	Total que habrá pagado en capital, intereses, seguro hipotecario y costos del préstamo. Capital que habrá pagado.
<b>Tasa porcentual anual (APR)</b>	Sus costos durante el plazo del préstamo expresados como una tasa. Esta no es su tasa de interés.
<b>Total de intereses pagados a lo largo del plazo del préstamo (TIP)</b>	El monto total de intereses que pagará durante el plazo del préstamo como porcentaje del monto del préstamo.

**Otras consideraciones**

<b>Administración del préstamo</b>	Nuestra intención es <input type="checkbox"/> brindarle servicios de administración de su préstamo. De ser así, usted emitirá los pagos a nuestro nombre. <input type="checkbox"/> transferir los servicios de administración de su préstamo.
<b>Pago atrasado</b>	Si su pago presenta un retraso de más de _____ días, le cobraremos un recargo de _____.
<b>Refinanciamiento</b>	El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de la propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.
<b>Responsabilidad luego de la ejecución de la hipoteca</b>	Si usted acepta este préstamo, podría perder la protección de la ley estatal que quizás tenga en este momento contra la responsabilidad de pagar la deuda impaga si su prestamista ejecuta la hipoteca sobre su casa. Si pierde esta protección, puede que tenga que pagar la deuda restante incluso después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.
<b>Supuestos</b>	Si usted vende o transfiere esta propiedad a otra persona, <input type="checkbox"/> permitiremos, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitiremos que se asuma este préstamo con sus términos y condiciones originales.

**Confirmación de recepción**

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

Firma del solicitante	Fecha	Firma del cosolicitante	Fecha
ESTIMACIÓN DE PRÉSTAMO	PÁGINA 3 DE 3 • N.º DEL PRÉSTAMO		

**Información adicional sobre este préstamo**

**PRESTAMISTA**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

**CORREDOR HIPOTECARIO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**AGENTE DE PRÉSTAMO**  
 N.º DE NMLS/ LICENCIA DE \_\_\_\_\_  
**CORREO ELECTRÓNICO**  
**TELÉFONO**

Comparaciones	Utilice estas medidas para comparar este préstamo con otros.
<b>En 5 años</b>	Total que habrá pagado en capital, intereses, seguro hipotecario y costos del préstamo. Capital que habrá pagado.
<b>Tasa porcentual anual (APR)</b>	Sus costos durante el plazo del préstamo expresados como una tasa. Esta no es su tasa de interés.
<b>Total de intereses pagados a lo largo del plazo del préstamo (TIP)</b>	El monto total de intereses que pagará durante el plazo del préstamo como porcentaje del monto del préstamo.

Otras consideraciones	
<b>Aceptación del préstamo</b>	No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.
<b>Administración del préstamo</b>	Nuestra intención es <input type="checkbox"/> brindarle servicios de administración de su préstamo. De ser así, usted emitirá los pagos a nuestro nombre. <input type="checkbox"/> transferir los servicios de administración de su préstamo.
<b>Pago atrasado</b>	Si su pago presenta un retraso de más de _____ días, le cobraremos un recargo de _____.
<b>Refinanciamiento</b>	El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de la propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.
<b>Responsabilidad luego de la ejecución de la hipoteca</b>	Si usted acepta este préstamo, podría perder la protección de la ley estatal que quizás tenga en este momento contra la responsabilidad de pagar la deuda impaga si su prestamista ejecuta la hipoteca sobre su casa. Si pierde esta protección, puede que tenga que pagar la deuda restante incluso después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.
<b>Supuestos</b>	Si usted vende o transfiere esta propiedad a otra persona, <input type="checkbox"/> permitiremos, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales. <input type="checkbox"/> no permitiremos que se asuma este préstamo con sus términos y condiciones originales.

H-28(J) MORTGAGE LOAN TRANSACTION CLOSING DISCLOSURE—MODIFICATION TO CLOSING DISCLOSURE FOR TRANSACTION NOT INVOLVING SELLER—SPANISH LANGUAGE MODEL FORM

*Description:* This is a blank model Closing Disclosure that illustrates form H-25(J),

with the alternative disclosures under § 1026.38(d)(2), (e), and (t)(5)(vii) for transactions without a seller, translated into the Spanish language as permitted by § 1026.38(t)(5)(viii).

## Declaración de Cierre

Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.

Información sobre el cierre	Información sobre la transacción	Información sobre el préstamo
Fecha de emisión Fecha de cierre Fecha de desembolso Agente a cargo de la operación de cierre N.º de Archivo Inmueble  Valoración de la vivienda	Deudor  Prestamista	Plazo del préstamo Finalidad Producto  Tipo de préstamo <input type="checkbox"/> Convencional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> N.º del préstamo N.º de MIC
Términos del préstamo	¿Puede aumentar este monto después del cierre?	
Monto del préstamo		
Tasa de interés		
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>		
Multa por pago anticipado	¿Tiene el préstamo estas características?	
Cuota extraordinaria		
Pagos proyectados		
Cálculo de los pagos		
Capital e intereses  Seguro hipotecario <small>Depósito estimado para impuestos y seguros de la vivienda El monto puede aumentar con el paso del tiempo</small>		
Pago total mensual estimado	Esta estimación incluye  <input type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro:  <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	¿En depósito?  <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor
Costos al momento del cierre		
Costos de cierre	Incluye - por costos del préstamo + por créditos del prestamista. Consulte los detalles en la página 2.	por otros costos
Dinero en efectivo para el cierre	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3. <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	

**Declaración de Cierre**

*Este formulario es una declaración sobre los términos y condiciones finales del préstamo y los costos de cierre. Compare este documento con su Estimación de Préstamo.*

Información sobre el cierre	Información sobre la transacción	Información sobre el préstamo
Fecha de emisión Fecha de cierre Fecha de desembolso Agente a cargo de la operación de cierre N.º de Archivo Inmueble  Valor estimado de la vivienda	Deudor  Prestamista	Plazo del préstamo Finalidad Producto  Tipo de préstamo <input type="checkbox"/> Convencional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> N.º del préstamo N.º de MIC
<b>Términos del préstamo</b>		¿Puede aumentar este monto después del cierre?
Monto del préstamo		
Tasa de interés		
Pago mensual de intereses y capital <small>Consulte la sección de pagos proyectados para saber el total estimado de su pago mensual</small>		
Multa por pago anticipado	¿Tiene el préstamo estas características?	
Cuota extraordinaria		
<b>Pagos proyectados</b>		
Cálculo de los pagos		
Capital e intereses  Seguro hipotecario <small>Depósito estimado para impuestos y seguros de la vivienda El monto puede aumentar con el paso del tiempo</small>		
Pago total mensual estimado	Esta estimación incluye  <input type="checkbox"/> Impuestos sobre la propiedad <input type="checkbox"/> Seguro de la vivienda <input type="checkbox"/> Otro:  <small>Consulte en la página 4 los detalles de la cuenta de depósito para impuestos y seguros. Deberá pagar por separado los demás costos.</small>	¿En depósito?  <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor
<b>Costos al momento del cierre</b>		
Costos de cierre	Incluye - por costos del préstamo + por créditos del prestamista. Consulte los detalles en la página 2.	por otros costos
Dinero en efectivo para el cierre	Incluye costos de cierre. Consulte los detalles en Cálculo del dinero en efectivo para el cierre en la página 3. <input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	

## **Detalles de los costos de cierre**

<b>Costos del préstamo</b>	<b>Pagados por el deudor</b>	<b>Pagados por otros</b>
	Al cierre	Antes del cierre
<b>A. Gastos por tramitación</b>		
01 % del monto del préstamo (Puntos)		
02		
03		
04		
05		
06		
07		
08		
<b>B. Servicios que el deudor no contrató</b>		
01		
02		
03		
04		
05		
06		
07		
08		
09		
<b>C. Servicios que el deudor contrató</b>		
01		
02		
03		
04		
05		
06		
07		
<b>D. COSTOS TOTALES DEL PRÉSTAMO (pagados por el deudor)</b>		
Subtotales de los costos del préstamo (A + B + C)		

### Otros costos

<b>E. Impuestos y otros cargos gubernamentales</b>		
01 Costos de registro y otros impuestos por registro del título de inmueble: Hipoteca:		
02		
<b>F. Pagos anticipados</b>		
01 Impuestos sobre la propiedad ( meses)		
02 Pago anticipado de intereses ( por día del al )		
03 Prima del seguro de hipoteca ( meses)		
04 Prima del seguro de la vivienda ( meses)		
05		
<b>G. Pago inicial de la cuenta en depósito para impuestos y seguros de la vivienda</b>		
01 Impuestos sobre la propiedad de por mes, durante meses		
02 Seguro de hipoteca de por mes, durante meses		
03 Seguro de la vivienda de por mes, durante meses		
04		
05		
06		
07 Ajuste acumulado		
<b>H. Otros</b>		
01		
02		
03		
04		
05		
06		
07		
08		
<b>I. TOTAL DE OTROS COSTOS (pagados por el deudor)</b>		
Subtotales de otros costos (E + F + G + H)		

---

A TOTAL DE 500 MILHÕES

RECINCIOS RESES Na DEL proiectam

Consumer Financial Protection Bureau

Pt. 1026, App. H

Liquidaciones y pagos		Utilice esta tabla para ver un resumen de sus liquidaciones y de sus pagos realizados a otros utilizando el monto del préstamo.
PARA		MONTO
01		
02		
03		
04		
05		
06		
07		
08		
09		
10		
11		
12		
13		
14		
15		
<b>K. TOTAL DE LIQUIDACIONES Y PAGOS</b>		

Cálculo del dinero en efectivo para el cierre		Utilice esta tabla para saber lo que ha cambiado en su Estimación de Préstamo.		
	Estimación del Préstamo	Final	¿Esto cambió?	
Monto del préstamo				
Total de costos de cierre (J)				
Costos de cierre pagados antes del cierre				
Total de liquidaciones y pagos (K)				
Dinero en efectivo para al cierre	<input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	<input type="checkbox"/> Del Deudor <input type="checkbox"/> Para Deudor	Costos de cierre financiados (pagados del monto del préstamo)	

### Información adicional sobre este préstamo

#### Declaraciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**  
Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**  
*Por ahora*, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad con una cuenta en depósito durante el primer año:	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año:	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:  Es posible que tenga que pagar otros costos de la propiedad.
Pago inicial para la cuenta en depósito:	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
Pago mensual para la cuenta en depósito:	El monto incluido en su pago mensual total.

- no tendrá una cuenta en depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

Sin cuenta en depósito para impuestos y seguros de la vivienda	
Costos de la propiedad estimados durante el primer año:	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito:	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podría variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez, tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

**Información adicional sobre este préstamo****Declaraciones del préstamo****Amortización negativa** (aumento del monto del préstamo)

De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

**Con cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad con una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
Pago inicial para la cuenta en depósito	Es posible que tenga que pagar otros costos de la propiedad.
Pago mensual para la cuenta en depósito	Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
	El monto incluido en su pago mensual total.

- no tendrá una cuenta en depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

**Sin cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad estimados durante el primer año	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez, tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

**Tabla de pagos ajustables (PA)**

¿Pago de interés solamente?	
¿Pagos opcionales?	
¿Pagos escalonados?	
¿Pagos estacionales?	
<b>Pagos mensuales de capital e intereses</b>	
Primer cambio/Monto	
Cambios subsiguientes	
Pago máximo	

**Tabla de tasa de interés ajustable (TIA)**

Índice + Margen	
Tasa de interés inicial	
Tasa de interés mínima/máxima	
Frecuencia de los cambios	
Primer cambio	
Cambios subsiguientes	
Límites de cambios en la tasa de interés	
Primer cambio	
Cambios subsiguientes	

DECLARACIÓN DE CIERRE

PÁGINA 4 DE 6 • N.º DEL PRÉSTAMO

### Información adicional sobre este préstamo

#### Declaraciones del préstamo

**Amortización negativa** (aumento del monto del préstamo)  
De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

Con cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad con una cuenta en depósito durante el primer año		Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año		Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:
Pago inicial para la cuenta en depósito		Es posible que tenga que pagar otros costos de la propiedad.
Pago mensual para la cuenta en depósito		Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.
		El monto incluido en su pago mensual total.
<input type="checkbox"/> no tendrá una cuenta en depósito porque	<input type="checkbox"/> usted la rechazó	
<input type="checkbox"/> su prestamista no la ofrece.	Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.	

  

Sin cuenta en depósito para impuestos y seguros de la vivienda		
Costos de la propiedad estimados durante el primer año		Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito		

**En el futuro,**

Es posible que los costos de la propiedad cambien y, como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre, y que tal vez tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

#### Tabla de pagos ajustables (PA)

¿Pago de interés solamente?	
¿Pagos opcionales?	
¿Pagos escalonados?	
¿Pagos estacionales?	
<b>Pagos mensuales de capital e intereses</b>	
Primer cambio/Monto	
Cambios subsiguientes	
Pago máximo	

DECLARACIÓN DE CIERRE

PÁGINA 4 DE 6 • N.º DEL PRÉSTAMO

**Información adicional sobre este préstamo****Declaraciones del préstamo****Amortización negativa (aumento del monto del préstamo)**

De acuerdo con los términos de su préstamo, usted

- debe realizar pagos mensuales programados que no incluyen todos los intereses adeudados para ese mes. Como consecuencia, el monto de su préstamo aumentará (amortización negativa) y, posiblemente, será más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- puede tener pagos mensuales que no incluyan todos los intereses adeudados para ese mes. Si los tiene, el monto de su préstamo aumentará (amortización negativa) y, como consecuencia, puede ser más alto que el monto original del préstamo. Los aumentos del monto de su préstamo disminuyen su participación en el patrimonio que usted tiene en este inmueble.
- no incluye una característica de amortización negativa.

**Característica de demanda**

Su préstamo

- incluye una característica de demanda, que le permite a su prestamista exigir el pago anticipado del préstamo. Debe revisar su pagaré para obtener detalles.
- no incluye una característica de demanda.

**Cuenta en depósito para impuestos y seguros de la vivienda**

Por ahora, su préstamo

- tendrá una cuenta en depósito para impuestos y seguros de la vivienda (también llamada cuenta de "depósito en garantía" o cuenta de "fideicomiso") para pagar los costos de la propiedad que se detallan a continuación. Sin una cuenta en depósito para impuestos y seguros de la vivienda, usted pagaría estos costos directamente, tal vez en un pago grande o en dos pagos al año. Es posible que su prestamista sea responsable por las sanciones y los intereses que resulten de la falta de pago.

**Con cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad con una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad con depósito:
Costos de la propiedad sin una cuenta en depósito durante el primer año	Monto total estimado durante el primer año para sus costos de la propiedad sin depósito:

Es posible que tenga que pagar otros costos de la propiedad.

Respaldo para la cuenta en depósito que usted paga al cierre. Consulte la Sección G en la página 2.

El monto incluido en su pago mensual total.

- no tendrá una cuenta en depósito porque  usted la rechazó
- su prestamista no la ofrece. Usted debe pagar directamente sus costos de la propiedad, como los impuestos y el seguro de la vivienda. Comuníquese con su prestamista para preguntarle si su préstamo puede contar con una cuenta de depósito para impuestos y seguros de la vivienda.

**Sin cuenta en depósito para impuestos y seguros de la vivienda**

Costos de la propiedad estimados durante el primer año	Monto total estimado durante el primer año. Usted debe pagar estos costos directamente, posiblemente en un pago grande o en dos pagos al año.
Comisión por renuncia a la cuenta en depósito	

**En el futuro,**

Es posible que los costos de la propiedad cambien y como consecuencia, su pago a la cuenta en depósito para impuestos y seguros de la vivienda podrá variar. Puede cancelar su cuenta en depósito, pero si lo hace, debe pagar sus costos de la propiedad directamente. Si no paga los impuestos sobre la propiedad, el estado o gobierno local pueden 1) imponer multas o sanciones o 2) imponer un embargo fiscal a esta propiedad. Si no paga ninguno de estos costos de la propiedad, su prestamista puede 1) agregar los montos al saldo de su préstamo, 2) agregar una cuenta en depósito a su préstamo o 3) exigirle que pague un seguro para la propiedad, que el prestamista adquiere en su nombre y que tal vez, tendrá un costo más alto y le brindará menos beneficios que el que podría adquirir por su cuenta.

**Tabla de tasa de interés ajustable (TIA)**

Índice + Margen

Tasa de interés inicial

Tasa de interés mínima/máxima

Frecuencia de los cambios

Primer cambio

Cambios subsiguientes

Límites de cambios en la tasa de Interés

Primer cambio

Cambios subsiguientes

<b>Declaraciones del préstamo</b>											
<p><b>Intereses de garantía</b>        Se le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b>        Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pagos parciales</b>        Su prestamista</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.</li> <li><input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.</li> <li><input type="checkbox"/> no acepta pagos parciales.</li> </ul> <p>Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b>        Si usted vende o transfiere esta propiedad a otra persona su prestamista,</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.</li> <li><input type="checkbox"/> no permitirá que asuma este préstamo con sus términos y condiciones originales.</li> </ul>											
<p><b>Cálculos del préstamo</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Total de Intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td style="padding: 5px;"></td> </tr> </table>		<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de Intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.											
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.											
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.											
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.											
<b>Total de Intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.											
<p><b>Otras declaraciones</b></p> <p><b>Deducciones tributarias</b>        Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Deberá consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b>        Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:</p> <ul style="list-style-type: none"> <li>- ¿Qué sucede si no hace sus pagos?</li> <li>- ¿Qué es un incumplimiento de pago del préstamo?</li> <li>- Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>- Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> <p><b>Refinanciamiento</b>        El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b>        Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> la ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.</li> <li><input type="checkbox"/> la ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</li> </ul> <p><b>Valoración de la vivienda</b>        Si la propiedad tuvo una valoración para su préstamo, su prestamista debe proporcionarle una copia sin costo adicional, al menos tres días antes del cierre. Si aún no la ha recibido, comuníquese con su prestamista utilizando la información que se le brinda en la página 6.</p>											
<p><b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p>											

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

<b>Declaraciones del préstamo</b>	<b>Otras declaraciones</b>										
<p><b>Intereses de garantía</b> Se le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b> Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pagos parciales</b> Su prestamista</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.</li> <li><input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.</li> <li><input type="checkbox"/> no acepta pagos parciales.</li> </ul> <p>Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b> Si usted vende o transfiere esta propiedad a otra persona su prestamista,</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.</li> <li><input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.</li> </ul>											
<p><b>Deducciones tributarias</b> Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Deberá consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b> Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:</p> <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> <p><b>Refinanciamiento</b> El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b> Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> la ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.</li> <li><input type="checkbox"/> la ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</li> </ul>											
<p><b>Cálculos del préstamo</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td style="padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;"><b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td style="padding: 5px;"></td> </tr> </table>		<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.											
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.											
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.											
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.											
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.											
 <b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a> .											

<b>Información de contacto</b>			
	Prestamista	Corredor hipotecario	Agente a cargo de la operación de cierre
Nombre			
Dirección			
N.º de NMLS			
N.º de licencia de _____			
Contacto			
ID. de contacto de NMLS			
ID. de contacto de licencia de _____			
Correo electrónico			
Teléfono			

**Confirmación de recepción**

Al firmar, usted solo confirma que ha recibido este formulario. No es necesario que acepte este préstamo por el hecho de haber firmado o recibido este formulario.

Firma del solicitante	Fecha	Firma del cosolicitante	Fecha
-----------------------	-------	-------------------------	-------

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

<b>Declaraciones del préstamo</b>		<b>Otras declaraciones</b>										
<p><b>Intereses de garantía</b>            Se le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b>            Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pago parcial</b>            Su prestamista</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.</li> <li><input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.</li> <li><input type="checkbox"/> no acepta pagos parciales.</li> </ul> <p>Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b>            Si usted vende o transfiere esta propiedad a otra persona su prestamista,</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.</li> <li><input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.</li> </ul>												
<p><b>Cálculos del préstamo</b></p> <table border="1"> <tr> <td><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td></td> </tr> <tr> <td><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td></td> </tr> <tr> <td><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td></td> </tr> <tr> <td><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td></td> </tr> <tr> <td><b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td></td> </tr> </table>			<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.												
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.												
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.												
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.												
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.												
<p><b>Aceptación del préstamo</b>            No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.</p> <p><b>Deducciones tributarias</b>            Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Debería consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b>            Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:</p> <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> <p><b>Refinanciamiento</b>            El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b>            Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> La ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.</li> <li><input type="checkbox"/> La ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</li> </ul> <p><b>Valoración de la vivienda</b>            Si la propiedad tuvo una valoración para su préstamo, su prestamista debe proporcionarle una copia sin costo adicional, al menos tres días antes del cierre. Si aún no la ha recibido, comuníquese con su prestamista utilizando la información que se le brinda en la página 6.</p>												
<p><b>? Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p>												

<b>Declaraciones del préstamo</b>		<b>Otras declaraciones</b>										
<p><b>Intereses de garantía</b>        Si le otorga un interés de garantía en _____.</p> <p>Usted puede perder esta propiedad si no cumple con sus pagos o con el resto de las obligaciones de este préstamo.</p> <p><b>Pago atrasado</b>        Si su pago presenta un retraso de más de _____ días, su prestamista le cobrará un recargo de _____.</p> <p><b>Pago parcial</b>        Su prestamista  <input type="checkbox"/> aceptará pagos menores al monto total adeudado (pagos parciales) y se aplicarán a su préstamo.  <input type="checkbox"/> podrá mantenerlo en una cuenta separada hasta que cubra el resto del pago y luego aplicará el pago total a su préstamo.  <input type="checkbox"/> no acepta pagos parciales.        Si este préstamo se vende, es posible que su nuevo prestamista tenga una política diferente.</p> <p><b>Supuestos</b>        Si usted vende o transfiere esta propiedad a otra persona su prestamista,  <input type="checkbox"/> permitirá, en determinadas condiciones, que esta persona asuma este préstamo con sus términos y condiciones originales.  <input type="checkbox"/> no permitirá que se asuma este préstamo con sus términos y condiciones originales.</p>												
<p><b>Cálculos del préstamo</b></p> <table border="1"> <tr> <td><b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.</td> <td></td> </tr> <tr> <td><b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.</td> <td></td> </tr> <tr> <td><b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.</td> <td></td> </tr> <tr> <td><b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.</td> <td></td> </tr> <tr> <td><b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.</td> <td></td> </tr> </table>			<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.		<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.		<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.		<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.		<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.	
<b>Pagos totales.</b> Total que habrá pagado después de haber hecho todos los pagos de capital, intereses, seguro hipotecario y costos del préstamo, según lo programado.												
<b>Cargo financiero.</b> El monto en dólares que le costará el préstamo.												
<b>Monto financiado.</b> El monto en dólares disponible después de que pague el cargo financiero inicial.												
<b>Tasa porcentual anual (APR).</b> Sus costos durante el plazo del préstamo, expresados como una tasa. Esta no es su tasa de interés.												
<b>Total de intereses pagados (TIP).</b> El monto total de los intereses que pagará durante el plazo del préstamo, como porcentaje del monto total del préstamo.												
<p><b>Aceptación del préstamo</b>        No tiene que aceptar este préstamo por el hecho de haber recibido este formulario o firmado una aplicación para un préstamo.</p> <p><b>Deducciones tributarias</b>        Si adquiere una deuda mayor al valor de este inmueble, los intereses del monto del préstamo que sean superiores al valor real de mercado no se deducirán de sus impuestos federales sobre la renta. Debería consultar con un asesor fiscal para obtener más información.</p> <p><b>Detalles del contrato</b>        Consulte su pagaré y su instrumento de garantía para obtener información sobre lo siguiente:  <ul style="list-style-type: none"> <li>• ¿Qué sucede si no hace sus pagos?</li> <li>• ¿Qué es un incumplimiento de pago del préstamo?</li> <li>• Situaciones en que su prestamista puede exigirle que pague el préstamo por anticipado.</li> <li>• Las reglas para realizar pagos antes de la fecha estipulada.</li> </ul> <p><b>Refinanciamiento</b>        El refinanciamiento de este préstamo dependerá de su situación financiera futura, del valor de propiedad y de las condiciones del mercado. Es posible que no se le pueda refinanciar este préstamo.</p> <p><b>Responsabilidad luego de la ejecución de la hipoteca</b>        Si su prestamista ejecuta la hipoteca sobre este inmueble y dicha ejecución no cubre el monto de saldo pendiente de este préstamo:  <input type="checkbox"/> La ley estatal puede protegerlo contra la responsabilidad de pagar el saldo pendiente. Si vuelve a financiar o adquiere otra deuda sobre este inmueble, puede perder esta protección y tendrá que pagar la deuda restante después de la ejecución de la hipoteca. Le recomendamos que consulte con un abogado para obtener más información.  <input type="checkbox"/> La ley estatal no lo protege contra la responsabilidad de pagar el saldo pendiente.</p> <p><b>¿Tiene preguntas?</b> Si tiene preguntas sobre los términos y costos del préstamo que se establecen en este formulario, utilice la información a continuación. Para obtener más información o para presentar un reclamo, comuníquese con la Oficina para la Protección Financiera del Consumidor en <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</p> </p>												

## Consumer Financial Protection Bureau

Pt. 1026, App. H

Información de contacto			
	Prestamista	Corredor hipotecario	Agente a cargo de la operación de cierre
Nombre			
Dirección			
N.º de NMLS			
N.º de licencia de _____			
Contacto			
ID. de contacto de NMLS			
ID. de contacto de licencia de _____			
Correo electrónico			
Teléfono			

DECLARACIÓN DE CIERRE

PÁGINA 6 DE 6 • N.º DEL PRÉSTAMO

H-29 ESCROW CANCELLATION NOTICE MODEL  
FORM (§ 1026.20(e))

*Description:* This is a blank model form of the disclosures required by § 1026.20(e).

[Logo] [Name of Creditor or Servicer]

## Escrow Closing Notice

---

BORROWER  
MAILING ADDRESS  
  
PROPERTY ADDRESS

ISSUE DATE  
LENDER  
ACCOUNT #/LOAN #  
  
PHONE

As of [date], you will no longer have an escrow account (also called an "impound" or "trust" account) because

- you asked us to close it.
- we are closing it.

After this date, you must directly pay your property costs, such as taxes and homeowner's insurance, possibly in one or two large payments a year.

Cost to You	
Escrow Closing Fee For closing your escrow account	[dollar amount]

*In the future,*

If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property.

If you fail to pay any of your property costs, we may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that we buy on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Call [phone number] with any questions about the closing of your escrow account.

- We do not offer you the option of keeping the escrow account on your loan.
- Contact us at [phone number] by [date] if you want to keep the escrow account on your loan.

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

**H-30(A) Sample Form of Periodic Statement**

**Springside Mortgage**

Customer Service: 1-800-555-1234  
[www.springsidemortgage.com](http://www.springsidemortgage.com)

Jordan and Dana Smith  
 4700 Jones Drive  
 Memphis, TN 38109

**Mortgage Statement**

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
<b>Amount Due</b>	<b>\$2,079.71</b>
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (for Taxes and Insurance)	\$235.18
<b>Regular Monthly Payment</b>	<b>\$1,669.71</b>
Total Fees Charged	\$410.00
<b>Total Amount Due</b>	<b>\$2,079.71</b>

**Transaction Activity (2/20 to 3/19)**

Date	Description	Charges	Payments
3/16/12	Late Fee (charged because full payment not received by 3/15/2012)	\$160.00	
3/17/12	Payment Received - Thank you		\$1,669.71
3/19/12	Property Inspection Fee	\$250.00	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$384.93	\$1,150.25
Interest	\$1,049.60	\$3,153.34
Escrow (Taxes and Insurance)	\$235.18	\$705.54
Fees	\$0.00	\$0.00
<b>Total</b>	<b>\$1,669.71</b>	<b>\$5,009.13</b>

**Springside Mortgage**

Springside Mortgage  
 P.O. Box 11111  
 Memphis, TN 38101

Amount Due	
Due By 4/1/2012:	\$2,079.71
	<i>\$160 late fee will be charged after 4/15/12</i>
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

*Make check payable to Springside Mortgage.*

1234567 34571892      342359127

## H-30(B) Sample Form of Periodic Statement with Delinquency Box

**Springside Mortgage**  
 Customer Service: 1-800-555-1234  
[www.springsidemortgage.com](http://www.springsidemortgage.com)

Jordan and Dana Smith  
 4700 Jones Drive  
 Memphis, TN 38109

**Mortgage Statement**

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
<b>Amount Due</b>	<b>\$4,339.13</b>

*If payment is received after 4/15/12, \$160 late fee will be charged.*

Account Information	
Outstanding Principal	\$264,776.43
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
<b>Regular Monthly Payment</b>	<b>\$1,669.71</b>
Total Fees and Charges	\$410.00
Overdue Payment	\$2,259.42
<b>Total Amount Due</b>	<b>\$4,339.13</b>

## Transaction Activity (2/20 to 3/19)

Date	Description	Charges	Payments
3/13/12	Partial Payment Received*		\$1,000.00
3/16/12	Late Fee (charged because full payment not received by 3/15/2012)	\$160.00	
3/19/12	Property Inspection Fee	\$250.00	

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$0.00	\$383.31
Interest	\$0.00	\$1,051.22
Escrow (Taxes and Insurance)	\$0.00	\$235.18
Fees	\$0.00	\$410.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
<b>Total</b>	<b>\$1,000.00</b>	<b>\$3,569.71</b>

**Delinquency Notice**	
You are late on your mortgage payments. Failure to bring your loan current may result in fees and foreclosure—the loss of your home. As of March 20, you are 49 days delinquent on your mortgage loan.	
Recent Account History	
<ul style="list-style-type: none"> <li>• Payment due 12/1/11: Fully paid on time</li> <li>• Payment due 1/1/12: Fully paid on 2/3/12</li> <li>• Payment due 2/1/12: Unpaid balance of \$589.71</li> <li>• Payment due 3/1/12: Unpaid balance of \$2,079.71</li> <li>• Current payment due 4/1/12: \$1,669.71</li> <li>• Total: \$4,339.13 due. You must pay this amount to bring your loan current.</li> </ul>	
If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.	

**Springside Mortgage**

Springside Mortgage  
 P.O. Box 11111  
 Los Angeles, CA 90010

Amount Due	
Due By 4/1/2012:	\$4,339.13
	<i>\$160 late fee will be charged after 4/15/12</i>
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

Make check payable to Springside Mortgage.

1234567 34571892      342359127 DN

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

H-30(C) SAMPLE FORM OF PERIODIC STATEMENT FOR A PAYMENT-OPTION LOAN

**Springside Mortgage**

Customer Service: 1-800-555-1234  
[www.springsidemortgage.com](http://www.springsidemortgage.com)

Jordan and Dana Smith  
 4700 Jones Drive  
 Memphis, TN 38109

**Mortgage Statement**

Statement Date: 3/20/2012

Account Number	1234567
Payment Due Date	4/1/2012
<b>Amount Due</b>	<input type="checkbox"/> Option 1 (Full): \$1,829.71 <input type="checkbox"/> Option 2 (Interest-Only): \$1,443.25 <input type="checkbox"/> Option 3 (Minimum): \$1,156.43
<i>If payment is received after 4/15/12, \$160 late fee will be charged.</i>	

Account Information	
Outstanding Principal	\$260,000.00
Interest Rate (Until October 2012)	4.75%
Prepayment Penalty	Yes

Explanation of Amount Due			
	Option 1 (Full)	Option 2 (Interest-Only)	Option 3 (Minimum)
Principal	\$386.46	\$0	\$0
Interest	\$1,048.07	\$1,048.07	\$761.25
Escrow (Taxes and Insurance)	\$235.18	\$235.18	\$235.18
<b>Regular Monthly Payment</b>	<b>\$1,669.71</b>	<b>\$1,283.25</b>	<b>\$996.43</b>
Total Fees and Charges	\$160.00	\$160.00	\$160.00
<b>Total Amount Due</b>	<b>\$1,829.71</b>	<b>\$1,443.25</b>	<b>\$1,156.43</b>
If you make this payment...	... your principal balance will <u>decrease</u> , and you will be closer to paying off your loan.	... your principal balance will <u>stay the same</u> , and you will <u>not</u> be closer to paying off your loan.	... your principal balance will <u>increase</u> . You will be borrowing more money and losing equity in your home.

Transaction Activity (2/20 to 3/19)			
Date	Description	Charges	Payments
3/16/12	Late Fee (charged because payment was received after 3/15/2012)	\$160.00	
3/19/12	Payment Received – Thank you		\$1,669.71

Past Payments Breakdown		
	Paid Last Month	Paid Year to Date
Principal	\$384.93	\$1,150.25
Interest	\$1,049.60	\$3,153.34
Escrow (Taxes and Insurance)	\$235.18	\$705.54
Fees	\$0.00	\$0.00
<b>Total</b>	<b>\$1,669.71</b>	<b>\$5,009.13</b>

**Springside Mortgage**

Springside Mortgage  
 P.O. Box 11111  
 Los Angeles, CA 90010

Amount Due		
<input type="checkbox"/>	Option 1 (Full):	\$1,829.71
<input type="checkbox"/>	Option 2 (Interest-Only):	\$1,443.25
<input type="checkbox"/>	Option 3 (Minimum):	\$1,156.43
<i>\$160 late fee will be charged after 4/15/12</i>		
Additional Principal	\$	.
Additional Escrow	\$	.
<b>Total Amount Enclosed</b>	<b>\$</b>	<b>.</b>

*Make check payable to Springside Mortgage.*

1234567 34571892      342359127 P

**Pt. 1026, App. H**

**H-30(D) SAMPLE CLAUSE FOR HOMEOWNERSHIP  
COUNSELOR CONTACT INFORMATION**

*Housing Counselor Information:* If you would like counseling or assistance, you can contact the following:

**12 CFR Ch. X (1-1-24 Edition)**

- U.S. Department of Housing and Urban Development (HUD): For a list of homeownership counselors or counseling organizations in your area, go to <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> or call 800-569-4287.

**Consumer Financial Protection Bureau**

**Pt. 1026, App. H**

H-30(E) SAMPLE FORM OF PERIODIC STATEMENT FOR CONSUMER IN CHAPTER 7 OR CHAPTER 11  
BANKRUPTCY

**Springside Mortgage**

Customer Service: 1-800-555-1234  
[www.springsidemortgage.com](http://www.springsidemortgage.com)

Jordan and Dana Smith  
4700 Jones Drive  
Memphis, TN 38109

**Mortgage Statement**

Statement Date: 8/20/2015

Account Number	1234567
Payment Date	9/1/2015
Payment Amount	\$3,839.13

<b>Bankruptcy Message</b>
Our records show that either you are a debtor in bankruptcy or you discharged personal liability for your mortgage loan in bankruptcy.
We are sending this statement to you for informational and compliance purposes only. It is not an attempt to collect a debt against you.
If you want to stop receiving statements, write to us.

<b>Explanation of Payment Amount</b>	
Principal	\$386.46
Interest	\$1,048.07
Escrow (Taxes and Insurance)	\$235.18
<b>Regular Monthly Payment</b>	<b>\$1,669.71</b>
Total Fees and Charges	\$160.00
Past Unpaid Amount	\$2,009.42
<b>Total Payment Amount</b>	<b>\$3,839.13</b>

<b>Account Information</b>	
Outstanding Principal	\$265,544.78
Interest Rate (Until October 2015)	4.75%
Prepayment Penalty	Yes

<b>Transaction Activity (7/20 to 8/19)</b>			
Date	Description	Charges	Payments
8/13/15	Partial Payment Received*		\$1,000.00
8/16/15	Late Fee (charged because full payment not received by 8/15/2015)	\$160.00	

<b>Past Payments Breakdown</b>		
	Paid Last Month	Paid Year to Date
Principal	\$0.00	\$2,268.95
Interest	\$0.00	\$6,338.23
Escrow (Taxes and Insurance)	\$0.00	\$1,411.08
Fees	\$0.00	\$160.00
Partial Payment (Unapplied)*	\$1,000.00	\$1,490.00
<b>Total</b>	<b>\$1,000.00</b>	<b>\$11,668.26</b>

<b>**Account History**</b>	
Recent Account History	
• Payment due 5/1/15: Fully paid on time	
• Payment due 6/1/15: Fully paid on 7/3/15	
• Payment due 7/1/15: Unpaid balance of \$339.71	
• Payment due 8/1/15: Unpaid balance of \$1829.71	
• Current payment date 9/1/15: \$1,669.71	
<b>* Total: \$3,839.13 unpaid amount that, if paid, would bring your loan current.</b>	

If You Are Experiencing Financial Difficulty: See back for information about mortgage counseling or assistance.

<b>Important Messages</b>		
*Partial Payments: Any partial payments that you make are not applied to your mortgage, but instead are held in a separate suspense account. If you pay the balance of a partial payment, the funds will then be applied to your mortgage.		

**Springside Mortgage**

Springside Mortgage  
P.O. Box 11111  
Los Angeles, CA 90010

<b>Payment Amount</b>	
Payment Date:	9/1/2015
Payment Amount:	\$3,839.13
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

If you are making a payment, make your check payable to *Springside Mortgage*.

1234567 34571892 342359127 DN

Pt. 1026, App. H

12 CFR Ch. X (1-1-24 Edition)

H-30(F) SAMPLE FORM OF PERIODIC STATEMENT FOR CONSUMER IN CHAPTER 12 OR CHAPTER 13  
BANKRUPTCY

**Springside Mortgage**

Customer Service: 1-800-555-1234  
[www.springsidemortgage.com](http://www.springsidemortgage.com)

**Mortgage Statement**

Statement Date: 8/20/2015

Jordan and Dana Smith  
4700 Jones Drive  
Memphis, TN 38109

Account Number	1234567
Payment Date	9/1/2015
Payment Amount	\$3,569.88

**Bankruptcy Message**

Our records show that you are a debtor in bankruptcy. We are sending this statement to you for informational and compliance purposes only. It is not an attempt to collect a debt against you.

If your bankruptcy plan requires you to send your regular monthly mortgage payments to the Trustee, you should pay the Trustee instead of us. Please contact your attorney or the Trustee if you have questions.

If you want to stop receiving statements, write to us.

**Explanation of Payment Amount  
(Post-Petition Payment)**

Principal	\$511.63
Interest	\$1,053.31
Escrow (Taxes and Insurance)	\$375.00
<b>Regular Monthly Payment</b>	<b>\$1,939.94</b>
Total Fees and Charges	\$190.00
Past Unpaid Amount	\$1,439.94
<b>Total Payment Amount</b>	<b>\$3,569.88</b>

The Payment Amount does not include any amount that was past due before you filed for bankruptcy.

**Account Information**

Outstanding Principal	\$269,126.91
Interest Rate (Until October 2015)	4.75%
Prepayment Penalty	Yes

**Transaction Activity (7/20 to 8/19)**

Date	Description	Charges	Payments
8/10/15	Partial Payment Received*		\$336.43
8/13/15	Partial Payment Received*		\$500.00
8/16/15	Late Fee (charged because full payment not received by 8/15/15)	\$190.00	

**Breakdown of Past Payments**

	Paid Last Month	Paid Year Date
Principal	\$0.00	\$3,926.91
Interest	\$0.00	\$8,592.62
Escrow (Taxes and Insurance)	\$0.00	\$3,000.00
Fees	\$0.00	\$0.00
Partial Payment (Unapplied)*	\$836.43	\$1,251.53
<b>Total</b>	<b>\$836.43</b>	<b>\$16,771.06</b>

**Important Messages**

We have not received all of your mortgage payments due since you filed for bankruptcy.

This statement may not show recent payments you sent to the Trustee that the Trustee has not yet forwarded to us. Please contact your attorney or the Trustee if you have questions.

\*Partial Payments: Any partial payments listed here are not applied to your mortgage, but instead are held in one or more separate suspense accounts. Once we receive funds equal to a full monthly payment, we will apply those funds to your mortgage.

**Summary of Amounts Past Due Before Bankruptcy Filing (Pre-Petition Arrearage)**

Paid Last Month	\$336.43	This box shows amounts that were past due when you filed for bankruptcy. It may also include other allowed amounts on your mortgage loan. The Trustee is sending us the payments shown here. These are separate from your regular monthly mortgage payment.
Total Paid During Bankruptcy	\$1,345.72	
Current Balance	\$10,765.88	

**Springside Mortgage**

Springside Mortgage  
P.O. Box 11111  
Los Angeles, CA 90010

If your bankruptcy plan requires you to send your regular monthly mortgage payments to the Trustee, do not send your payment to us. Instead, you should send your payment to the Trustee.

**Payment Amount**

Payment Date:	9/1/2015
Payment Amount:	\$3,569.88
Additional Principal	\$ .
Additional Escrow	\$ .
<b>Total Amount Enclosed</b>	<b>\$ .</b>

If you are sending us a payment, make your check payable to Springside Mortgage.

1234567 34571892      342359127 DN

[76 FR 79772, Dec. 22, 2011, as amended at 78 FR 11008, Feb. 14, 2013; 78 FR 80130, Dec. 31, 2013; 80 FR 8776, Feb. 19, 2015; 81 FR 72390, Oct. 19, 2016; 86 FR 69782, Dec. 8, 2021]

## **Consumer Financial Protection Bureau**

## **Pt. 1026, App. J**

### **APPENDIX I TO PART 1026 [RESERVED]**

### **APPENDIX J TO PART 1026—ANNUAL PERCENTAGE RATE COMPUTATIONS FOR CLOSED-END CREDIT TRANSACTIONS**

#### **(a) INTRODUCTION**

(1) Section 1026.22(a) of Regulation Z provides that the annual percentage rate for other than open-end credit transactions shall be determined in accordance with either the actuarial method or the United States Rule method. This appendix contains an explanation of the actuarial method as well as equations, instructions and examples of how this method applies to single advance and multiple advance transactions.

(2) Under the actuarial method, at the end of each unit-period (or fractional unit-period) the unpaid balance of the amount financed is increased by the finance charge earned during that period and is decreased by the total payment (if any) made at the end of that period. The determination of unit-periods and fractional unit-periods shall be consistent with the definitions and rules in paragraphs (b)(3), (4) and (5) of this section and the general equation in paragraph (b)(8) of this section.

(3) In contrast, under the United States Rule method, at the end of each payment period, the unpaid balance of the amount financed is increased by the finance charge earned during that payment period and is decreased by the payment made at the end of that payment period. If the payment is less than the finance charge earned, the adjustment of the unpaid balance of the amount financed is postponed until the end of the next payment period. If at that time the sum of the two payments is still less than the total earned finance charge for the two payment periods, the adjustment of the unpaid balance of the amount financed is postponed still another payment period, and so forth.

#### **(b) INSTRUCTIONS AND EQUATIONS FOR THE ACTUARIAL METHOD**

##### ***(1) General Rule***

The annual percentage rate shall be the nominal annual percentage rate determined by multiplying the unit-period rate by the number of unit-periods in a year.

##### ***(2) Term of the Transaction***

The term of the transaction begins on the date of its consummation, except that if the finance charge or any portion of it is earned beginning on a later date, the term begins on the later date. The term ends on the date the last payment is due, except that if an advance is scheduled after that date, the term ends on the later date. For computation purposes, the length of the term shall be equal to the time interval between any point in

time on the beginning date to the same point in time on the ending date.

##### ***(3) Definitions of Time Intervals***

(i) A period is the interval of time between advances or between payments and includes the interval of time between the date the finance charge begins to be earned and the date of the first advance thereafter or the date of the first payment thereafter, as applicable.

(ii) A common period is any period that occurs more than once in a transaction.

(iii) A standard interval of time is a day, week, semimonth, month, or a multiple of a week or a month up to, but not exceeding, 1 year.

(iv) All months shall be considered equal. Full months shall be measured from any point in time on a given date of a given month to the same point in time on the same date of another month. If a series of payments (or advances) is scheduled for the last day of each month, months shall be measured from the last day of the given month to the last day of another month. If payments (or advances) are scheduled for the 29th or 30th of each month, the last day of February shall be used when applicable.

##### ***(4) Unit-Period***

(i) In all transactions other than a single advance, single payment transaction, the unit-period shall be that common period, not to exceed 1 year, that occurs most frequently in the transaction, except that

(A) If 2 or more common periods occur with equal frequency, the smaller of such common periods shall be the unit-period; or

(B) If there is no common period in the transaction, the unit-period shall be that period which is the average of all periods rounded to the nearest whole standard interval of time. If the average is equally near 2 standard intervals of time, the lower shall be the unit-period.

(ii) In a single advance, single payment transaction, the unit-period shall be the term of the transaction, but shall not exceed 1 year.

##### ***(5) Number of Unit-Periods Between 2 Given Dates***

(i) The number of days between 2 dates shall be the number of 24-hour intervals between any point in time on the first date to the same point in time on the second date.

(ii) If the unit-period is a month, the number of full unit-periods between 2 dates shall be the number of months measured back from the later date. The remaining fraction of a unit-period shall be the number of days measured forward from the earlier date to the beginning of the first full unit-period, divided by 30. If the unit-period is a month, there are 12 unit-periods per year.

**Pt. 1026, App. J**

**12 CFR Ch. X (1-1-24 Edition)**

(iii) If the unit-period is a semimonth or a multiple of a month not exceeding 11 months, the number of days between 2 dates shall be 30 times the number of full months measured back from the later date, plus the number of remaining days. The number of full unit-periods and the remaining fraction of a unit-period shall be determined by dividing such number of days by 15 in the case of a semimonthly unit-period or by the appropriate multiple of 30 in the case of a multi-monthly unit-period. If the unit-period is a semimonth, the number of unit-periods per year shall be 24. If the number of unit-periods is a multiple of a month, the number of unit-periods per year shall be 12 divided by the number of months per unit-period.

(iv) If the unit-period is a day, a week, or a multiple of a week, the number of full unit-periods and the remaining fractions of a unit-period shall be determined by dividing the number of days between the 2 given dates by the number of days per unit-period. If the unit-period is a day, the number of unit-periods per year shall be 365. If the unit-period is a week or a multiple of a week, the number of unit-periods per year shall be 52 divided by the number of weeks per unit-period.

(v) If the unit-period is a year, the number of full unit-periods between 2 dates shall be the number of full years (each equal to 12 months) measured back from the later date.

The remaining fraction of a unit-period shall be

(A) The remaining number of months divided by 12 if the remaining interval is equal to a whole number of months, or

(B) The remaining number of days divided by 365 if the remaining interval is *not* equal to a whole number of months.

(vi) In a single advance, single payment transaction in which the term is less than a year and is equal to a whole number of months, the number of unit-periods in the term shall be 1, and the number of unit-periods per year shall be 12 divided by the number of months in the term or 365 divided by the number of days in the term.

(vii) In a single advance, single payment transaction in which the term is less than a year and is *not* equal to a whole number of months, the number of unit-periods in the term shall be 1, and the number of unit-periods per year shall be 365 divided by the number of days in the term.

*(6) Percentage Rate for a Fraction of a Unit-Period*

The percentage rate of finance charge for a fraction (less than 1) of a unit-period shall be equal to such fraction multiplied by the percentage rate of finance charge per unit-period.

(7) Symbols. The symbols used to express the terms of a transaction in the equation set forth in paragraph (b)(8) of this section are defined as follows:

- $A_k$  = The amount of the  $k$ th advance.
- $q_k$  = The number of full unit-periods from the beginning of the term of the transaction to the  $k$ th advance.
- $e_k$  = The fraction of a unit-period in the time interval from the beginning of the term of the transaction to the  $k$ th advance.
- $m$  = The number of advances.
- $P_j$  = The amount of the  $j$ th payment.
- $t_j$  = The number of full unit-periods from the beginning of the term of the transaction to the  $j$ th payment.
- $f_j$  = The fraction of a unit-period in the time interval from the beginning of the term of the transaction to the  $j$ th payment.
- $n$  = The number of payments.
- $i$  = The percentage rate of finance charge per unit-period, expressed as a decimal equivalent.

Symbols used in the examples shown in this appendix are defined as follows:

- $\frac{a}{x}$  = The present value of 1 per unit-period for  $x$  unit-periods, first payment due immediately.  

$$= 1 + \frac{1}{(1+i)} + \frac{1}{(1+i)^2} + \dots + \frac{1}{(1+i)^{x-1}}$$
- $w$  = The number of unit-periods per year.
- $I$  =  $wi \times 100$  = The nominal annual percentage rate.

(8) General equation. The following equation sets forth the relationship among the terms of a transaction:

$$\frac{\frac{A}{1}}{(1+e_i)(1+i)_1^q} + \frac{\frac{A}{2}}{(1+e_i)(1+i)_2^q} + \dots + \frac{\frac{A}{m}}{(1+e_i)(1+i)_m^q} =$$

$$\frac{\frac{P}{1}}{(1+f_i)(1+i)_1^t} + \frac{\frac{P}{2}}{(1+f_i)(1+i)_2^t} + \dots + \frac{\frac{P}{n}}{(1+f_i)(1+i)_n^t}$$

(9) Solution of general equation by iteration process. (1) The general equation in paragraph (b)(8) of this section, when applied to a simple transaction in which a loan of \$1000 is repaid by 36 monthly payments of \$33.61 each, takes the special form:

$$A = \frac{33.61 \text{ } \overset{\circ}{\text{a}}}{(1+i)}$$

Step 1: Let  $I$  = estimated annual percentage rate =  $12.50\%$   
 $\quad \quad \quad 1$   
 Evaluate expression for  $A$ , letting  $i = I / (100w) = .010416667$   
 $\quad \quad \quad 1$   
 Result (referred to as  $A^*$ ) =  $1004.674391$

```

Step 2: Let I = I + .1 =
          2      1                                12.60 %

          Evaluate expression for A, letting i = I /(100w) =
                                                2           .010500000

          Result (referred to as A'') =            1003.235366

```

Step 3: Interpolate for I (annual percentage rate):

$$I = I_1 + .1 \left[ \frac{(A - A')}{(A' - A)} \right] \\ = 12.50 + .1 \left[ \frac{(1000.00000 - 1004.674391)}{(1003.235366 - 1004.674391)} \right] = 12.82483042 \%$$

Step 4: First iteration, let  $I = 12.82483042\%$  and repeat

Steps 1, 2, and 3 obtaining a new I = 12.82557859 %

Second iteration, let  $I = 12.82557859\%$  and repeat

1 12-82557520 %

In this case, no further iterations are required to obtain the annual percentage rate correct to two decimal places, 12.83%.

(ii) When the iteration approach is used, it is expected that calculators or computers will be programmed to carry all available decimals throughout the calculation and that enough iterations will be performed to make virtually certain that the annual percentage rate obtained, when rounded to 2 decimals, is correct. Annual percentage rates in the examples below were obtained by using a 10 digit programmable calculator and the iteration procedure described above.

(c) Examples for the actuarial method. (1) Single advance transaction, with or without an odd first period, and otherwise regular. The general equation in paragraph (b)(8) of this section can be put in the following special form for this type of transaction:

$$A = \frac{1}{t} \left( \frac{P}{1 + f_1} \right)$$

Example (i): Monthly payments (regular first period)

Amount advanced (A) = \$5000. Payment (P) = \$230.  
 Number of payments (n) = 24.  
 Unit-period = 1 month. Unit-periods per year (w) = 12.  
 Advance, 1-10-78. First payment, 2-10-78.  
 From 1-10-78 through 2-10-78 = 1 unit-period. (t = 1; f = 0)  
 Annual percentage rate (I) = w<sub>1</sub> = .0969 = 9.69 %

Example (ii): Monthly payments (long first period)

Amount advanced (A) = \$6000. Payment (P) = \$200.  
 Number of payments (n) = 36.  
 Unit-period = 1 month. Unit-periods per year (w) = 12.  
 Advance, 2-10-78. First payment, 4-1-78.  
 From 3-1-78 through 4-1-78 = 1 unit-period. (t = 1)  
 From 2-10-78 through 3-1-78 = 19 days. (f = 19/30)  
 Annual percentage rate (I) = w<sub>1</sub> = .1182 = 11.82%

Example (iii): Semimonthly payments (short first period)

Amount advanced (A) = \$5000. Payment (P) = \$219.17.  
 Number of payments (n) = 24.  
 Unit-period = 1/2 month. Unit-periods per year (w) = 24.  
 Advance, 2-23-78. First payment, 3-1-78. Payments made on 1st and 16th of each month.  
 From 2-23-78 through 3-1-78 = 6 days. (t = 0; f = 6/15)  
 Annual percentage rate (I) = w<sub>1</sub> = .1034 = 10.34 %

Example (iv): Quarterly payments (long first period)

Amount advanced (A) = \$10,000. Payment (P) = \$385.  
 Number of payments (n) = 40.  
 Unit-period = 3 months. Unit-periods per year (w) = 4.  
 Advance, 5-23-78. First payment, 10-1-78.  
 From 7-1-78 through 10-1-78 = 1 unit-period. (t = 1)  
 From 6-1-78 through 7-1-78 = 1 month = 30 days. From 5-23-78 through 6-1-78 = 9 days. (f = 9/30)  
 Annual percentage rate (I) = w<sub>1</sub> = .0897 = 8.97 %

Example (v): Weekly payments (long first period)

Amount advanced (A) = \$500. Payment (P) = \$17.60.  
 Number of payments (n) = 30.  
 Unit-period = 1 week. Unit-periods per year (w) = 52.  
 Advance, 3-20-78. First payment, 4-21-78.  
 From 3-24-78 through 4-21-78 = 4 unit-periods. (t = 4)  
 From 3-20-78 through 3-24-78 = 4 days. (f = 4/7)  
 Annual percentage rate (I) = wi = .1496 = 14.96 %

(2) Single advance transaction, with an odd first payment, with or without an odd first period, and otherwise regular. The general equation in paragraph (b)(8) of this section can be put in the following special form for this type of transaction:

$$A = \frac{1}{(1+fi)(1+i)} \left[ P \frac{a_{\overline{n-1}}}{1} + \frac{P}{(1+i)} \right]$$

Example (i): Monthly payments (regular first period and irregular first payment)

Amount advanced (A) = \$5000. First payment  $\binom{P}{1}$  = \$250.  
 Regular payment (P) = \$230. Number of payments (n) = 24.  
 Unit-period = 1 month. Unit-periods per year (w) = 12.  
 Advance, 1-10-78. First payment, 2-10-78.  
 From 1-10-78 through 2-10-78 = 1 unit-period. (t = 1; f = 0)  
 Annual percentage rate (I) = wi = .1008 = 10.08%

Example (ii): Payments every 4 weeks (long first period and irregular first payment)

Amount advanced (A) = \$400. First payment  $\binom{P}{1}$  = \$39.50.  
 Regular payment (P) = \$38.31. Number of payments (n) = 12.  
 Unit-period = 4 weeks. Unit-periods per year (w) =  $52/4 = 13$ .  
 Advance, 3-18-78. First payment, 4-20-78.  
 From 3-23-78 through 4-20-78 = 1 unit-period. (t = 1)  
 From 3-18-78 through 3-23-78 = 5 days. (f = 5/28)  
 Annual percentage rate (I) = wi = .2850 = 28.50%

(3) Single advance transaction, with an odd final payment, with or without an odd first period, and otherwise regular. The general equation in paragraph (b)(8) of this section can be put in the following special form for this type of transaction:

$$A = \frac{1}{(1+fi)(1+i)} \left[ P \frac{a_{\overline{n-1}}}{1} + \frac{P_n}{(1+i)} \right]$$

Example (i): Monthly payments (regular first period and irregular final payment)

Amount advanced (A) = \$5000. Regular payment (P) = \$230.  
Final payment  $\left(\frac{P}{n}\right)$  = \$280. Number of payments (n) = 24.

Unit-period = 1 month. Unit-periods per year (w) = 12.  
Advance, 1-10-78. First payment, 2-10-78.  
From 1-10-78 through 2-10-78 = 1 unit-period. (t = 1; f = 0)  
Annual percentage rate (I) =  $w_i = .1050 = 10.50\%$

Example (ii): Payments every 2 weeks (short first period and irregular final payment)

Amount advanced (A) = \$200. Regular payment (P) = \$9.50.  
Final payment  $\left(\frac{P}{n}\right)$  = \$30. Number of payments (n) = 20.  
Unit-period = 2 weeks. Unit-periods per year (w) =  $52/2 = 26$ .  
Advance, 4-3-78. First payment, 4-11-78.  
From 4-3-78 through 4-11-78 = 8 days. (t = 0; f =  $8/14$ )  
Annual percentage rate (I) =  $w_i = .1222 = 12.22\%$

(4) Single advance transaction, with an odd first payment, odd final payment, with or without an odd first period, and otherwise regular.  
The general equation in paragraph (b)(8) of this section can be put in the following special form for this type of transaction:

$$A = \frac{1}{(1+fi)(1+i)^t} \left[ \frac{P}{1} + \frac{\frac{P}{1} \cdot \frac{a}{n-2}}{(1+i)} + \frac{P}{(1+i)^{n-1}} \right]$$

Example (i): Monthly payments (regular first period, irregular first payment, and irregular final payment)

Amount advanced (A) = \$5000. First payment  $\left(\frac{P}{1}\right)$  = \$250.  
Regular payment (P) = \$230. Final payment  $\left(\frac{P}{n}\right)$  = \$280.  
Number of payments (n) = 24. Unit-period = 1 month.  
Unit-periods per year (w) = 12.  
Advance, 1-10-78. First payment, 2-10-78.  
From 1-10-78 through 2-10-78 = 1 unit-period. (t = 1; f = 0)  
Annual percentage rate (I) =  $w_i = .1090 = 10.90\%$

Example (ii): Payments every two months (short first period, irregular first payment, and irregular final payment)

Amount advanced (A) = \$8000. First payment  $\left(\frac{P}{1}\right)$  = \$449.36.  
Regular payment (P) = \$465. Final payment  $\left(\frac{P}{n}\right)$  = \$200.  
Number of payments (n) = 20. Unit-period = 2 months.  
Unit-periods per year (w) =  $12/2 = 6$ .  
Advance, 1-10-78. First payment, 3-1-78.  
From 2-1-78 through 3-1-78 = 1 month. From 1-10-78 through 2-1-78 = 22 days. (t = 0; f =  $52/60$ )  
Annual percentage rate (I) =  $w_i = .0730 = 7.30\%$

(5) Single advance, single payment transaction. The general equation in paragraph (b)(8) of this section can be put in the special forms below for single advance, single payment transactions. Forms 1 through 3 are for the direct determination of the annual percentage rate under special conditions. Form 4 requires the use of the iteration procedure of paragraph (b)(9) of this section and can be used for all single advance, single payment transactions regardless of term.

Form 1 - Term less than 1 year:

$$I = 100w \left( \frac{P}{A} - 1 \right)$$

Form 2 - Term more than 1 year but less than 2 years:

$$I = \frac{50}{f} \left\{ \left[ (1 + f)^2 + 4f \left( \frac{P}{A} - 1 \right) \right]^{1/2} - (1 + f) \right\}$$

Form 3 - Term equal to exactly a year or exact multiple of a year:

$$I = 100 \left[ \left( \frac{P}{A} \right)^{1/t} - 1 \right]$$

Form 4 - Special form for iteration procedure (no restriction on term):

$$A = \frac{P}{t} \frac{1}{(1 + fi)(1 + i)}$$

Example (i): Single advance, single payment (term of less than 1 year, measured in days)

Amount advanced (A) = \$1000. Payment (P) = \$1080.  
 Unit-period = 255 days. Unit-periods per year (w) = 365/255.  
 Advance, 1-3-78. Payment, 9-15-78.  
 From 1-3-78 through 9-15-78 = 255 days. (t = 1; f = 0)  
 Annual percentage rate (I) = wi = .1145 = 11.45%. (Use Form 1 or 4.)

Example (ii): Single advance, single payment (term of less than 1 year, measured in exact calendar months)

Amount advanced (A) = \$1000. Payment (P) = \$1044.  
 Unit-period = 6 months. Unit-periods per year (w) = 2.  
 Advance, 7-15-78. Payment, 1-15-79.  
 From 7-15-78 through 1-15-79 = 6 mos. (t = 1; f = 0)  
 Annual percentage rate (I) = wi = .0880 = 8.80%. (Use Form 1 or 4.)

Example (iii): Single advance, single payment (term of more than 1 year but less than 2 years, fraction measured in exact months)

Amount advanced (A) = \$1000. Payment (P) = \$1135.19.  
 Unit-period = 1 year. Unit-periods per year (w) = 1.  
 Advance, 7-17-78. Payment, 1-17-80.  
 From 7-17-78 through 1-17-80 = 1 unit-period. (t = 1)  
 From 7-17-78 through 1-17-79 = 6 mos. (f = 6/12)  
 Annual percentage rate (I) = wi = .0876 = 8.76%. (Use Form 2 or 4.)

Example (iv): Single advance, single payment (term of exactly 2 years)

Amount advanced (A) = \$1000. Payment (P) = \$1240.  
 Unit-period = 1 year. Unit-periods per year (w) = 1.  
 Advance, 1-3-78. Payment, 1-3-80.  
 From 1-3-78 through 1-3-79 = 1 unit-period. (t = 2; f = 0)  
 Annual percentage rate (I) = wi = .1136 = 11.36%. (Use Form 3 or 4.)

(6) Complex single advance transaction.

Example (i): Skipped payment loan (payments every 4 weeks)

A loan of \$2135 is advanced on 1-25-78. It is to be repaid by 24 payments of \$100 each. Payments are due every 4 weeks beginning 2-20-78. However, in those months in which 2 payments would be due, only the first of the 2 payments is made and the following payment is delayed by 2 weeks to place it in the next month.

Unit-period = 4 weeks. Unit-periods per year (w) = 52/4 = 13.  
 First series of payments begins 26 days after 1-25-78.

(t = 0; f = 26/28)

1            1

Second series of payments begins 9 unit-periods plus 2 weeks after start of first series. (t = 10; f = 12/28)

2            2

Third series of payments begins 6 unit-periods plus 2 weeks after start of second series. (t = 16; f = 26/28)

3            3

Last series of payments begins 6 unit-periods plus 2 weeks after start of third series. (t = 23; f = 12/28)

4            4

The general equation in paragraph (b)(8) of this section can be written in the special form:

$$2135 = \frac{100 \ddot{a}_{\overline{9}|}}{(1+(26/28)i)} + \frac{100 \ddot{a}_{\overline{6}|}}{(1+(12/28)i)(1+i)} + \frac{100 \ddot{a}_{\overline{6}|}}{(1+(26/28)i)(1+i)} + \frac{100 \ddot{a}_{\overline{3}|}}{(1+(12/28)i)(1+i)}$$

Annual percentage rate (I) = wi = .1200 = 12.00%

Example (ii): Skipped payment loan plus single payments

A loan of \$7350 on 3-3-78 is to be repaid by 3 monthly payments of \$1000 each beginning 9-15-78, plus a single payment of \$2000 on 3-15-79, plus 3 more monthly payments of \$750 each beginning 9-15-79, plus a final payment of \$1000 on 2-1-80.

Unit-period = 1 month. Unit-periods per year (w) = 12.  
First series of payments begins 6 unit-periods plus 12 days after 3-3-78. ( $t = 6$ ;  $f = 12/30$ )

1            1

Second series of payments (single payment) occurs 12 unit-periods plus 12 days after 3-3-78. ( $t = 12$ ;  $f = 12/30$ )

2            2

Third series of payments begins 18 unit-periods plus 12 days after 3-3-78. ( $t = 18$ ;  $f = 12/30$ )

3            3

Final payment occurs 22 unit-periods plus 29 days after 3-3-78. ( $t = 22$ ;  $f = 29/30$ )

4            4

The general equation in paragraph (b)(8) of this section can be written in the special form:

$$7350 = \frac{1000 \overbrace{\quad}^{\text{a}}}{\frac{3}{1} \overbrace{\quad}^{6}} + \frac{2000}{\frac{12}{1} \overbrace{\quad}^{12}} + \\ \frac{750 \overbrace{\quad}^{\text{a}}}{\frac{3}{1} \overbrace{\quad}^{18}} + \frac{1000}{\frac{22}{1} \overbrace{\quad}^{22}}$$

$$(1+(12/30)i)(1+i) \qquad \qquad \qquad (1+(12/30)i)(1+i) \qquad \qquad \qquad (1+(29/30)i)(1+i)$$

Annual percentage rate (I) =  $wi = .1022 = 10.22\%$

Example (iii): Mortgage with varying payments

A loan of \$39,688.56 (net) on 4-10-78 is to be repaid by 360 monthly payments beginning 6-1-78. Payments are the same for 12 months at a time as follows:

**Consumer Financial Protection Bureau**

**Pt. 1026, App. J**

<u>Year</u>	<u>Monthly payment</u>	<u>Year</u>	<u>Monthly payment</u>	<u>Year</u>	<u>Monthly payment</u>
1	\$291.81	11	\$385.76	21	\$380.43
2	300.18	12	385.42	22	379.60
3	308.78	13	385.03	23	378.68
4	317.61	14	384.62	24	377.69
5	326.65	15	384.17	25	376.60
6	335.92	16	383.67	26	375.42
7	345.42	17	383.13	27	374.13
8	355.15	18	382.54	28	372.72
9	365.12	19	381.90	29	371.18
10	375.33	20	381.20	30	369.50

Unit-period = 1 month. Unit-periods per year (w) = 12.  
 From 5-1-78 through 6-1-78 = 1 unit-period. (t = 1)  
 From 4-10-78 through 5-1-78 = 21 days. (f = 21/30)

The general equation in paragraph (b)(8) of this section can be written in the special form:

$$39,688.56 = \frac{a}{\frac{12}{(1+(21/30)i)(1+i)}} \left[ \frac{291.81 + \frac{300.18}{12} + \frac{308.78}{24} + \dots}{(1+i)} + \dots + \frac{\frac{369.50}{348}}{(1+i)} \right]$$

Annual percentage rate (I) = wi = .0980 = 9.80%

**(7) Multiple advance transactions.**

**Example (i): Construction loan**

Three advances of \$20,000 each are made on 4-10-79, 6-12-79, and 9-18-79. Repayment is by 240 monthly payments of \$612.36 each beginning 12-10-79.

Unit-period = 1 month. Unit-periods per year (w) = 12.  
 From 4-10-79 through 6-12-79 = (2+2/30) unit-periods.  
 From 4-10-79 through 9-18-79 = (5+8/30) unit-periods.  
 From 4-10-79 through 12-10-79 = (8) unit-periods.

The general equation in paragraph (b)(8) of this section is changed to the single advance mode by treating the 2nd and 3rd advances as negative payments:

$$20,000 = \frac{612.36 \overbrace{a}^{240}}{8} - \frac{20,000}{2} - \frac{20,000}{5}$$

$$(1+i) \quad (1+(2/30)i)(1+i) \quad (1+(8/30)i)(1+i)$$

Annual percentage rate ( $I$ ) =  $wi = .1025 = 10.25\%$

Example (ii): Student loan

A student loan consists of 8 advances: \$1800 on 9-5-78, 9-5-79, 9-5-80, and 9-5-81; plus \$1000 on 1-5-79, 1-5-80, 1-5-81, and 1-5-82. The borrower is to make 50 monthly payments of \$240 each beginning 7-1-78 (prior to first advance). Unit-period = 1 month. Unit-periods per year ( $w$ ) = 12. Zero point is date of first payment since it precedes first advance. From 7-1-78 to 9-5-78 =  $(2 + 4/30)$  unit-periods.

$$\begin{aligned} " & " & 9-5-79 &= (14 + 4/30) & " \\ " & " & 9-5-80 &= (26 + 4/30) & " \\ " & " & 9-5-81 &= (38 + 4/30) & " \\ " & " & 1-5-79 &= (6 + 4/30) & " \\ " & " & 1-5-80 &= (18 + 4/30) & " \\ " & " & 1-5-81 &= (30 + 4/30) & " \\ " & " & 1-5-82 &= (42 + 4/30) & " \end{aligned}$$

Since the zero point is date of first payment, the general equation in paragraph (b)(8) of this section is written in the single advance form below by treating the first payment as a negative advance and the 8 advances as negative payments:

$$\begin{aligned} -240 &= \frac{240 \overbrace{a}^{49}}{(1+i)} - \frac{1800}{(1+(4/30)i)} \left[ \frac{1}{2} + \right. \\ &\quad \left. \frac{1}{14} + \frac{1}{26} + \frac{1}{38} \right] \\ &\quad - \frac{1000}{(1+(4/30)i)} \left[ \frac{1}{6} + \frac{1}{18} + \frac{1}{30} + \frac{1}{42} \right] \end{aligned}$$

Annual percentage rate ( $I$ ) =  $wi = .3204 = 32.04\%$

## Consumer Financial Protection Bureau

## Pt. 1026, App. K

### APPENDIX K TO PART 1026—TOTAL ANNUAL LOAN COST RATE COMPUTATIONS FOR REVERSE MORTGAGE TRANSACTIONS

(a) *Introduction.* Creditors are required to disclose a series of total annual loan cost rates for each reverse mortgage transaction. This appendix contains the equations creditors must use in computing the total annual loan cost rate for various transactions, as well as instructions, explanations, and examples for various transactions. This appendix is modeled after appendix J of this part (Annual Percentage Rates Computations for Closed-end Credit Transactions); creditors should consult appendix J of this part for additional guidance in using the formulas for reverse mortgages.

(b) *Instructions and equations for the total annual loan cost rate—(1) General rule.* The total annual loan cost rate shall be the nominal total annual loan cost rate determined by multiplying the unit-period rate by the number of unit-periods in a year.

(2) *Term of the transaction.* For purposes of total annual loan cost disclosures, the term of a reverse mortgage transaction is assumed to begin on the first of the month in which consummation is expected to occur. If a loan cost or any portion of a loan cost is initially incurred beginning on a date later than consummation, the term of the transaction is assumed to begin on the first of the month in which that loan cost is incurred. For purposes of total annual loan cost disclosures, the term ends on each of the assumed loan periods specified in § 1026.33(c)(6).

(3) *Definitions of time intervals.* (i) A period is the interval of time between advances.

(ii) A common period is any period that occurs more than once in a transaction.

(iii) A standard interval of time is a day, week, semimonth, month, or a multiple of a week or a month up to, but not exceeding, 1 year.

(iv) All months shall be considered to have an equal number of days.

(4) *Unit-period.* (i) In all transactions other than single-advance, single-payment transactions, the unit-period shall be that common period, not to exceed one year, that occurs most frequently in the transaction, except that:

(A) If two or more common periods occur with equal frequency, the smaller of such common periods shall be the unit-period; or

(B) If there is no common period in the transaction, the unit-period shall be that period which is the average of all periods rounded to the nearest whole standard interval of time. If the average is equally near two standard intervals of time, the lower shall be the unit-period.

(ii) In a single-advance, single-payment transaction, the unit-period shall be the

term of the transaction, but shall not exceed one year.

(5) *Number of unit-periods between two given dates.* (i) The number of days between two dates shall be the number of 24-hour intervals between any point in time on the first date to the same point in time on the second date.

(ii) If the unit-period is a month, the number of full unit-periods between two dates shall be the number of months. If the unit-period is a month, the number of unit-periods per year shall be 12.

(iii) If the unit-period is a semimonth or a multiple of a month not exceeding 11 months, the number of days between two dates shall be 30 times the number of full months. The number of full unit-periods shall be determined by dividing the number of days by 15 in the case of a semimonthly unit-period or by the appropriate multiple of 30 in the case of a multimonthly unit-period. If the unit-period is a semimonth, the number of unit-periods per year shall be 24. If the number of unit-periods is a multiple of a month, the number of unit-periods per year shall be 12 divided by the number of months per unit-period.

(iv) If the unit-period is a day, a week, or a multiple of a week, the number of full unit-periods shall be determined by dividing the number of days between the two given dates by the number of days per unit-period. If the unit-period is a day, the number of unit-periods per year shall be 365. If the unit-period is a week or a multiple of a week, the number of unit-periods per year shall be 52 divided by the number of weeks per unit-period.

(v) If the unit-period is a year, the number of full unit-periods between two dates shall be the number of full years (each equal to 12 months).

(6) *Symbols.* The symbols used to express the terms of a transaction in the equation set forth in paragraph (b)(8) of this appendix are defined as follows:

$A_j$  = The amount of each periodic or lump-sum advance to the consumer under the reverse mortgage transaction.

$i$  = Percentage rate of the total annual loan cost per unit-period, expressed as a decimal equivalent.

$j$  = The number of unit-periods until the  $j$ th advance.

$n$  = The number of unit-periods between consummation and repayment of the debt.

$P_n$  = Min ( $Bal_n$ ,  $Val_n$ ). This is the maximum amount that the creditor can be repaid at the specified loan term.

$Bal_n$  = Loan balance at time of repayment, including all costs and fees incurred by the consumer (including any shared appreciation or shared equity amount) compounded to time  $n$  at the creditor's contract rate of interest.

**Pt. 1026, App. K**

$Val_n = Val_0(1 + \sigma)^y$ , where  $Val_0$  is the property value at consummation,  $\sigma$  is the assumed annual rate of appreciation for the dwelling, and  $y$  is the number of years in the assumed term.  $Val_n$  must be reduced by the amount of any equity reserved for the consumer by agreement between the parties, or by 7 percent (or

**12 CFR Ch. X (1-1-24 Edition)**

the amount or percentage specified in the credit agreement), if the amount required to be repaid is limited to the net proceeds of sale.

$\sigma$  = The summation operator.

Symbols used in the examples shown in this appendix are defined as follows:

**FV<sub>x-i</sub> = The future value of 1 per unit period for x unit periods, first advance due immediately (at time = 0, which is consummation).**

$$\begin{aligned} &= \sum_{j=0}^{x-1} (1+i)^{x-j} \\ &= (1+i)^x + (1+i)^{x-1} + \cdots + (1+i)^1; \text{ or} \\ &= \frac{(1+i)^x - 1}{i} \times (1+i) \end{aligned}$$

w = The number of unit-periods per year.  
 $I = wi \times 100$  = the nominal total annual loan cost rate.

(7) *General equation.* The total annual loan cost rate for a reverse mortgage transaction must be determined by first solving the following formula, which sets forth the rela-

tionship between the advances to the consumer and the amount owed to the creditor under the terms of the reverse mortgage agreement for the loan cost rate per unit-period (the loan cost rate per unit-period is then multiplied by the number of unit-periods per year to obtain the total annual loan cost rate I; that is,  $I = wi$ ):

$$\sum_{j=0}^{x-1} A_j (1+i)^{x-j} = P_x$$

(8) *Solution of general equation by iteration process.* (i) The general equation in paragraph (b)(7) of this appendix, when applied to a simple transaction for a reverse mortgage

loan of equal monthly advances of \$350 each, and with a total amount owed of \$14,313.08 at an assumed repayment period of two years, takes the special form:

$$\begin{aligned} P_x &= 350 FV_{24-i}, \text{ or} \\ P_x &= 350 \times \left[ \frac{(1+i)^x - 1}{i} \times (1+i) \right] \end{aligned}$$

Using the iteration procedures found in steps 1 through 4 of (b)(9)(i) of appendix J of this

part, the total annual loan cost rate, correct to two decimals, is 48.53%.

**Consumer Financial Protection Bureau**

**Pt. 1026, App. K**

(ii) In using these iteration procedures, it is expected that calculators or computers will be programmed to carry all available decimals throughout the calculation and that enough iterations will be performed to make virtually certain that the total annual loan cost rate obtained, when rounded to two decimals, is correct. Total annual loan cost rates in the examples below were obtained by using a 10-digit programmable calculator and the iteration procedure described in appendix J of this part.

(9) *Assumption for discretionary cash advances.* If the consumer controls the timing of advances made after consummation (such as in a credit line arrangement), the creditor must use the general formula in paragraph (b)(7) of this appendix. The total annual loan cost rate shall be based on the assumption that 50 percent of the principal loan amount is advanced at closing, or in the case of an open-end transaction, at the time the consumer becomes obligated under the plan. Creditors shall assume the advances are made at the interest rate then in effect and that no further advances are made to, or repayments made by, the consumer during the term of the transaction or plan.

(10) *Assumption for variable-rate reverse mortgage transactions.* If the interest rate for a reverse mortgage transaction may increase during the loan term and the amount or timing is not known at consummation, creditors shall base the disclosures on the initial interest rate in effect at the time the disclosures are provided.

(11) *Assumption for closing costs.* In calculating the total annual loan cost rate, creditors shall assume all closing and other consumer costs are financed by the creditor.

(c) *Examples of total annual loan cost rate computations—(1) Lump-sum advance at consummation.*

Lump-sum advance to consumer at consummation: \$30,000  
 Total of consumer's loan costs financed at consummation: \$4,500  
 Contract interest rate: 11.60%  
 Estimated time of repayment (based on life expectancy of a consumer at age 78): 10 years  
 Appraised value of dwelling at consummation: \$100,000  
 Assumed annual dwelling appreciation rate: 4%  
 $P_{10} = \text{Min}(103,385.84, 137,662.72)$

$$30,000(1+i)^{10-0} + \sum_{j=0}^9 0(1+i)^{10-j} = 103,385.84$$

$i = .1317069438$   
 Total annual loan cost rate ( $100(.1317069438 \times 1) = 13.17\%$ )  
 (2) *Monthly advance beginning at consummation.*  
 Monthly advance to consumer, beginning at consummation: \$492.51  
 Total of consumer's loan costs financed at consummation: \$4,500

Contract interest rate: 9.00%  
 Estimated time of repayment (based on life expectancy of a consumer at age 78): 10 years  
 Appraised value of dwelling at consummation: \$100,000  
 Assumed annual dwelling appreciation rate: 8%

$$P_{120} = \text{Min}(107,053.63, 200,780.02)$$

$$492.51 \times \left[ \frac{(1+i)^{120} - 1}{i} \times (1+i) \right] = 107,053.63$$

$$i = .009061140$$

Total annual loan cost rate ( $100(.009061140 \times 12) = 10.87\%$ )  
 (3) *Lump sum advance at consummation and monthly advances thereafter.*  
 Lump sum advance to consumer at consummation: \$10,000

Monthly advance to consumer, beginning at consummation: \$725  
 Total of consumer's loan costs financed at consummation: \$4,500  
 Contract rate of interest: 8.5%

**Pt. 1026, App. K**

**12 CFR Ch. X (1-1-24 Edition)**

Estimated time of repayment (based on life expectancy of a consumer at age 75): 12 years

Appraised value of dwelling at consummation: \$100,000  
Assumed annual dwelling appreciation rate: 8%

$$P_{144} = \min(221,818.30, 234,189.82)$$

$$10,000(1+i)^{144-0} + \sum_{j=0}^{143} 725(1+i)^{144-j} = 221,818.30$$

$$i = .007708844$$

Total annual loan cost rate ( $100(.007708844 \times 12)$ ) = 9.25%

(d) Reverse mortgage model form and sample form—(1) Model form.

**TOTAL ANNUAL LOAN COST RATE**

*Loan Terms*

Age of youngest borrower:

Appraised property value:

Interest rate:

Monthly advance:

Initial draw:

Line of credit:

*Initial Loan Charges*

Closing costs:

Mortgage insurance premium:

Annuity cost:

*Monthly Loan Charges*

Servicing fee:

*Other Charges:*

Mortgage insurance:

Shared Appreciation:

*Repayment Limits*

Assumed annual appreciation (percent)	Total annual loan cost rate			
	2-year loan term	[ ]-year loan term	[ ]-year loan term	[ ]-year loan term
0 .....	.....	[ ] .....		
4 .....	.....	[ ] .....		
8 .....	.....	[ ] .....		

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for three [four] loan terms: 2 years, [half of life expectancy for someone your age,] that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual loan cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs, and servicing costs (but not costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes.

Signing an Application or Receiving These Disclosures Does Not Require You To Complete This Loan

(2) Sample Form.

**TOTAL ANNUAL LOAN COST RATE**

*Loan Terms*

Age of youngest borrower: 75

Appraised property value: \$100,000

Interest rate: 9%

Monthly advance: \$301.80

Initial draw: \$1,000

Line of credit: \$4,000

*Initial Loan Charges*

Closing costs: \$5,000

Mortgage insurance premium: None

Annuity cost: None

**MONTHLY LOAN CHARGES**

Servicing fee: None

**OTHER CHARGES**

Mortgage insurance: None

**Consumer Financial Protection Bureau**

**Pt. 1026, App. L**

Shared Appreciation: None

**REPAYMENT LIMITS**

Net proceeds estimated at 93% of projected home sale

Assumed annual appreciation (percent)	Total annual loan cost rate			
	2-year loan term (percent)	6-year loan term (percent)	12-year loan term (percent)	17-year loan term (percent)
0 .....	39.00	[14.94]	9.86	3.87
4 .....	39.00	[14.94]	11.03	10.14
8 .....	39.00	[14.94]	11.03	10.20

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for three [four] loan terms: 2 years, [half of life expectancy for someone your age,] that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual loan cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs, and servicing costs (but not disposition costs—costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes.

**Signing an Application or Receiving These Disclosures Does Not Require You To Complete This Loan**

**APPENDIX L TO PART 1026—ASSUMED LOAN PERIODS FOR COMPUTATIONS OF TOTAL ANNUAL LOAN COST RATES**

(a) *Required tables.* In calculating the total annual loan cost rates in accordance with appendix K of this part, creditors shall assume three loan periods, as determined by the following table.

(b) *Loan periods.* (1) Loan Period 1 is a two-year loan period.

(2) Loan Period 2 is the life expectancy in years of the youngest borrower to become obligated on the reverse mortgage loan, as shown in the U.S. Decennial Life Tables for 1979–1981 for females, rounded to the nearest whole year.

(3) Loan Period 3 is the life expectancy figure in Loan Period 2, multiplied by 1.4 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

(4) At the creditor's option, an additional period may be included, which is the life expectancy figure in Loan Period 2, multiplied by .5 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

Age of youngest borrower	Loan period 1 (in years)	[Optional loan period (in years)]	Loan period 2 (life expectancy) (in years)	Loan period 3 (in years)
62 .....	2	[11]	21	29
63 .....	2	[10]	20	28
64 .....	2	[10]	19	27
65 .....	2	[9]	18	25
66 .....	2	[9]	18	25
67 .....	2	[9]	17	24
68 .....	2	[8]	16	22
69 .....	2	[8]	16	22
70 .....	2	[8]	15	21
71 .....	2	[7]	14	20
72 .....	2	[7]	13	18
73 .....	2	[7]	13	18
74 .....	2	[6]	12	17
75 .....	2	[6]	12	17
76 .....	2	[6]	11	15
77 .....	2	[5]	10	14
78 .....	2	[5]	10	14
79 .....	2	[5]	9	13
80 .....	2	[5]	9	13
81 .....	2	[4]	8	11
82 .....	2	[4]	8	11
83 .....	2	[4]	7	10
84 .....	2	[4]	7	10

Age of youngest borrower	Loan period 1 (in years)	[Optional loan period (in years)]	Loan period 2 (life expectancy) (in years)	Loan period 3 (in years)
85 .....	2	[3]	6	8
86 .....	2	[3]	6	8
87 .....	2	[3]	6	8
88 .....	2	[3]	5	7
89 .....	2	[3]	5	7
90 .....	2	[3]	5	7
91 .....	2	[2]	4	6
92 .....	2	[2]	4	6
93 .....	2	[2]	4	6
94 .....	2	[2]	4	6
95 and over .....	2	[2]	3	4

**APPENDIX M1 TO PART 1026—  
REPAYMENT DISCLOSURES**

(a) *Definitions.* (1) “Promotional terms” means terms of a cardholder’s account that will expire in a fixed period of time, as set forth by the card issuer.

(2) “Deferred interest or similar plan” means a plan where a consumer will not be obligated to pay interest that accrues on balances or transactions if those balances or transactions are paid in full prior to the expiration of a specified period of time.

(b) *Calculating minimum payment repayment estimates*—(1) *Minimum payment formulas.* When calculating the minimum payment repayment estimate, card issuers must use the minimum payment formula(s) that apply to a cardholder’s account. If more than one minimum payment formula applies to an account, the issuer must apply each minimum payment formula to the portion of the balance to which the formula applies. In this case, the issuer must disclose the longest repayment period calculated. For example, assume that an issuer uses one minimum payment formula to calculate the minimum payment amount for a general revolving feature, and another minimum payment formula to calculate the minimum payment amount for special purchases, such as a “club plan purchase.” Also, assume that based on a consumer’s balances in these features and the annual percentage rates that apply to such features, the repayment period calculated pursuant to this appendix for the general revolving feature is 5 years, while the repayment period calculated for the special purchase feature is 3 years. This issuer must disclose 5 years as the repayment period for the entire balance to the consumer. If any promotional terms related to payments apply to a cardholder’s account, such as a deferred billing plan where minimum payments are not required for 12 months, card issuers may assume no promotional terms apply to the account. For example, assume that a promotional minimum payment of \$10 applies to an account for six months, and then after the promotional period expires, the minimum payment is calculated as

2 percent of the outstanding balance on the account or \$20 whichever is greater. An issuer may assume during the promotional period that the \$10 promotional minimum payment does not apply, and instead calculate the minimum payment disclosures based on the minimum payment formula of 2 percent of the outstanding balance or \$20, whichever is greater. Alternatively, during the promotional period, an issuer in calculating the minimum payment repayment estimate may apply the promotional minimum payment until it expires and then apply the minimum payment formula that applies after the promotional minimum payment expires. In the above example, an issuer could calculate the minimum payment repayment estimate during the promotional period by applying the \$10 promotional minimum payment for the first six months and then applying the 2 percent or \$20 (whichever is greater) minimum payment formula after the promotional minimum payment expires. In calculating the minimum payment repayment estimate during a promotional period, an issuer may not assume that the promotional minimum payment will apply until the outstanding balance is paid off by making only minimum payments (assuming the repayment estimate is longer than the promotional period). In the above example, the issuer may not calculate the minimum payment repayment estimate during the promotional period by assuming that the \$10 promotional minimum payment will apply beyond the six months until the outstanding balance is repaid.

(2) *Annual percentage rate.* When calculating the minimum payment repayment estimate, a card issuer must use the annual percentage rates that apply to a cardholder’s account, based on the portion of the balance to which the rate applies. If any promotional terms related to annual percentage rates apply to a cardholder’s account, other than deferred interest or similar plans, a card issuer in calculating the minimum payment repayment estimate during the promotional period must apply the promotional annual percentage rate(s) until it expires and then must apply the rate that applies after the

## Consumer Financial Protection Bureau

## Pt. 1026, App. M1

promotional rate(s) expires. If the rate that applies after the promotional rate(s) expires is a variable rate, a card issuer must calculate that rate based on the applicable index or formula. This variable rate is accurate if it was in effect within the last 30 days before the minimum payment repayment estimate is provided. For deferred interest plans or similar plans, if minimum payments under the deferred interest or similar plan will repay the balances or transactions in full prior to the expiration of the specified period of time, a card issuer must assume that the consumer will not be obligated to pay the accrued interest. This means, in calculating the minimum payment repayment estimate, the card issuer must apply a zero percent annual percentage rate to the balance subject to the deferred interest or similar plan. If, however, minimum payments under the deferred interest plan or similar plan may not repay the balances or transactions in full prior to the expiration of the specified period of time, a card issuer must assume that a consumer will not repay the balances or transactions in full prior to the expiration of the specified period of time and thus the consumer will be obligated to pay the accrued interest. This means, in calculating the minimum payment repayment estimate, the card issuer must apply the annual percentage rate at which interest is accruing to the balance subject to the deferred interest or similar plan.

(3) *Beginning balance.* When calculating the minimum payment repayment estimate, a card issuer must use as the beginning balance the outstanding balance on a consumer's account as of the closing date of the last billing cycle. When calculating the minimum payment repayment estimate, a card issuer may round the beginning balance as described above to the nearest whole dollar.

(4) *Assumptions.* When calculating the minimum payment repayment estimate, a card issuer for each of the terms below, may either make the following assumption about that term, or use the account term that applies to a consumer's account.

(i) Only minimum monthly payments are made each month. In addition, minimum monthly payments are made each month—for example, a debt cancellation or suspension agreement, or skip payment feature does not apply to the account.

(ii) No additional extensions of credit are obtained, such as new purchases, transactions, fees, charges or other activity. No refunds or rebates are given.

(iii) The annual percentage rate or rates that apply to a cardholder's account will not change, through either the operation of a variable rate or the change to a rate, except as provided in paragraph (b)(2) of this Appendix. For example, if a penalty annual percentage rate currently applies to a consumer's account, a card issuer may assume

that the penalty annual percentage rate will apply to the consumer's account indefinitely, even if the consumer may potentially return to a non-penalty annual percentage rate in the future under the account agreement.

(iv) There is no grace period.

(v) The final payment pays the account in full (*i.e.*, there is no residual finance charge after the final month in a series of payments).

(vi) The average daily balance method is used to calculate the balance.

(vii) All months are the same length and leap year is ignored. A monthly or daily periodic rate may be assumed. If a daily periodic rate is assumed, the issuer may either assume (1) a year is 365 days long, and all months are 30.41667 days long, or (2) a year is 360 days long, and all months are 30 days long.

(viii) Payments are credited either on the last day of the month or the last day of the billing cycle.

(ix) Payments are allocated to lower annual percentage rate balances before higher annual percentage rate balances.

(x) The account is not past due and the account balance does not exceed the credit limit.

(xi) When calculating the minimum payment repayment estimate, the assumed payments, current balance and interest charges for each month may be rounded to the nearest cent, as shown in appendix M2 to this part.

(5) *Tolerance.* A minimum payment repayment estimate shall be considered accurate if it is not more than 2 months above or below the minimum payment repayment estimate determined in accordance with the guidance in this appendix (prior to rounding described in §1026.7(b)(12)(i)(B) and without use of the assumptions listed in paragraph (b)(4) of this appendix to the extent a card issuer chooses instead to use the account terms that apply to a consumer's account). For example, assume the minimum payment repayment estimate calculated using the guidance in this appendix is 28 months (2 years, 4 months), and the minimum payment repayment estimate calculated by the issuer is 30 months (2 years, 6 months). The minimum payment repayment estimate should be disclosed as 2 years, due to the rounding rule set forth in §1026.7(b)(12)(i)(B). Nonetheless, based on the 30-month estimate, the issuer disclosed 3 years, based on that rounding rule. The issuer would be in compliance with this guidance by disclosing 3 years, instead of 2 years, because the issuer's estimate is within the 2 months' tolerance, prior to rounding. In addition, even if an issuer's estimate is more than 2 months above or below the minimum payment repayment estimate calculated using the guidance in this Appendix, so long as the issuer discloses the

**Pt. 1026, App. M1**

correct number of years to the consumer based on the rounding rule set forth in § 1026.7(b)(12)(i)(B), the issuer would be in compliance with this guidance. For example, assume the minimum payment repayment estimate calculated using the guidance in this appendix is 32 months (2 years, 8 months), and the minimum payment repayment estimate calculated by the issuer is 38 months (3 years, 2 months). Under the rounding rule set forth in § 1026.7(b)(12)(i)(B), both of these estimates would be rounded and disclosed to the consumer as 3 years. Thus, if the issuer disclosed 3 years to the consumer, the issuer would be in compliance with this guidance even though the minimum payment repayment estimate calculated by the issuer is outside the 2 months' tolerance amount.

(c) *Calculating the minimum payment total cost estimate.* When calculating the minimum payment total cost estimate, a card issuer must total the dollar amount of the interest and principal that the consumer would pay if he or she made minimum payments for the length of time calculated as the minimum payment repayment estimate under paragraph (b) of this Appendix. The minimum payment total cost estimate is deemed to be accurate if it is based on a minimum payment repayment estimate that is within the tolerance guidance set forth in paragraph (b)(5) of this Appendix. For example, assume the minimum payment repayment estimate calculated using the guidance in this appendix is 28 months (2 years, 4 months), and the minimum payment repayment estimate calculated by the issuer is 30 months (2 years, 6 months). The minimum payment total cost estimate will be deemed accurate even if it is based on the 30 month estimate for length of repayment, because the issuer's minimum payment repayment estimate is within the 2 months' tolerance, prior to rounding. In addition, assume the minimum payment repayment estimate calculated under this appendix is 32 months (2 years, 8 months), and the minimum payment repayment estimate calculated by the issuer is 38 months (3 years, 2 months). Under the rounding rule set forth in § 1026.7(b)(12)(i)(B), both of these estimates would be rounded and disclosed to the consumer as 3 years. If the issuer based the minimum payment total cost estimate on 38 months (or any other minimum payment repayment estimate that would be rounded to 3 years), the minimum payment total cost estimate would be deemed to be accurate.

(d) *Calculating the estimated monthly payment for repayment in 36 months—(1) In general.* When calculating the estimated monthly payment for repayment in 36 months, a card issuer must calculate the estimated monthly payment amount that would be required to pay off the outstanding balance shown on the statement within 36 months, assuming the consumer paid the same amount each month for 36 months.

**12 CFR Ch. X (1-1-24 Edition)**

(2) *Weighted annual percentage rate.* In calculating the estimated monthly payment for repayment in 36 months, an issuer may use a weighted annual percentage rate that is based on the annual percentage rates that apply to a cardholder's account and the portion of the balance to which the rate applies, as shown in appendix M2 to this part. If a card issuer uses a weighted annual percentage rate and any promotional terms related to annual percentage rates apply to a cardholder's account, other than deferred interest plans or similar plans, in calculating the weighted annual percentage rate, the issuer must calculate a weighted average of the promotional rate and the rate that will apply after the promotional rate expires based on the percentage of 36 months each rate will apply, as shown in appendix M2 to this part. For deferred interest plans or similar plans, if minimum payments under the deferred interest or similar plan will repay the balances or transactions in full prior to the expiration of the specified period of time, if a card issuer uses a weighted annual percentage rate, the card issuer must assume that the consumer will not be obligated to pay the accrued interest. This means, in calculating the weighted annual percentage rate, the card issuer must apply a zero percent annual percentage rate to the balance subject to the deferred interest or similar plan. If, however, minimum payments under the deferred interest plan or similar plan may not repay the balances or transactions in full prior to the expiration of the specified period of time, a card issuer in calculating the weighted annual percentage rate must assume that a consumer will not repay the balances or transactions in full prior to the expiration of the specified period of time and thus the consumer will be obligated to pay the accrued interest. This means, in calculating the weighted annual percentage rate, the card issuer must apply the annual percentage rate at which interest is accruing to the balance subject to the deferred interest or similar plan. A card issuer may use a method of calculating the estimated monthly payment for repayment in 36 months other than a weighted annual percentage rate, so long as the calculation results in the same payment amount each month and so long as the total of the payments would pay off the outstanding balance shown on the periodic statement within 36 months.

(3) *Assumptions.* In calculating the estimated monthly payment for repayment in 36 months, a card issuer must use the same terms described in paragraph (b) of this Appendix, as appropriate.

(4) *Tolerance.* An estimated monthly payment for repayment in 36 months shall be considered accurate if it is not more than 10 percent above or below the estimated monthly payment for repayment in 36 months determined in accordance with the guidance in

## Consumer Financial Protection Bureau

## Pt. 1026, App. M2

this appendix (after rounding described in § 1026.7(b)(12)(i)(F)(I)(ii)).

(e) *Calculating the total cost estimate for repayment in 36 months.* When calculating the total cost estimate for repayment in 36 months, a card issuer must total the dollar amount of the interest and principal that the consumer would pay if he or she made the estimated monthly payment calculated under paragraph (d) of this appendix each month for 36 months. The total cost estimate for repayment in 36 months shall be considered accurate if it is based on the estimated monthly payment for repayment in 36 months that is calculated in accordance with paragraph (d) of this appendix.

(f) *Calculating the savings estimate for repayment in 36 months.* When calculating the savings estimate for repayment in 36 months, if a card issuer chooses under § 1026.7(b)(12)(i) to round the disclosures to the nearest whole dollar when disclosing them on the periodic statement, the card issuer must calculate the savings estimate for repayment in 36 months by subtracting the total cost estimate for repayment in 36 months calculated under paragraph (e) of this appendix (rounded to the nearest whole dollar) from the minimum payment total cost estimate calculated under paragraph (c) of this appendix (rounded to the nearest whole dollar). If a card issuer chooses under § 1026.7(b)(12)(i), however, to round the disclosures to the nearest cent when disclosing them on the periodic statement, the card issuer must calculate the savings estimate for repayment in 36 months by subtracting the total cost estimate for repayment in 36 months calculated under paragraph (e) of this appendix (rounded to the nearest cent) from the minimum payment total cost estimate calculated under paragraph (c) of this appendix (rounded to the nearest cent). The savings estimate for repayment in 36 months shall be considered accurate if it is based on the total cost estimate for repayment in 36 months that is calculated in accordance with paragraph (e) of this appendix and the minimum payment total cost estimate calculated under paragraph (c) of this appendix.

### APPENDIX M2 TO PART 1026—SAMPLE CALCULATIONS OF REPAYMENT DISCLOSURES

The following is an example of how to calculate the minimum payment repayment estimate, the minimum payment total cost estimate, the estimated monthly payment for repayment in 36 months, the total cost estimate for repayment in 36 months, and the savings estimate for repayment in 36 months using the guidance in appendix M1 to this part where three annual percentage rates apply (where one of the rates is a promotional APR), the total outstanding balance is \$1000, and the minimum payment for-

mula is 2 percent of the outstanding balance or \$20, whichever is greater. The following calculation is written in SAS code.

```
data one;
/*
Note:
pmt01 = estimated monthly payment to
        repay balance in 36 months sumpmts36 =
        sum of payments for repayment in 36
        months
month = number of months to repay total
        balance if making only minimum pay-
        ments
pmt = minimum monthly payment
fc = monthly finance charge
sumpmts = sum of payments for minimum
        payments
*/
* inputs:
* annual percentage rates; apr1 = 0.0; apr2 =
  0.17; apr3 = 0.21; * insert in ascending
  order;
* outstanding balances; cbal1 = 500; cbal2 =
  250; cbal3 = 250;
* dollar minimum payment; dmin = 20;
* percent minimum payment; pmin = 0.02; *
  (0.02 + perrate);
* promotional rate information;
* last month for promotional rate; expm = 6;
  * = 0 if no promotional rate;
* regular rate; rrate = .17; * = 0 if no pro-
  motional rate;
array apr(3); array perrate(3);
days = 365/12; * calculate days in month;
* calculate estimated monthly payment to
  pay off balances in 36 months, and total
  cost of repaying balance in 36 months;
array xperrate(3);
do I = 1 to 3;
xperrate(I) = (apr(I)/365) * days; * calculate
  periodic rate;
end;
if expmg0 then xperrate1a = (expm/36) *
  xperrate1 + (1-(expm/36)) * (rrate/365) *
  days; else xperrate1a = xperrate1;
tbal = cbal1 + cbal2 + cbal3;
perrate36 = (cbal1 * xperrate1a + cbal2 *
  xperrate2 + cbal3 * xperrate3)/(cbal1 +
  cbal2 + cbal3);
* months to repay; dmonths = 36;
* initialize counters for sum of payments for
  repayment in 36 months; Sumpmts36 = 0;
  pvaf = (1-(1 + perrate36) ** -dmonths)/
  perrate36; * calculate present value of annu-
  ity factor;
pmt01 = round(tbal/pvaf,0.01); * calculate
  monthly payment for designated number
  of months;
sumpmts36 = pmt01 * 36;
* calculate time to repay and total cost of
  making minimum payments each month;
* initialize counter for months, and sum of
  payments;
month = 0;
sumpmts = 0;
do I = 1 to 3;
```

**Pt. 1026, App. N**

```

perrate(I) = (apr(I)/365) * days; * calculate
    periodic rate;
end;
put perrate1 = perrate2 = perrate3 =;
eins:
month = month + 1; * increment month
    counter;
pmt = round(pmin * tbal,0.01); * calculate
    payment as percentage of balance;
if month geexpm and expm ne 0 then
    perrate1 = (rrate/365) * days;
if pmtltmin then pmt = dmin; * set dollar
    minimum payment;
array xxxbal(3); array cbal(3);
do I = 1 to 3;
xxxbal(I) = round(cbal(I) * (1 +
    perrate(I)),0.01);
end;
fc = xxxbal1 + xxxbal2 + xxxbal3 - tbal;
if pmtgt(tbal + fc) then do;
do I = 1 to 3;
if cbal(I) gt 0 then pmt = round(cbal(I) * (1 +
    perrate(I)),0.01); * set final payment
    amount;
end;
end;
if pmt le xxxball then do;
cbal1 = xxxball - pmt;
cbal2 = xxxbal2;
cbal3 = xxxbal3;
end;
if pmtgt xxxball and xxxbal2 gt 0 and pmt le
    (xxxball + xxxbal2) then do;
cbal2 = xxxbal2 - (pmt - xxxball);
cbal1 = 0;
cbal3 = xxxbal3;
end;
if pmtgt xxxbal2 and xxxbal3 gt 0 then do;
cbal3 = xxxbal3 - (pmt - xxxball -
    xxxbal2);
cbal2 = 0;
end;
sumpmts = sumpmts + pmt; * increment sum
    of payments;
tbal = cbal1 + cbal2 + cbal3; * calculate new
    total balance;
* print month, balance, payment amount,
    and finance charge;
put month = tbal = cbal1 = cbal2 = cbal3 =
    pmt = fc =;
if tbalgt 0 then go to eins; * go to next month
    if balance is greater than zero;
* initialize total cost savings;
savtot = 0;
savtot = round(sumpmts,1) - round
    (sumpmts36,1);
* print number of months to repay debt if
    minimum payments made, final balance
    (zero), total cost if minimum payments
    made, estimated monthly payment for
    repayment in 36 months, total cost for
    repayment in 36 months, and total sav-
    ings if repaid in 36 months;
put title = ' ';
put title = 'number of months to repay debt
    if minimum payment made, final bal-
    ance, total cost if minimum payments
    made';

```

**12 CFR Ch. X (1-1-24 Edition)**

made, estimated monthly payment for repayment in 36 months, total cost for repayment in 36 months, and total savings if repaid in 36 months';  
 put month = tbal = sumpmts = pmt01 =
 sumpmts36 = savtot =;  
 put title = ' ';

**APPENDIX N TO PART 1026—HIGHER-PRICED MORTGAGE LOAN APPRAISAL SAFE HARBOR REVIEW**

To qualify for the safe harbor provided in §1026.35(c)(3)(ii), a creditor must confirm that the written appraisal:

1. Identifies the creditor who ordered the appraisal and the property and the interest being appraised.
2. Indicates whether the contract price was analyzed.
3. Addresses conditions in the property's neighborhood.
4. Addresses the condition of the property and any improvements to the property.
5. Indicates which valuation approaches were used, and includes a reconciliation if more than one valuation approach was used.
6. Provides an opinion of the property's market value and an effective date for the opinion.
7. Indicates that a physical property visit of the interior of the property was performed, as applicable.
8. Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice.
9. Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended (12 U.S.C. 3331 *et seq.*), and any implementing regulations.

[78 FR 10444, Feb. 13, 2013, as amended at 78 FR 78586, Dec. 26, 2013]

**APPENDIX O TO PART 1026—ILLUSTRATIVE WRITTEN SOURCE DOCUMENTS FOR HIGHER-PRICED MORTGAGE LOAN APPRAISAL RULES**

A creditor acts with reasonable diligence under §1026.35(c)(4)(vi)(A) if the creditor bases its determination on information contained in written source documents, such as:

1. A copy of the recorded deed from the seller.
2. A copy of a property tax bill.
3. A copy of any owner's title insurance policy obtained by the seller.
4. A copy of the RESPA settlement statement from the seller's acquisition (*i.e.*, the HUD-1 or any successor form).

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

5. A property sales history report or title report from a third-party reporting service.
6. Sales price data recorded in multiple listing services.
7. Tax assessment records or transfer tax records obtained from local governments.
8. A written appraisal performed in compliance with §1026.35(c)(3)(i) for the same transaction.
9. A copy of a title commitment report detailing the seller's ownership of the property, the date it was acquired, or the price at which the seller acquired the property.
10. A property abstract.

[78 FR 10444, Feb. 13, 2013]

### APPENDIX P TO PART 1026 [RESERVED]

### SUPPLEMENT I TO PART 1026—OFFICIAL INTERPRETATIONS

#### INTRODUCTION

1. *Official status.* This commentary is the vehicle by which the Bureau of Consumer Financial Protection issues official interpretations of Regulation Z. Good faith compliance with this commentary affords protection from liability under section 130(f) of the Truth in Lending Act. Section 130(f) (15 U.S.C. 1640) protects creditors from civil liability for any act done or omitted in good faith in conformity with any interpretation issued by a duly authorized official or employee of the Bureau of Consumer Financial Protection.

2. *Procedure for requesting interpretations.* Under appendix C of the regulation, anyone may request an official interpretation. Interpretations that are adopted will be incorporated in this commentary following publication in the *FEDERAL REGISTER*. No official interpretations are expected to be issued other than by means of this commentary.

3. *Rules of construction.* (a) Lists that appear in the commentary may be exhaustive or illustrative; the appropriate construction should be clear from the context. In most cases, illustrative lists are introduced by phrases such as “including, but not limited to,” “among other things,” “for example,” or “such as.”

(b) Throughout the commentary, reference to “this section” or “this paragraph” means the section or paragraph in the regulation that is the subject of the comment.

4. *Comment designations.* Each comment in the commentary is identified by a number and the regulatory section or paragraph which it interprets. The comments are designated with as much specificity as possible according to the particular regulatory provision addressed. For example, some of the comments to §1026.18(b) are further divided by subparagraph, such as comment 18(b)(1)-1 and comment 18(b)(2)-1. In other cases, comments have more general application and are

designated, for example, as comment 18-1 or comment 18(b)-1. This introduction may be cited as comments I-1 through I-4. Comments to the appendices may be cited, for example, as comment app. A-1.

#### SUBPART A—GENERAL

##### *Section 1026.1—Authority, Purpose, Coverage, Organization, Enforcement and Liability*

###### 1(c) Coverage

1. *Foreign applicability.* Regulation Z applies to all persons (including branches of foreign banks and sellers located in the United States) that extend consumer credit to residents (including resident aliens) of any state as defined in §1026.2. If an account is located in the United States and credit is extended to a U.S. resident, the transaction is subject to the regulation. This will be the case whether or not a particular advance or purchase on the account takes place in the United States and whether or not the extender of credit is chartered or based in the United States or a foreign country. For example, if a U.S. resident has a credit card account located in the consumer's state issued by a bank (whether U.S. or foreign-based), the account is covered by the regulation, including extensions of credit under the account that occur outside the United States. In contrast, if a U.S. resident residing or visiting abroad, or a foreign national abroad, opens a credit card account issued by a foreign branch of a U.S. bank, the account is not covered by the regulation.

###### *Paragraph 1(c)(5).*

1. *Exemption for certain mortgage transactions.* Section 1026.1(c)(5) implements sections 128(a)(16) through (19), 128(b)(4), 129C(f)(1), 129C(g)(2) and (3), 129C(h), 129D(h), 129D(j)(1)(A), and 129D(j)(1)(B) of the Truth in Lending Act and section 4(c) of the Real Estate Settlement Procedures Act, by exempting persons from the disclosure requirements of those sections, except in certain transactions. The exemptions do not apply to certain transactions for which the disclosure requirements are implemented in other parts of Regulation Z. Sections 1026.37 and 1026.38 implement sections 128(a)(16) through (19), 128(b)(4), 129C(f)(1), 129C(g)(2) and (3), 129D(h), and 129D(j)(1)(A) of the Truth in Lending Act and section 4(c) of the Real Estate Settlement Procedures Act for transactions subject to §1026.19(e) and (f). Section 1026.38(1)(5) implements the disclosure requirements of section 129C(h) of the Truth in Lending Act for transactions subject to §1026.19(f). Section 1026.39(d)(5) implements the disclosure requirements of section 129C(h) of the Truth in Lending Act for transactions subject to §1026.39(d)(5). Section 1026.20(e) implements the disclosure requirements of section 129D(j)(1)(B) of the Truth in Lending Act for transactions subject to §1026.20(e). Section

## Pt. 1026, Supp. I

1026.1(c)(5) does not exempt any person from any other requirement of this part, Regulation X (12 CFR part 1024), the Truth in Lending Act, or the Real Estate Settlement Procedures Act.

### *1(d) Organization.*

#### *Paragraph 1(d)(5).*

*1. Effective date.* i. *General.* The Bureau's revisions to Regulation X and Regulation Z published on December 31, 2013 (the TILA-RESPA Final Rule) apply to covered loans (closed-end credit transactions that are secured by real property or a cooperative unit, whether or not treated as real property under State or other applicable law) for which the creditor or mortgage broker receives an application on or after October 3, 2015 (the effective date), except that § 1026.19(e)(2), the amendments to § 1026.28(a)(1), and the amendments to the commentary to § 1026.29 became effective on October 3, 2015, without respect to whether an application was received as of that date. Additionally, §§ 1026.20(e) and 1026.39(d)(5), as amended or adopted by the TILA-RESPA Final Rule, took effect on October 3, 2015, for transactions for which the creditor or mortgage broker received an application on or after October 3, 2015, and take effect October 1, 2018, with respect to transactions for which a creditor or mortgage broker received an application prior to October 3, 2015.

ii. *Pre-application activities.* The provisions of § 1026.19(e)(2) apply prior to a consumer's receipt of the disclosures required by § 1026.19(e)(1)(i) and therefore restrict activity that may occur prior to receipt of an application by a creditor or mortgage broker. These provisions include § 1026.19(e)(2)(i), which restricts the fees that may be imposed on a consumer, § 1026.19(e)(2)(ii), which requires a statement to be included on written estimates of terms or costs specific to a consumer, and § 1026.19(e)(2)(iii), which prohibits creditors from requiring the submission of documents verifying information related to the consumer's application. Accordingly, the provisions of § 1026.19(e)(2) are effective on October 3, 2015, without respect to whether an application has been received on that date.

iii. *Determination of preemption.* The amendments to § 1026.28 and the commentary to § 1026.29 govern the preemption of State laws, and thus the amendments to those provisions and associated commentary made by the TILA-RESPA Final Rule are effective on October 3, 2015, without respect to whether an application has been received on that date.

iv. *Post-consummation escrow cancellation disclosure and partial payment disclosure.* A creditor, servicer, or covered person, as applicable, must provide the disclosures required by §§ 1026.20(e) and 1026.39(d)(5) for transactions for which the conditions in § 1026.20(e) or § 1026.39(d)(5), as applicable,

## 12 CFR Ch. X (1-1-24 Edition)

exist on or after October 1, 2018, regardless of when the corresponding applications were received. For transactions in which such conditions exist on or after October 3, 2015, through September 30, 2018, a creditor, servicer, or covered person, as applicable, complies with §§ 1026.20(e) and 1026.39(d)(5) if it provides the mandated disclosures in all cases or if it provides them only in cases where the corresponding applications were received on or after October 3, 2015.

v. *Examples.* For purposes of the following examples, an application received before or after the effective date is any submission for the purpose of obtaining an extension of credit that satisfies the definition in § 1026.2(a)(3), as adopted by the TILA-RESPA Final Rule, even if that definition was not yet in effect on the date in question. Cross-references in the following examples to provisions of Regulation Z refer to those provisions as adopted or amended by the TILA-RESPA Final Rule, together with any subsequent amendments, unless noted otherwise.

A. *Application received on or after effective date of the TILA-RESPA Final Rule.* Assume a creditor receives an application on October 3, 2015, and that consummation of the transaction occurs on October 31, 2015. The amendments of the TILA-RESPA Final Rule, including the requirement to provide the Loan Estimate and Closing Disclosure under § 1026.19(e) and (f), apply to the transaction. The creditor is also required to provide the special information booklet under § 1026.19(g).

B. *Application received before effective date of the TILA-RESPA Final Rule.* Assume a creditor receives an application on September 30, 2015, and that consummation of the transaction occurs on October 30, 2015. The requirement to provide the Loan Estimate and Closing Disclosure under § 1026.19(e) and (f) does not apply to the transaction. Instead, the creditor and the settlement agent must provide the disclosures required by § 1026.19, as it existed prior to the effective date of the TILA-RESPA Final Rule, and by Regulation X, 12 CFR 1024.8. Similarly, the creditor must provide the special information booklet required by Regulation X, 12 CFR 1024.6. However, the provisions of § 1026.19(e)(2) apply to the transaction beginning on October 3, 2015, because they became effective on October 3, 2015, without respect to whether an application was received by the creditor or mortgage broker on that date.

C. *Predisclosure written estimates.* Assume a creditor receives a request from a consumer for a written estimate of terms or costs specific to the consumer on October 3, 2015, before the consumer submits an application to the creditor and thus before the consumer has received the disclosures required by § 1026.19(e)(1)(i). The creditor, if it provides such a written estimate to the consumer,

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

must comply with §1026.19(e)(2)(ii) and provide the required statement on the written estimate, even though the creditor has not received an application on that date.

D. *Request for preemption determination.* Assume a creditor submits a request to the Bureau under §1026.28(a)(1) for a determination of whether a State law is inconsistent with the disclosure requirements in Regulation Z on October 3, 2015. Because the amendments to §1026.28(a)(1) are effective on that date and do not depend on whether the creditor has received an application, §1026.28(a)(1) is applicable to the request on that date, and the Bureau would make a determination based on the provisions of Regulation Z in effect on that date, including the requirements of §1026.19(e) and (f).

E. *Effective dates for the post-consummation escrow cancellation disclosure and partial payment disclosure.* Assume a creditor receives an application on October 10, 2010, and that the loan was consummated on November 19, 2010. Assume further that, on December 19, 2016, the escrow account established in connection with the mortgage loan was canceled or the loan is sold to another covered person. A creditor, servicer, or covered person, as applicable, may provide the disclosures required under §§1026.20(e) and 1026.39(d)(5) to the consumer, but the creditor, servicer, or covered person, as applicable, is not required to provide those disclosures in this case. Assume the same circumstances, except that the escrow account established in connection with the loan is canceled or the mortgage loan is sold to another covered person on April 14, 2020. A creditor, servicer, or covered person, as applicable, must provide the disclosures in §§1026.20(e) and 1026.39(d)(5), as applicable, because a condition requiring these disclosures occurred after October 1, 2018 (thus the date the application was received is irrelevant).

2. *2017 TILA-RESPA Amendments.* i. *Generally.* Except as provided in comment 1(d)(5)-2.ii, compliance with the amendments to this part effective on October 10, 2017 (the 2017 TILA-RESPA Amendments) is mandatory with respect to transactions for which a creditor or mortgage broker received an application on or after October 1, 2018. Except as provided in comment 1(d)(5)-2.ii, for transactions for which a creditor or mortgage broker received an application prior to October 1, 2018, from the effective date of the 2017 TILA-RESPA Amendments:

A. A person has the option of complying either: with 12 CFR part 1026 as it is in effect; or with 12 CFR part 1026 as it was in effect on October 9, 2017, together with any amendments to 12 CFR part 1026 that become effective after October 9, 2017, other than the 2017 TILA-RESPA Amendments; and

B. An act or omission violates 12 CFR part 1026 only if it violates both: 12 CFR part 1026 as it is in effect; and 12 CFR part 1026 as it

was in effect on October 9, 2017, together with any amendments to 12 CFR part 1026 that become effective after October 9, 2017, other than the 2017 TILA-RESPA Amendments.

ii. *Post-consummation escrow cancellation disclosure and partial payment disclosure.* Comment 1(d)(5)-1.iv sets forth the transactions to which the disclosures required by §§1026.20(e) and 1026.39(d)(5) are applicable.

### Section 1026.2—Definitions and Rules of Construction

#### 2(a)(2) Advertisement

1. *Coverage.* Only commercial messages that promote consumer credit transactions requiring disclosures are advertisements. Messages inviting, offering, or otherwise announcing generally to prospective customers the availability of credit transactions, whether in visual, oral, or print media, are covered by Regulation Z (12 CFR part 1026).

i. Examples include:

- A. Messages in a newspaper, magazine, leaflet, promotional flyer, or catalog.
- B. Announcements on radio, television, or public address system.
- C. Electronic advertisements, such as on the Internet.
- D. Direct mail literature or other printed material on any exterior or interior sign.
- E. Point of sale displays.
- F. Telephone solicitations.
- G. Price tags that contain credit information.
- H. Letters sent to customers or potential customers as part of an organized solicitation of business.

I. Messages on checking account statements offering auto loans at a stated annual percentage rate.

J. Communications promoting a new open-end plan or closed-end transaction.

ii. The term does not include:

- A. Direct personal contacts, such as follow-up letters, cost estimates for individual consumers, or oral or written communication relating to the negotiation of a specific transaction.

B. Informational material, for example, interest-rate and loan-term memos, distributed only to business entities.

C. Notices required by Federal or state law, if the law mandates that specific information be displayed and only the information so mandated is included in the notice.

D. News articles the use of which is controlled by the news medium.

E. Market-research or educational materials that do not solicit business.

F. Communications about an existing credit account (for example, a promotion encouraging additional or different uses of an existing credit card account).

2. *Persons covered.* All persons must comply with the advertising provisions in §§1026.16

## Pt. 1026, Supp. I

and 1026.24, not just those that meet the definition of creditor in §1026.2(a)(17). Thus, home builders, merchants, and others who are not themselves creditors must comply with the advertising provisions of the regulation if they advertise consumer credit transactions. However, under section 145 of the Act, the owner and the personnel of the medium in which an advertisement appears, or through which it is disseminated, are not subject to civil liability for violations.

### 2(a)(3) Application.

1. *In general.* An application means the submission of a consumer's financial information for purposes of obtaining an extension of credit. For transactions subject to §1026.19(e), (f), or (g) of this part, the term consists of the consumer's name, the consumer's income, the consumer's social security number to obtain a credit report, the property address, an estimate of the value of the property, and the mortgage loan amount sought. This definition does not prevent a creditor from collecting whatever additional information it deems necessary in connection with the request for the extension of credit. However, once a creditor has received these six pieces of information, it has an application for purposes of the requirements of Regulation Z. A submission may be in written or electronic format and includes a written record of an oral application. The following examples for a transaction subject to §1026.19(e), (f), or (g) are illustrative of this provision:

i. Assume a creditor provides a consumer with an application form containing 20 questions about the consumer's credit history and the collateral value. The consumer submits answers to nine of the questions and informs the creditor that the consumer will contact the creditor the next day with answers to the other 11 questions. Although the consumer provided nine pieces of information, the consumer did not provide a social security number. The creditor has not yet received an application for purposes of §1026.2(a)(3).

ii. Assume a creditor requires all applicants to submit 20 pieces of information. The consumer submits only six pieces of information and informs the creditor that the consumer will contact the creditor the next day with answers to the other 14 questions. The six pieces of information provided by the consumer were the consumer's name, income, social security number, property address, estimate of the value of the property, and the mortgage loan amount sought. Even though the creditor requires 14 additional pieces of information to process the consumer's request for a mortgage loan, the creditor has received an application for the purposes of §1026.2(a)(3) and therefore must

## 12 CFR Ch. X (1-1-24 Edition)

comply with the relevant requirements under §1026.19.

2. *Social security number to obtain a credit report.* If a consumer does not have a social security number, the creditor may substitute whatever unique identifier the creditor uses to obtain a credit report on the consumer. For example, a creditor has obtained a social security number to obtain a credit report for purposes of §1026.2(a)(3)(ii) if the creditor collects a Tax Identification Number from a consumer who does not have a social security number, such as a foreign national.

3. *Receipt of credit report fees.* Section 1026.19(a)(1)(iii) permits the imposition of a fee to obtain the consumer's credit history prior to the delivery of the disclosures required under §1026.19(a)(1)(i). Section 1026.19(e)(2)(i)(B) permits the imposition of a fee to obtain the consumer's credit report prior to the delivery of the disclosures required under §1026.19(e)(1)(i). Whether, or when, such fees are received does not affect whether an application has been received for the purposes of the definition in §1026.2(a)(3) and the timing requirements in §1026.19(a)(1)(i) and (e)(1)(iii). For example, if, in a transaction subject to §1026.19(e)(1)(i), a creditor receives the six pieces of information identified under §1026.2(a)(3)(ii) on Monday, June 1, but does not receive a credit report fee from the consumer until Tuesday, June 2, the creditor does not comply with §1026.19(e)(1)(iii) if it provides the disclosures required under §1026.19(e)(1)(i) after Thursday, June 4. The three-business-day period begins on Monday, June 1, the date the creditor received the six pieces of information. The waiting period does not begin on Tuesday, June 2, the date the creditor received the credit report fee.

### 2(a)(4) Billing Cycle or Cycle

1. *Intervals.* In open-end credit plans, the billing cycle determines the intervals for which periodic disclosure statements are required; these intervals are also used as measuring points for other duties of the creditor. Typically, billing cycles are monthly, but they may be more frequent or less frequent (but not less frequent than quarterly).

2. *Creditors that do not bill.* The term *cycle* is interchangeable with *billing cycle* for definitional purposes, since some creditors' cycles do not involve the sending of bills in the traditional sense but only statements of account activity. This is commonly the case with financial institutions when periodic payments are made through payroll deduction or through automatic debit of the consumer's asset account.

3. *Equal cycles.* Although cycles must be equal, there is a permissible variance to account for weekends, holidays, and differences in the number of days in months. If the actual date of each statement does not vary by more than four days from a fixed "day" (for

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

example, the third Thursday of each month) or “date” (for example, the 15th of each month) that the creditor regularly uses, the intervals between statements are considered equal. The requirement that cycles be equal applies even if the creditor applies a daily periodic rate to determine the finance charge. The requirement that intervals be equal does not apply to the first billing cycle on an open-end account (*i.e.*, the time period between account opening and the generation of the first periodic statement) or to a transitional billing cycle that can occur if the creditor occasionally changes its billing cycles so as to establish a new statement day or date. (See comments 9(c)(1)-3 and 9(c)(2)-3.)

4. *Payment reminder.* The sending of a regular payment reminder (rather than a late payment notice) establishes a cycle for which the creditor must send periodic statements.

### 2(a)(6) Business Day

1. *Business function test.* Activities that indicate that the creditor is open for substantially all of its business functions include the availability of personnel to make loan disbursements, to open new accounts, and to handle credit transaction inquiries. Activities that indicate that the creditor is not open for substantially all of its business functions include a retailer’s merely accepting credit cards for purchases or a bank’s having its customer-service windows open only for limited purposes such as deposits and withdrawals, bill paying, and related services.

2. *Rule for rescission, disclosures for certain mortgage transactions, and private education loans.* A more precise rule for what is a business day (all calendar days except Sundays and the Federal legal holidays specified in 5 U.S.C. 6103(a)) applies when the right of rescission, the receipt of disclosures for certain dwelling- or real estate-secured mortgage transactions under §§1026.19(a)(1)(ii), 1026.19(a)(2), 1026.19(e)(1)(iii)(B), 1026.19(e)(1)(iv), 1026.19(e)(2)(i)(A), 1026.19(e)(4)(ii), 1026.19(f)(1)(ii), 1026.19(f)(1)(iii), 1026.20(e)(5), 1026.31(c), or the receipt of disclosures for private education loans under §1026.46(d)(4) is involved. Four Federal legal holidays are identified in 5 U.S.C. 6103(a) by a specific date: New Year’s Day, January 1; Independence Day, July 4; Veterans Day, November 11; and Christmas Day, December 25. When one of these holidays (July 4, for example) falls on a Saturday, Federal offices and other entities might observe the holiday on the preceding Friday (July 3). In cases where the more precise rule applies, the observed holiday (in the example, July 3) is a business day.

### 2(a)(7) Card Issuer

1. *Agent.* i. An agent of a card issuer is considered a card issuer. Except as provided in comment 2(a)(7)-1.ii, because agency relationships are traditionally defined by contract and by state or other applicable law, the regulation does not define agent. Merely providing services relating to the production of credit cards or data processing for others, however, does not make one the agent of the card issuer. In contrast, a financial institution may become the agent of the card issuer if an agreement between the institution and the card issuer provides that the cardholder may use a line of credit with the financial institution to pay obligations incurred by use of the credit card.

ii. Under §1026.2(a)(7), with respect to a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in §1026.61 where that credit feature is offered by an affiliate or business partner of the prepaid account issuer as those terms are defined in §1026.61, the affiliate or business partner offering the credit feature is an agent of the prepaid account issuer and thus, is itself a card issuer with respect to the hybrid prepaid-credit card.

2. *Prepaid cards that are not hybrid prepaid-credit cards.* See §1026.61(a) and comments 61(a)(2)-5.iii and 61(a)(4)-1.iv for guidance on the applicability of this regulation in connection with credit accessible by prepaid cards that are not hybrid prepaid-credit cards.

### 2(a)(8) Cardholder

1. *General rule.* A cardholder is a natural person at whose request a card is issued for consumer credit purposes or who is a co-obligor or guarantor for such a card issued to another. The second category does not include an employee who is a co-obligor or guarantor on a card issued to the employer for business purposes, nor does it include a person who is merely the authorized user of a card issued to another.

2. *Limited application of regulation.* For the limited purposes of the rules on issuance of credit cards and liability for unauthorized use, a cardholder includes *any* person, including an organization, to whom a card is issued for *any* purpose—including a business, agricultural, or commercial purpose.

3. *Issuance.* See the commentary to §1026.12(a).

4. *Dual-purpose cards and dual-card systems.* Some card issuers offer dual-purpose cards that are for business as well as consumer purposes. If a card is issued to an individual for consumer purposes, the fact that an organization has guaranteed to pay the debt does not make it business credit. On the other hand, if a card is issued for business purposes, the fact that an individual sometimes

## Pt. 1026, Supp. I

uses it for consumer purchases does not subject the card issuer to the provisions on periodic statements, billing-error resolution, and other protections afforded to consumer credit. Some card issuers offer dual-card systems—that is, they issue two cards to the same individual, one intended for business use, the other for consumer or personal use. With such a system, the same person may be a cardholder for general purposes when using the card issued for consumer use, and a cardholder only for the limited purposes of the restrictions on issuance and liability when using the card issued for business purposes.

### 2(a)(9) Cash Price

1. *Components.* This amount is a starting point in computing the amount financed and the total sale price under §1026.18 for credit sales. Any charges imposed equally in cash and credit transactions may be included in the cash price, or they may be treated as other amounts financed under §1026.18(b)(2).

2. *Service contracts.* Service contracts include contracts for the repair or the servicing of goods, such as mechanical breakdown coverage, even if such a contract is characterized as insurance under state law.

3. *Rebates.* The creditor has complete flexibility in the way it treats rebates for purposes of disclosure and calculation. (See the commentary to §1026.18(b).)

### 2(a)(10) Closed-End Credit

1. *General.* The coverage of this term is defined by exclusion. That is, it includes any credit arrangement that does not fall within the definition of open-end credit. Subpart C contains the disclosure rules for closed-end credit when the obligation is subject to a finance charge or is payable by written agreement in more than four installments.

### 2(a)(11) Consumer

1. *Scope.* Guarantors, endorsers, and sureties are not generally consumers for purposes of the regulation, but they may be entitled to rescind under certain circumstances and they may have certain rights if they are obligated on credit card plans.

2. *Rescission rules.* For purposes of rescission under §§1026.15 and 1026.23, a consumer includes any natural person whose ownership interest in his or her principal dwelling is subject to the risk of loss. Thus, if a security interest is taken in A's ownership interest in a house and that house is A's principal dwelling, A is a consumer for purposes of rescission, even if A is not liable, either primarily or secondarily, on the underlying consumer credit transaction. An ownership interest does not include, for example, leaseholds or inchoate rights, such as dower.

3. *Trusts.* Credit extended to trusts established for tax or estate planning purposes or to land trusts, as described in comment 3(a)–

## 12 CFR Ch. X (1-1-24 Edition)

10, is considered to be extended to a natural person for purposes of the definition of consumer.

4. *Successors in interest.* i. *Assumption of the mortgage loan obligation.* A servicer may not require a confirmed successor in interest to assume the mortgage loan obligation to be considered a consumer for purposes of §§1026.20(c) through (e), 1026.36(c), 1026.39, and 1026.41. If a successor in interest assumes a mortgage loan obligation under State law or is otherwise liable on the mortgage loan obligation, the protections the successor in interest enjoys under this part are not limited to §§1026.20(c) through (e), 1026.36(c), 1026.39, and 1026.41.

ii. *Communications with confirmed successors in interest.* Communications in compliance with this part to a confirmed successor in interest as defined in §1026.2(a)(27)(ii) do not violate section 805(b) of the Fair Debt Collection Practices Act (FDCPA) because consumer for purposes of FDCPA section 805 includes any person who meets the definition in this part of confirmed successor in interest.

iii. *Treatment of transferor consumer.* Even after a servicer's confirmation of a successor in interest, the servicer is still required to comply with all applicable requirements of §§1026.20(c) through (e), 1026.36(c), 1026.39, and 1026.41 with respect to the consumer who transferred an ownership interest to the successor in interest.

iv. *Multiple notices unnecessary.* Except as required by Regulation X, 12 CFR 1024.36, a servicer is not required to provide to a confirmed successor in interest any written disclosure required by §1026.20(c), (d), or (e), §1026.39, or §1026.41 if the servicer is providing the same specific disclosure to another consumer on the account. For example, a servicer is not required to provide a periodic statement required by §1026.41 to a confirmed successor in interest if the servicer is providing the same periodic statement to another consumer; a single statement may be sent in that billing cycle. If a servicer confirms more than one successor in interest, the servicer need not send any disclosure required by §1026.20(c), (d), or (e), §1026.39, or §1026.41 to more than one of the confirmed successors in interest.

### 2(a)(12) Consumer Credit

1. *Primary purpose.* There is no precise test for what constitutes credit offered or extended for personal, family, or household purposes, nor for what constitutes the primary purpose. (See, however, the discussion of business purposes in the commentary to §1026.3(a).)

### 2(a)(13) Consummation

1. *State law governs.* When a contractual obligation on the consumer's part is created is

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

a matter to be determined under applicable law; Regulation Z does not make this determination. A contractual commitment agreement, for example, that under applicable law binds the consumer to the credit terms would be consummation. Consummation, however, does not occur merely because the consumer has made some financial investment in the transaction (for example, by paying a nonrefundable fee) unless, of course, applicable law holds otherwise.

2. *Credit v. sale.* Consummation does not occur when the consumer becomes contractually committed to a sale transaction, unless the consumer also becomes legally obligated to accept a particular credit arrangement. For example, when a consumer pays a nonrefundable deposit to purchase an automobile, a purchase contract may be created, but consummation for purposes of the regulation does not occur unless the consumer also contracts for financing at that time.

### 2(a)(14) Credit

1. *Exclusions.* The following situations are not considered credit for purposes of the regulation:

i. Layaway plans, unless the consumer is contractually obligated to continue making payments. Whether the consumer is so obligated is a matter to be determined under applicable law. The fact that the consumer is not entitled to a refund of any amounts paid towards the cash price of the merchandise does not bring layaways within the definition of credit.

ii. Tax liens, tax assessments, court judgments, and court approvals of reaffirmation of debts in bankruptcy. However, third-party financing of such obligations (for example, a bank loan obtained to pay off a tax lien) is credit for purposes of the regulation.

iii. Insurance premium plans that involve payment in installments with each installment representing the payment for insurance coverage for a certain future period of time, unless the consumer is contractually obligated to continue making payments.

iv. Home improvement transactions that involve progress payments, if the consumer pays, as the work progresses, only for work completed and has no contractual obligation to continue making payments.

v. Borrowing against the accrued cash value of an insurance policy or a pension account, if there is no independent obligation to repay.

vi. Letters of credit.

vii. The execution of option contracts. However, there may be an extension of credit when the option is exercised, if there is an agreement at that time to defer payment of a debt.

viii. Investment plans in which the party extending capital to the consumer risks the loss of the capital advanced. This includes, for example, an arrangement with a home

purchaser in which the investor pays a portion of the downpayment and of the periodic mortgage payments in return for an ownership interest in the property, and shares in any gain or loss of property value.

ix. Mortgage assistance plans administered by a government agency in which a portion of the consumer's monthly payment amount is paid by the agency. No finance charge is imposed on the subsidy amount, and that amount is due in a lump-sum payment on a set date or upon the occurrence of certain events. (If payment is not made when due, a new note imposing a finance charge may be written, which may then be subject to the regulation.)

2. *Payday loans; deferred presentment.* Credit includes a transaction in which a cash advance is made to a consumer in exchange for the consumer's personal check, or in exchange for the consumer's authorization to debit the consumer's deposit account, and where the parties agree either that the check will not be cashed or deposited, or that the consumer's deposit account will not be debited, until a designated future date. This type of transaction is often referred to as a "payday loan" or "payday advance" or "deferred-presentment loan." A fee charged in connection with such a transaction may be a finance charge for purposes of §1026.4, regardless of how the fee is characterized under state law. Where the fee charged constitutes a finance charge under §1026.4 and the person advancing funds regularly extends consumer credit, that person is a creditor and is required to provide disclosures consistent with the requirements of Regulation Z. (See §1026.2(a)(17).)

3. *Transactions on the asset features of prepaid accounts when there are insufficient or unavailable funds.* Credit includes authorization of a transaction on the asset feature of a prepaid account as defined in §1026.61 where the consumer has insufficient or unavailable funds in the asset feature of the prepaid account at the time the transaction is authorized to cover the amount of the transaction. It also includes settlement of a transaction on the asset feature of a prepaid account where the consumer has insufficient or unavailable funds in the asset feature of the prepaid account at the time the transaction is settled to cover the amount of the transaction. This includes a transaction where the consumer has sufficient or available funds in the asset feature of a prepaid account to cover the amount of the transaction at the time the transaction is authorized but insufficient or unavailable funds in the asset feature of the prepaid account to cover the transaction amount at the time the transaction is settled. See §1026.61 and related commentary on the applicability of this regulation to credit that is extended in connection with a prepaid account.

**Pt. 1026, Supp. I**

**Paragraph 2(a)(15)**

1. *Usable from time to time.* A credit card must be usable from time to time. Since this involves the possibility of repeated use of a single device, checks and similar instruments that can be used only once to obtain a single credit extension are not credit cards.

2. *Examples.* i. Examples of credit cards include:

A. A card that guarantees checks or similar instruments, if the asset account is also tied to an overdraft line or if the instrument directly accesses a line of credit.

B. A debit card (other than a debit card that is solely an account number) that also accesses a credit account (that is, a debit-credit card). See comment 2(a)(15)-2.ii.C for guidance on whether a debit card that is solely an account number is a credit card.

C. An identification card that permits the consumer to defer payment on a purchase.

D. An identification card indicating loan approval that is presented to a merchant or to a lender, whether or not the consumer signs a separate promissory note for each credit extension.

E. A card or device that can be activated upon receipt to access credit, even if the card has a substantive use other than credit, such as a purchase-price discount card. Such a card or device is a credit card notwithstanding the fact that the recipient must first contact the card issuer to access or activate the credit feature.

F. A prepaid card that is a hybrid prepaid-credit card as defined in §1026.61.

ii. In contrast, credit card does not include, for example:

A. A check-guarantee or debit card with no credit feature or agreement, even if the creditor occasionally honors an inadvertent overdraft.

B. Any card, key, plate, or other device that is used in order to obtain petroleum products for business purposes from a wholesale distribution facility or to gain access to that facility, and that is required to be used without regard to payment terms.

C. An account number that accesses a credit account, unless the account number can access an open-end line of credit to purchase goods or services or as provided in §1026.61 with respect to a hybrid prepaid-credit card. For example, if a creditor provides a consumer with an open-end line of credit that can be accessed by an account number in order to transfer funds into another account (such as an asset account with the same creditor), the account number is not a credit card for purposes of §1026.2(a)(15)(i). However, if the account number can also access the line of credit to purchase goods or services (such as an account number that can be used to purchase goods or services on the Internet), the account number is a credit card for purposes of §1026.2(a)(15)(i), regard-

**12 CFR Ch. X (1-1-24 Edition)**

less of whether the creditor treats such transactions as purchases, cash advances, or some other type of transaction. Furthermore, if the line of credit can also be accessed by a card (such as a debit card), that card is a credit card for purposes of §1026.2(a)(15)(i).

D. A prepaid card that is not a hybrid prepaid-credit card as defined in §1026.61.

3. *Charge card.* i. Charge cards are credit cards where no periodic rate is used to compute the finance charge. Under the regulation, a reference to credit cards generally includes charge cards. In particular, references to credit card accounts under an open-end (not home-secured) consumer credit plan in subparts B and G generally include charge cards. The term *charge card* is, however, distinguished from credit card or credit card account under an open-end (not home-secured) consumer credit plan in §§1026.6(b)(2)(xiv), 1026.7(b)(11) (except as described in comment 2(a)(15)-3.ii below), 1026.7(b)(12), 1026.9(e), 1026.9(f), 1026.28(d), 1026.52(b)(1)(ii)(C), 1026.60, and appendices G-10 through G-13.

ii. A hybrid prepaid-credit card as defined in §1026.61 is a charge card with respect to a covered separate credit feature if no periodic rate is used to compute the finance charge in connection with the covered separate credit feature. Unlike other charge card accounts, the requirements in §1026.7(b)(11) apply to a covered separate credit feature accessible by a hybrid prepaid-credit card that is a charge card when that covered separate credit feature is a credit card account under an open-end (not home-secured) consumer credit plan. Thus, under §1026.5(b)(2)(ii)(A), with respect to a covered separate credit feature that is a credit card account under an open-end (not home-secured) consumer credit plan, a card issuer of a hybrid prepaid-credit card that meets the definition of a charge card because no periodic rate is used to compute a finance charge in connection with the covered separate credit feature must adopt reasonable procedures for the covered separate credit feature designed to ensure that (1) periodic statements are mailed or delivered at least 21 days prior to the payment due date disclosed on the statement pursuant to §1026.7(b)(11)(i)(A); and (2) the card issuer does not treat as late for any purposes a required minimum periodic payment received by the card issuer within 21 days after mailing or delivery of the periodic statement disclosing the due date for that payment.

4. *Credit card account under an open-end (not home-secured) consumer credit plan.* i. An open-end consumer credit account is a credit card account under an open-end (not home-secured) consumer credit plan for purposes of §1026.2(a)(15)(ii) if:

A. The account is accessed by a credit card, as defined in §1026.2(a)(15)(i); and

B. The account is not excluded under §1026.2(a)(15)(ii)(A) through (C).

## Consumer Financial Protection Bureau

ii. As noted in §1026.2(a)(15)(ii)(C), the exclusion from credit card account under an open-end (not home-secured) consumer credit plan provided by that paragraph for an overdraft line of credit that is accessed by an account number does not apply to a covered separate credit feature accessible by a hybrid prepaid-credit card (including a hybrid prepaid-credit card that is solely an account number) as defined in §1026.61.

### 2(a)(16) Credit Sale

1. *Special disclosure.* If the seller is a creditor in the transaction, the transaction is a credit sale and the special credit sale disclosures (that is, the disclosures under §1026.18(j)) must be given. This applies even if there is more than one creditor in the transaction and the creditor making the disclosures is not the seller. (See the commentary to §1026.17(d).)

2. *Sellers who arrange credit.* If the seller of the property or services involved arranged for financing but is not a creditor as to that sale, the transaction is not a credit sale. Thus, if a seller assists the consumer in obtaining a direct loan from a financial institution and the consumer's note is payable to the financial institution, the transaction is a loan and only the financial institution is a creditor.

3. *Refinancings.* Generally, when a credit sale is refinanced within the meaning of §1026.20(a), loan disclosures should be made. However, if a new sale of goods or services is also involved, the transaction is a credit sale.

4. *Incidental sales.* Some lenders sell a product or service—such as credit, property, or health insurance—as part of a loan transaction. Section 1026.4 contains the rules on whether the cost of credit life, disability or property insurance is part of the finance charge. If the insurance is financed, it may be disclosed as a separate credit-sale transaction or disclosed as part of the primary transaction; if the latter approach is taken, either loan or credit-sale disclosures may be made. (See the commentary to §1026.17(c)(1) for further discussion of this point.)

5. *Credit extensions for educational purposes.* A credit extension for educational purposes in which an educational institution is the creditor may be treated as either a credit sale or a loan, regardless of whether the funds are given directly to the student, credited to the student's account, or disbursed to other persons on the student's behalf. The disclosure of the total sale price need not be given if the transaction is treated as a loan.

### 2(a)(17) Creditor

1. *General.* The definition contains four independent tests. If any one of the tests is met, the person is a creditor for purposes of that particular test.

## Pt. 1026, Supp. I

### Paragraph 2(a)(17)(i)

1. *Prerequisites.* This test is composed of two requirements, both of which must be met in order for a particular credit extension to be subject to the regulation and for the credit extension to count towards satisfaction of the numerical tests mentioned in §1026.2(a)(17)(v).

i. *First,* there must be either or both of the following:

A. A written (rather than oral) agreement to pay in more than four installments. A letter that merely confirms an oral agreement does not constitute a written agreement for purposes of the definition.

B. A finance charge imposed for the credit. The obligation to pay the finance charge need not be in writing.

ii. *Second,* the obligation must be payable to the person in order for that person to be considered a creditor. If an obligation is made payable to *bearer*, the creditor is the one who initially accepts the obligation.

2. *Assignees.* If an obligation is initially payable to one person, that person is the creditor even if the obligation by its terms is simultaneously assigned to another person. For example:

i. An auto dealer and a bank have a business relationship in which the bank supplies the dealer with credit sale contracts that are initially made payable to the dealer and provide for the immediate assignment of the obligation to the bank. The dealer and purchaser execute the contract only after the bank approves the creditworthiness of the purchaser. Because the obligation is initially payable on its face to the dealer, the dealer is the only creditor in the transaction.

3. *Numerical tests.* The examples below illustrate how the numerical tests of §1026.2(a)(17)(v) are applied. The examples assume that consumer credit with a finance charge or written agreement for more than 4 installments was extended in the years in question and that the person did not extend such credit in 2006.

4. *Counting transactions.* For purposes of closed-end credit, the creditor counts each credit transaction. For open-end credit, *transactions* means accounts, so that outstanding accounts are counted instead of individual credit extensions. Normally the number of transactions is measured by the preceding calendar year; if the requisite number is met, then the person is a creditor for all transactions in the current year. However, if the person did not meet the test in the preceding year, the number of transactions is measured by the current calendar year. For example, if the person extends consumer credit 26 times in 2007, it is a creditor for purposes of the regulation for the last extension of credit in 2007 and for all extensions of consumer credit in 2008. On the other hand, if a business begins in 2007 and extends

**Pt. 1026, Supp. I**

consumer credit 20 times, it is not a creditor for purposes of the regulation in 2007. If it extends consumer credit 75 times in 2008, however, it becomes a creditor for purposes of the regulation (and must begin making disclosures) after the 25th extension of credit in that year and is a creditor for all extensions of consumer credit in 2009.

5. *Relationship between consumer credit in general and credit secured by a dwelling.* Extensions of credit secured by a dwelling are counted towards the 25-extensions test. For example, if in 2007 a person extends unsecured consumer credit 23 times and consumer credit secured by a dwelling twice, it becomes a creditor for the succeeding extensions of credit, whether or not they are secured by a dwelling. On the other hand, extensions of consumer credit not secured by a dwelling are not counted towards the number of credit extensions secured by a dwelling. For example, if in 2007 a person extends credit not secured by a dwelling 8 times and credit secured by a dwelling 3 times, it is not a creditor.

6. *Effect of satisfying one test.* Once one of the numerical tests is satisfied, the person is also a creditor for the other type of credit. For example, in 2007 a person extends consumer credit secured by a dwelling 5 times. That person is a creditor for all succeeding credit extensions, whether they involve credit secured by a dwelling or not.

7. *Trusts.* In the case of credit extended by trusts, each individual trust is considered a separate entity for purposes of applying the criteria. For example:

i. A bank is the trustee for three trusts. Trust A makes 15 extensions of consumer credit annually; Trust B makes 10 extensions of consumer credit annually; and Trust C makes 30 extensions of consumer credit annually. Only Trust C is a creditor for purposes of the regulation.

8. *Prepaid cards that are not hybrid prepaid credit cards.* See § 1026.61(a) and comments 61(a)(2)-5.iii and 61(a)(4)-1.iv for guidance on the applicability of this regulation in connection with credit accessible by prepaid cards that are not hybrid prepaid-credit cards.

Paragraph 2(a)(17)(ii) [Reserved]

Paragraph 2(a)(17)(iii)

1. *Card issuers subject to Subpart B.* Section 1026.2(a)(17)(iii) makes certain card issuers creditors for purposes of the open-end credit provisions of the regulation. This includes, for example, the issuers of so-called travel and entertainment cards that expect repayment at the first billing and do not impose a finance charge. Since all disclosures are to be made only as applicable, such card issuers would omit finance charge disclosures. Other provisions of the regulation regarding such areas as scope, definitions, determination of

**12 CFR Ch. X (1-1-24 Edition)**

which charges are finance charges, Spanish language disclosures, record retention, and use of model forms, also apply to such card issuers.

2. *Prepaid cards that are not hybrid prepaid-credit cards.* See § 1026.61(a) and comments 61(a)(2)-5.iii and 61(a)(4)-1.iv for guidance on the applicability of this regulation in connection with credit accessible by prepaid cards that are not hybrid prepaid-credit cards.

Paragraph 2(a)(17)(iv)

1. *Card issuers subject to Subparts B and C.* Section 1026.2(a)(17)(iv) includes as creditors card issuers extending closed-end credit in which there is a finance charge or an agreement to pay in more than four installments. These card issuers are subject to the appropriate provisions of Subparts B and C, as well as to the general provisions.

**2(a)(18) Downpayment**

1. *Allocation.* If a consumer makes a lump-sum payment, partially to reduce the cash price and partially to pay prepaid finance charges, only the portion attributable to reducing the cash price is part of the downpayment. (See the commentary to § 1026.2(a)(23).)

2. *Pick-up payments.* i. Creditors may treat the deferred portion of the downpayment, often referred to as *pick-up payments*, in a number of ways. If the pick-up payment is treated as part of the downpayment:

A. It is subtracted in arriving at the amount financed under § 1026.18(b).

B. It may, but need not, be reflected in the payment schedule under § 1026.18(g).

ii. If the pick-up payment does not meet the definition (for example, if it is payable after the second regularly scheduled payment) or if the creditor chooses not to treat it as part of the downpayment:

A. It must be included in the amount financed. B. It must be shown in the payment schedule.

iii. Whichever way the pick-up payment is treated, the total of payments under § 1026.18(h) must equal the sum of the payments disclosed under § 1026.18(g).

3. *Effect of existing liens.* i. *No cash payment.* In a credit sale, the “downpayment” may only be used to reduce the cash price. For example, when a trade-in is used as the downpayment and the existing lien on an automobile to be traded in exceeds the value of the automobile, creditors must disclose a zero on the downpayment line rather than a negative number. To illustrate, assume a consumer owes \$10,000 on an existing automobile loan and that the trade-in value of the automobile is only \$8,000, leaving a \$2,000 deficit. The creditor should disclose a downpayment of \$0, not -\$2,000.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

ii. *Cash payment.* If the consumer makes a cash payment, creditors may, at their option, disclose the entire cash payment as the downpayment, or apply the cash payment first to any excess lien amount and disclose any remaining cash as the downpayment. In the above example:

A. If the downpayment disclosed is equal to the cash payment, the \$2,000 deficit must be reflected as an additional amount financed under §1026.18(b)(2).

B. If the consumer provides \$1,500 in cash (which does not extinguish the \$2,000 deficit), the creditor may disclose a downpayment of \$1,500 or of \$0.

C. If the consumer provides \$3,000 in cash, the creditor may disclose a downpayment of \$3,000 or of \$1,000.

### 2(a)(19) Dwelling

1. *Scope.* A dwelling need not be the consumer's *principal* residence to fit the definition, and thus a vacation or second home could be a dwelling. However, for purposes of the definition of residential mortgage transaction and the right to rescind, a dwelling must be the principal residence of the consumer. (See the commentary to §§1026.2(a)(24), 1026.15, and 1026.23.)

2. *Use as a residence.* Mobile homes, boats, and trailers are dwellings if they are in fact used as residences, just as are condominium and cooperative units. Recreational vehicles, campers, and the like not used as residences are not dwellings.

3. *Relation to exemptions.* Any transaction involving a security interest in a consumer's principal dwelling (as well as in any real property) remains subject to the regulation despite the general exemption in §1026.3(b).

### 2(a)(20) Open-End Credit

1. *General.* This definition describes the characteristics of open-end credit (for which the applicable disclosure and other rules are contained in Subpart B), as distinct from closed-end credit. Open-end credit is consumer credit that is extended under a plan and meets *all 3* criteria set forth in the definition.

2. *Existence of a plan.* i. The definition requires that there be a plan, which connotes a contractual arrangement between the creditor and the consumer.

ii. With respect to a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in §1026.61, a plan means a program where the consumer is obligated contractually to repay any credit extended by the creditor. For example, a plan includes a program under which a creditor routinely extends credit from a covered separate credit feature offered by the prepaid account issuer, its affiliate, or its business partner where the prepaid card can be used from time to time to draw, transfer, or au-

thorize the draw or transfer of credit from the covered separate credit feature in the course of authorizing, settling, or otherwise completing transactions conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers, and the consumer is obligated contractually to repay those credit transactions. Such a program constitutes a plan notwithstanding that, for example, the creditor has not agreed in writing to extend credit for those transactions, the creditor retains discretion not to extend credit for those transactions, or the creditor does not extend credit for those transactions once the consumer has exceeded a certain amount of credit. See §1026.61(a) and related commentary for guidance on the applicability of this regulation to credit accessible by hybrid prepaid-credit cards.

iii. Some creditors offer programs containing a number of different credit features. The consumer has a single account with the institution that can be accessed repeatedly via a number of sub-accounts established for the different program features and rate structures. Some features of the program might be used repeatedly (for example, an overdraft line) while others might be used infrequently (such as the part of the credit line available for secured credit). If the program as a whole is subject to prescribed terms and otherwise meets the definition of open-end credit, such a program would be considered a single, multifeatured plan.

3. *Repeated transactions.* Under this criterion, the creditor must reasonably contemplate repeated transactions. This means that the credit plan must be usable from time to time and the creditor must legitimately expect that there will be repeat business rather than a one-time credit extension. The creditor must expect repeated dealings with consumers under the credit plan as a whole and need not believe a consumer will reuse a particular feature of the plan. The determination of whether a creditor can reasonably contemplate repeated transactions requires an objective analysis. Information that much of the creditor's customer base with accounts under the plan make repeated transactions over some period of time is relevant to the determination, particularly when the plan is opened primarily for the financing of infrequently purchased products or services. A standard based on reasonable belief by a creditor necessarily includes some margin for judgmental error. The fact that particular consumers do not return for further credit extensions does not prevent a plan from having been properly characterized as open-end. For example, if much of the customer base of a clothing store makes repeat purchases, the fact that some consumers use the plan only once would not affect the characterization of the store's plan as open-end credit. The criterion regarding

repeated transactions is a question of fact to be decided in the context of the creditor's type of business and the creditor's relationship with its customers. For example, it would be more reasonable for a bank or depository institution to contemplate repeated transactions with a customer than for a seller of aluminum siding to make the same assumption about its customers.

4. *Finance charge on an outstanding balance.* i. The requirement that a finance charge may be computed and imposed from time to time on the outstanding balance means that there is no specific amount financed for the plan for which the finance charge, total of payments, and payment schedule can be calculated. A plan may meet the definition of open-end credit even though a finance charge is not normally imposed, provided the creditor has the right, under the plan, to impose a finance charge from time to time on the outstanding balance. For example, in some plans, a finance charge is not imposed if the consumer pays all or a specified portion of the outstanding balance within a given time period. Such a plan could meet the finance charge criterion, if the creditor has the right to impose a finance charge, even though the consumer actually pays no finance charges during the existence of the plan because the consumer takes advantage of the option to pay the balance (either in full or in installments) within the time necessary to avoid finance charges.

ii. With regard to a covered separate credit feature and an asset feature on a prepaid account that are both accessible by a hybrid prepaid-credit card as defined in §1026.61, any service, transaction, activity, or carrying charges imposed on the covered separate credit feature, and any such charges imposed on the asset feature of the prepaid account to the extent that the amount of the charge exceeds comparable charges imposed on prepaid accounts in the same prepaid account program that do not have a covered separate credit feature accessible by a hybrid prepaid-credit card, generally is a finance charge. See §1026.4(a) and (b)(11). Such charges include a periodic fee to participate in the covered separate credit feature, regardless of whether this fee is imposed on the credit feature or on the asset feature of the prepaid account. With respect to credit from a covered separate credit feature accessible by a hybrid prepaid-credit card, any service, transaction, activity, or carrying charges that are finance charges under §1026.4 constitute finance charges imposed from time to time on an outstanding unpaid balance as described in §1026.2(a)(20) if there is no specific amount financed for the credit feature for which the finance charge, total of payments, and payment schedule can be calculated.

5. *Reusable line.* The total amount of credit that may be extended during the existence of an open-end plan is unlimited because avail-

able credit is generally replenished as earlier advances are repaid. A line of credit is self-replenishing even though the plan itself has a fixed expiration date, as long as during the plan's existence the consumer may use the line, repay, and reuse the credit. The creditor may occasionally or routinely verify credit information such as the consumer's continued income and employment status or information for security purposes but, to meet the definition of open-end credit, such verification of credit information may not be done as a condition of granting a consumer's request for a particular advance under the plan. In general, a credit line is self-replenishing if the consumer can take further advances as outstanding balances are repaid without being required to separately apply for those additional advances. A credit card account where the plan as a whole replenishes meets the self-replenishing criterion, notwithstanding the fact that a credit card issuer may verify credit information from time to time in connection with specific transactions. This criterion of unlimited credit distinguishes open-end credit from a series of advances made pursuant to a closed-end credit loan commitment. For example:

i. Under a closed-end commitment, the creditor might agree to lend a total of \$10,000 in a series of advances as needed by the consumer. When a consumer has borrowed the full \$10,000, no more is advanced under that particular agreement, even if there has been repayment of a portion of the debt. (See §1026.2(a)(17)(iv) for disclosure requirements when a credit card is used to obtain the advances.)

ii. This criterion does not mean that the creditor must establish a specific credit limit for the line of credit or that the line of credit must always be replenished to its original amount. The creditor may reduce a credit limit or refuse to extend new credit in a particular case due to changes in the creditor's financial condition or the consumer's creditworthiness. (The rules in §1026.40(f), however, limit the ability of a creditor to suspend credit advances for home equity plans.) While consumers should have a reasonable expectation of obtaining credit as long as they remain current and within any preset credit limits, further extensions of credit need not be an absolute right in order for the plan to meet the self-replenishing criterion.<sup>6</sup> Verifications of collateral value. Creditors that otherwise meet the requirements of §1026.2(a)(20) extend open-end credit notwithstanding the fact that the creditor must verify collateral values to comply with Federal, state, or other applicable law or verifies the value of collateral in connection with a particular advance under the plan.

7. *Open-end real estate mortgages.* Some credit plans call for negotiated advances under so-called open-end real estate mortgages. Each such plan must be independently

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

measured against the definition of open-end credit, regardless of the terminology used in the industry to describe the plan. The fact that a particular plan is called an open-end real estate mortgage, for example, does not by itself, mean that it is open-end credit under the regulation.

### 2(a)(21) Periodic Rate

1. *Basis.* The periodic rate may be stated as a percentage (for example, 1 and  $\frac{1}{2}\%$  per month) or as a decimal equivalent (for example, .015 monthly). It may be based on any portion of a year the creditor chooses. Some creditors use  $\frac{1}{360}$  of an annual rate as their periodic rate. These creditors:

i. May disclose a  $\frac{1}{360}$  rate as a *daily* periodic rate, without further explanation, if it is in fact only applied 360 days per year. But if the creditor applies that rate for 365 days, the creditor must note that fact and, of course, disclose the true annual percentage rate.

ii. Would have to apply the rate to the balance to disclose the annual percentage rate with the degree of accuracy required in the regulation (that is, within  $\frac{1}{8}\%$  of 1 percentage point of the rate based on the actual 365 days in the year).

2. *Transaction charges.* *Periodic rate* does not include initial one-time transaction charges, even if the charge is computed as a percentage of the transaction amount.

### 2(a)(22) Person

1. *Joint ventures.* A joint venture is an organization and is therefore a person.

2. *Attorneys.* An attorney and his or her client are considered to be the same person for purposes of this part when the attorney is acting within the scope of the attorney-client relationship with regard to a particular transaction.

3. *Trusts.* A trust and its trustee are considered to be the same person for purposes of this part.

### 2(a)(23) Prepaid Finance Charge

1. *General.* Prepaid finance charges must be taken into account under § 1026.18(b) in computing the disclosed amount financed, and must be disclosed if the creditor provides an itemization of the amount financed under § 1026.18(c).

2. *Examples.* i. Common examples of prepaid finance charges include:

- A. Buyer's points.
- B. Service fees.
- C. Loan fees.
- D. Finder's fees.
- E. Loan-guarantee insurance.
- F. Credit-investigation fees.

ii. However, in order for these or any other finance charges to be considered prepaid, they must be either paid separately in cash or check or withheld from the proceeds. Pre-

paid finance charges include any portion of the finance charge paid prior to or at closing or settlement.

3. *Exclusions.* *Add-on* and *discount* finance charges are not prepaid finance charges for purposes of this part. Finance charges are not *prepaid* merely because they are precomputed, whether or not a portion of the charge will be rebated to the consumer upon prepayment. (See the commentary to § 1026.18(b).)

4. *Allocation of lump-sum payments.* In a credit sale transaction involving a lump-sum payment by the consumer and a discount or other item that is a finance charge under § 1026.4, the discount or other item is a prepaid finance charge to the extent the lump-sum payment is not applied to the cash price. For example, a seller sells property to a consumer for \$10,000, requires the consumer to pay \$3,000 at the time of the purchase, and finances the remainder as a closed-end credit transaction. The cash price of the property is \$9,000. The seller is the creditor in the transaction and therefore the \$1,000 difference between the credit and cash prices (the discount) is a finance charge. (See the commentary to § 1026.4(b)(9) and (c)(5).) If the creditor applies the entire \$3,000 to the cash price and adds the \$1,000 finance charge to the interest on the \$6,000 to arrive at the total finance charge, all of the \$3,000 lump-sum payment is a downpayment and the discount is not a prepaid finance charge. However, if the creditor only applies \$2,000 of the lump-sum payment to the cash price, then \$2,000 of the \$3,000 is a downpayment and the \$1,000 discount is a prepaid finance charge.

### 2(a)(24) Residential Mortgage Transaction

1. *Relation to other sections.* This term is important in five provisions in the regulation:

- i. Section 1026.4(c)(7)—exclusions from the finance charge.
- ii. Section 1026.15(f)—exemption from the right of rescission.
- iii. Section 1026.18(q)—whether or not the obligation is assumable.
- iv. Section 1026.20(b)—disclosure requirements for assumptions.
- v. Section 1026.23(f)—exemption from the right of rescission.

2. *Lien status.* The definition is not limited to first lien transactions. For example, a consumer might assume a paid-down first mortgage (or borrow part of the purchase price) and borrow the balance of the purchase price from a creditor who takes a second mortgage. The second mortgage transaction is a *residential mortgage transaction* if the dwelling purchased is the consumer's principal residence.

3. *Principal dwelling.* A consumer can have only *one* principal dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that

**Pt. 1026, Supp. I**

will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of applying this definition to a particular transaction. (See the commentary to §§1026.15(a) and 1026.23(a).)

4. *Construction financing.* If a transaction meets the definition of a residential mortgage transaction and the creditor chooses to disclose it as several transactions under §1026.17(c)(6), each one is considered to be a residential mortgage transaction, even if different creditors are involved. For example:

i. The creditor makes a construction loan to finance the initial construction of the consumer's principal dwelling, and the loan will be disbursed in five advances. The creditor gives six sets of disclosures (five for the construction phase and one for the permanent phase). Each one is a residential mortgage transaction.

ii. One creditor finances the initial construction of the consumer's principal dwelling and another creditor makes a loan to satisfy the construction loan and provide permanent financing. Both transactions are residential mortgage transactions.

5. *Acquisition.* i. A residential mortgage transaction finances the acquisition of a consumer's principal dwelling. The term does not include a transaction involving a consumer's principal dwelling if the consumer had previously purchased and acquired some interest to the dwelling, even though the consumer had not acquired full legal title.

ii. Examples of new transactions involving a previously acquired dwelling include the financing of a balloon payment due under a land sale contract and an extension of credit made to a joint owner of property to buy out the other joint owner's interest. In these instances, disclosures are not required under §1026.18(q) (assumability policies). However, the rescission rules of §§1026.15 and 1026.23 do apply to these new transactions.

iii. In other cases, the disclosure and rescission rules do not apply. For example, where a buyer enters into a written agreement with the creditor holding the seller's mortgage, allowing the buyer to assume the mortgage, if the buyer had previously purchased the property and agreed with the seller to make the mortgage payments, §1026.20(b) does not apply (assumptions involving residential mortgages).

6. *Multiple purpose transactions.* A transaction meets the definition of this section if any part of the loan proceeds will be used to finance the acquisition or initial construction of the consumer's principal dwelling. For example, a transaction to finance the initial construction of the consumer's principal dwelling is a residential mortgage transaction even if a portion of the funds will be disbursed directly to the consumer or

**12 CFR Ch. X (1-1-24 Edition)**

used to satisfy a loan for the purchase of the land on which the dwelling will be built.

7. *Construction on previously acquired vacant land.* A residential mortgage transaction includes a loan to finance the construction of a consumer's principal dwelling on a vacant lot previously acquired by the consumer.

**2(a)(25) Security Interest**

1. *Threshold test.* The threshold test is whether a particular interest in property is recognized as a security interest under applicable law. The regulation does not determine whether a particular interest is a security interest under applicable law. If the creditor is unsure whether a particular interest is a security interest under applicable law (for example, if statutes and case law are either silent or inconclusive on the issue), the creditor may at its option consider such interests as security interests for Truth in Lending purposes. However, the regulation and the commentary do exclude specific interests, such as after-acquired property and accessories, from the scope of the definition regardless of their categorization under applicable law, and these named exclusions may not be disclosed as security interests under the regulation. (But see the discussion of exclusions elsewhere in the commentary to §1026.2(a)(25).)

2. *Exclusions.* The general definition of security interest excludes three groups of interests: incidental interests, interests in after-acquired property, and interests that arise solely by operation of law. These interests may not be disclosed with the disclosures required under §§1026.18, 1026.19(e) and (f), and 1026.38(l)(6), but the creditor is not precluded from preserving these rights elsewhere in the contract documents, or invoking and enforcing such rights, if it is otherwise lawful to do so. If the creditor is unsure whether a particular interest is one of the excluded interests, the creditor may, at its option, consider such interests as security interests for purposes of the Truth in Lending Act (15 U.S.C. 1601 *et seq.*) and Regulation Z.

3. *Incidental interests.* i. Incidental interests in property that are not security interests include, among other things:

- A. Assignment of rents.
- B. Right to condemnation proceeds.
- C. Interests in accessories and replacements.
- D. Interests in escrow accounts, such as for taxes and insurance.
- E. Waiver of homestead or personal property rights.

ii. The notion of an *incidental interest* does not encompass an explicit security interest in an insurance policy if that policy is the primary collateral for the transaction—for example, in an insurance premium financing transaction.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

4. *Operation of law.* Interests that arise solely by operation of law are excluded from the general definition. Also excluded are interests arising by operation of law that are merely repeated or referred to in the contract. However, if the creditor has an interest that arises by operation of law, such as a vendor's lien, and takes an independent security interest in the same property, such as a UCC security interest, the latter interest is a disclosable security interest unless otherwise provided.

5. *Rescission rules.* Security interests that arise solely by operation of law are security interests for purposes of rescission. Examples of such interests are mechanics' and materialmen's liens.

6. *Specificity of disclosure.* A creditor need not separately disclose multiple security interests that it may hold in the same collateral. The creditor need only disclose that the transaction is secured by the collateral, even when security interests from prior transactions remain of record and a new security interest is taken in connection with the transaction. In disclosing the fact that the transaction is secured by the collateral, the creditor also need not disclose how the security interest arose. For example, in a closed-end credit transaction, a rescission notice need not specifically state that a new security interest is "acquired" or an existing security interest is "retained" in the transaction. The acquisition or retention of a security interest in the consumer's principal dwelling instead may be disclosed in a rescission notice with a general statement such as the following: "Your home is the security for the new transaction."

### Paragraph 2(a)(27)

#### 2(a)(27)(i) Successor in interest

1. *Joint tenants and tenants by the entirety.* If a consumer who has an ownership interest as a joint tenant or tenant by the entirety in a dwelling securing a closed-end consumer credit transaction dies, a surviving joint tenant or tenant by the entirety with a right of survivorship in the property is a successor in interest as defined in §1026.2(a)(27)(i).

2. *Beneficiaries of inter vivos trusts.* In the event of a transfer into an *inter vivos* trust in which the consumer is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the property, the beneficiaries of the *inter vivos* trust rather than the *inter vivos* trust itself are considered to be the successors in interest for purposes of §1026.2(a)(27)(i). For example, assume Consumer A transfers her home into such an *inter vivos* trust for the benefit of her spouse and herself. As of the transfer date, Consumer A and her spouse are considered successors in interest and, upon confirmation, are consumers for purposes of certain provisions of this part. If the creditor has not released Consumer A from the loan obli-

gation, Consumer A also remains a consumer more generally for purposes of this part.

### 2(b) Rules of Construction

#### 1. [Reserved]

2. *Amount.* The numerical amount must be a dollar amount unless otherwise indicated. For example, in a closed-end transaction (Subpart C), the amount financed and the amount of any payment must be expressed as a dollar amount. In some cases, an amount should be expressed as a percentage. For example, in disclosures provided before the first transaction under an open-end plan (Subpart B), creditors are permitted to explain how the amount of any finance charge will be determined; where a cash-advance fee (which is a finance charge) is a percentage of each cash advance, the amount of the finance charge for that fee is expressed as a percentage.

### Section 1026.3—Exempt Transactions

1. *Relationship to §1026.12.* The provisions in §1026.12(a) and (b) governing the issuance of credit cards and the limitations on liability for their unauthorized use apply to all credit cards, even if the credit cards are issued for use in connection with extensions of credit that otherwise are exempt under this section.

#### 3(a) Business, Commercial, Agricultural, or Organizational Credit

1. *Primary purposes.* A creditor must determine in each case if the transaction is primarily for an exempt purpose. If some question exists as to the primary purpose for a credit extension, the creditor is, of course, free to make the disclosures, and the fact that disclosures are made under such circumstances is not controlling on the question of whether the transaction was exempt. (See comment 3(a)-2, however, with respect to credit cards.)

2. *Business purpose purchases.* i. *Business-purpose credit cards—extensions of credit for consumer purposes.* If a business-purpose credit card is issued to a person, the provisions of the regulation do not apply, other than as provided in §§1026.12(a) and 1026.12(b), even if extensions of credit for consumer purposes are occasionally made using that business-purpose credit card. For example, the billing error provisions set forth in §1026.13 do not apply to consumer-purpose extensions of credit using a business-purpose credit card.

ii. *Consumer-purpose credit cards—extensions of credit for business purposes.* If a consumer-purpose credit card is issued to a person, the provisions of the regulation apply, even to occasional extensions of credit for business purposes made using that consumer-purpose credit card. For example, a consumer may assert a billing error with respect to any extension of credit using a consumer-purpose

## Pt. 1026, Supp. I

credit card, even if the specific extension of credit on such credit card or open-end credit plan that is the subject of the dispute was made for business purposes.

3. *Factors.* In determining whether credit to finance an acquisition—such as securities, antiques, or art—is primarily for business or commercial purposes (as opposed to a consumer purpose), the following factors should be considered:

i. *General.* A. The relationship of the borrower's primary occupation to the acquisition. The more closely related, the more likely it is to be business purpose.

B. The degree to which the borrower will personally manage the acquisition. The more personal involvement there is, the more likely it is to be business purpose.

C. The ratio of income from the acquisition to the total income of the borrower. The higher the ratio, the more likely it is to be business purpose.

D. The size of the transaction. The larger the transaction, the more likely it is to be business purpose.

E. The borrower's statement of purpose for the loan.

ii. *Business-purpose examples.* Examples of business-purpose credit include:

A. A loan to expand a business, even if it is secured by the borrower's residence or personal property.

B. A loan to improve a principal residence by putting in a business office.

C. A business account used occasionally for consumer purposes.

iii. *Consumer-purpose examples.* Examples of consumer-purpose credit include:

A. Credit extensions by a company to its employees or agents if the loans are used for personal purposes.

B. A loan secured by a mechanic's tools to pay a child's tuition.

C. A personal account used occasionally for business purposes.

4. *Non-owner-occupied rental property.* Credit extended to acquire, improve, or maintain rental property (regardless of the number of housing units) that is not owner-occupied is deemed to be for business purposes. This includes, for example, the acquisition of a warehouse that will be leased or a single-family house that will be rented to another person to live in. If the owner expects to occupy the property for more than 14 days during the coming year, the property cannot be considered non-owner-occupied and this special rule will not apply. For example, a beach house that the owner will occupy for a month in the coming summer and rent out the rest of the year is owner occupied and is not governed by this special rule. (See comment 3(a)-5, however, for rules relating to owner-occupied rental property.)

5. *Owner-occupied rental property.* If credit is extended to acquire, improve, or maintain rental property that is or will be owner-occu-

## 12 CFR Ch. X (1-1-24 Edition)

pied within the coming year, different rules apply:

i. Credit extended to acquire the rental property is deemed to be for business purposes if it contains more than 2 housing units.

ii. Credit extended to improve or maintain the rental property is deemed to be for business purposes if it contains more than 4 housing units. Since the amended statute defines dwelling to include 1 to 4 housing units, this rule preserves the right of rescission for credit extended for purposes other than acquisition. Neither of these rules means that an extension of credit for property containing fewer than the requisite number of units is necessarily consumer credit. In such cases, the determination of whether it is business or consumer credit should be made by considering the factors listed in comment 3(a)-3.

6. *Business credit later refinanced.* Business-purpose credit that is exempt from the regulation may later be rewritten for consumer purposes. Such a transaction is consumer credit requiring disclosures only if the existing obligation is satisfied and replaced by a new obligation made for consumer purposes undertaken by the same obligor.

7. *Credit card renewal.* A consumer-purpose credit card that is subject to the regulation may be converted into a business-purpose credit card at the time of its renewal, and the resulting business-purpose credit card would be exempt from the regulation. Conversely, a business-purpose credit card that is exempt from the regulation may be converted into a consumer-purpose credit card at the time of its renewal, and the resulting consumer-purpose credit card would be subject to the regulation.

8. *Agricultural purpose.* An agricultural purpose includes the planting, propagating, nurturing, harvesting, catching, storing, exhibiting, marketing, transporting, processing, or manufacturing of food, beverages (including alcoholic beverages), flowers, trees, livestock, poultry, bees, wildlife, fish, or shellfish by a natural person engaged in farming, fishing, or growing crops, flowers, trees, livestock, poultry, bees, or wildlife. The exemption also applies to a transaction involving real property that includes a dwelling (for example, the purchase of a farm with a homestead) if the transaction is primarily for agricultural purposes.

9. *Organizational credit.* The exemption for transactions in which the borrower is not a natural person applies, for example, to loans to corporations, partnerships, associations, churches, unions, and fraternal organizations. The exemption applies regardless of the purpose of the credit extension and regardless of the fact that a natural person may guarantee or provide security for the credit. But see comment 3(a)-10 concerning credit extended to trusts.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

10. *Trusts.* Credit extended for consumer purposes to certain trusts is considered to be credit extended to a natural person rather than credit extended to an organization. Specifically:

i. *Trusts for tax or estate planning purposes.* In some instances, a creditor may extend credit for consumer purposes to a trust that a consumer has created for tax or estate planning purposes (or both). Consumers sometimes place their assets in trust, with themselves or themselves and their families or other prospective heirs as beneficiaries, to obtain certain tax benefits and to facilitate the future administration of their estates. During their lifetimes, however, such consumers may continue to use the assets and/or income of such trusts as their property. A creditor extending credit to finance the acquisition of, for example, a consumer's dwelling that is held in such a trust, or to refinance existing debt secured by such a dwelling, may prepare the note, security instrument, and similar loan documents for execution by a trustee, rather than the beneficiaries of the trust. Regardless of the capacity or capacities in which the loan documents are executed, assuming the transaction is primarily for personal, family, or household purposes, the transaction is subject to the regulation because in substance (if not form) consumer credit is being extended.

ii. *Land trusts.* In some jurisdictions, a financial institution financing a residential real estate transaction for an individual uses a land trust mechanism. Title to the property is conveyed to the land trust for which the financial institution itself is trustee. The underlying installment note is executed by the financial institution in its capacity as trustee and payment is secured by a trust deed, reflecting title in the financial institution as trustee. In some instances, the consumer executes a personal guaranty of the indebtedness. The note provides that it is payable only out of the property specifically described in the trust deed and that the trustee has no personal liability on the note. Assuming the transactions are primarily for personal, family, or household purposes, these transactions are subject to the regulation because in substance (if not form) consumer credit is being extended.

### 3(b) Credit Over Applicable Threshold Amount

1. *Threshold amount.* For purposes of §1026.3(b), the threshold amount in effect during a particular period is the amount stated in comment 3(b)-3 below for that period. The threshold amount is adjusted effective January 1 of each year by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) that was in effect on the

preceding June 1. Comment 3(b)-3 will be amended to provide the threshold amount for the upcoming year after the annual percentage change in the CPI-W that was in effect on June 1 becomes available. Any increase in the threshold amount will be rounded to the nearest \$100 increment. For example, if the annual percentage increase in the CPI-W would result in a \$950 increase in the threshold amount, the threshold amount will be increased by \$1,000. However, if the annual percentage increase in the CPI-W would result in a \$949 increase in the threshold amount, the threshold amount will be increased by \$900.

2. *No increase in the CPI-W.* If the CPI-W in effect on June 1 does not increase from the CPI-W in effect on June 1 of the previous year, the threshold amount effective the following January 1 through December 31 will not change from the previous year. When this occurs, for the years that follow, the threshold is calculated based on the annual percentage change in the CPI-W applied to the dollar amount that would have resulted, after rounding, if decreases and any subsequent increases in the CPI-W had been taken into account.

i. *Net increases.* If the resulting amount calculated, after rounding, is greater than the current threshold, then the threshold effective January 1 the following year will increase accordingly.

ii. *Net decreases.* If the resulting amount calculated, after rounding, is equal to or less than the current threshold, then the threshold effective January 1 the following year will not change, but future increases will be calculated based on the amount that would have resulted.

3. *Threshold.* For purposes of §1026.3(b), the threshold amount in effect during a particular period is the amount stated below for that period.

i. Prior to July 21, 2011, the threshold amount is \$25,000.

ii. From July 21, 2011, through December 31, 2011, the threshold amount is \$50,000.

iii. From January 1, 2012, through December 31, 2012, the threshold amount is \$51,800.

iv. From January 1, 2013, through December 31, 2013, the threshold amount is \$53,000.

v. From January 1, 2014, through December 31, 2014, the threshold amount is \$53,500.

vi. From January 1, 2015, through December 31, 2015, the threshold amount is \$54,600.

vii. From January 1, 2016, through December 31, 2016, the threshold amount is \$54,600.

viii. From January 1, 2017, through December 31, 2017, the threshold amount is \$54,600.

ix. From January 1, 2018, through December 31, 2018, the threshold amount is \$55,800.

x. From January 1, 2019, through December 31, 2019, the threshold amount is \$57,200.

xi. From January 1, 2020, through December 31, 2020, the threshold amount is \$58,300.

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

xii. From January 1, 2021, through December 31, 2021, the threshold amount is \$58,300.

xiii. From January 1, 2022, through December 31, 2022, the threshold amount is \$61,000.

xiv. From January 1, 2023, through December 31, 2023, the threshold amount is \$66,400.

xv. From January 1, 2024, through December 31, 2024, the threshold amount is \$69,500.

4. *Open-end credit.* i. *Qualifying for exemption.* An open-end account is exempt under § 1026.3(b) (unless secured by real property, or by personal property used or expected to be used as the consumer's principal dwelling) if either of the following conditions is met:

A. The creditor makes an initial extension of credit at or after account opening that exceeds the threshold amount in effect at the time the initial extension is made. If a creditor makes an initial extension of credit after account opening that does not exceed the threshold amount in effect at the time the extension is made, the creditor must have satisfied all of the applicable requirements of this part from the date the account was opened (or earlier, if applicable), including but not limited to the requirements of § 1026.6 (account-opening disclosures), § 1026.7 (periodic statements), § 1026.52 (limitations on fees), and § 1026.55 (limitations on increasing annual percentage rates, fees, and charges). For example:

1. Assume that the threshold amount in effect on January 1 is \$50,000. On February 1, an account is opened but the creditor does not make an initial extension of credit at that time. On July 1, the creditor makes an initial extension of credit of \$60,000. In this circumstance, no requirements of this part apply to the account.

2. Assume that the threshold amount in effect on January 1 is \$50,000. On February 1, an account is opened but the creditor does not make an initial extension of credit at that time. On July 1, the creditor makes an initial extension of credit of \$50,000 or less. In this circumstance, the account is not exempt, and the creditor must have satisfied all of the applicable requirements of this part from the date the account was opened (or earlier, if applicable).

B. The creditor makes a firm written commitment at account opening to extend a total amount of credit in excess of the threshold amount in effect at the time the account is opened with no requirement of additional credit information for any advances on the account (except as permitted from time to time with respect to open-end accounts pursuant to § 1026.2(a)(20)).

ii. *Subsequent changes generally.* Subsequent changes to an open-end account or the threshold amount may result in the account no longer qualifying for the exemption in § 1026.3(b). In these circumstances, the creditor must begin to comply with all of the applicable requirements of this part within a reasonable period of time after the account

ceases to be exempt. Once an account ceases to be exempt, the requirements of this part apply to any balances on the account. The creditor, however, is not required to comply with the requirements of this part with respect to the period of time during which the account was exempt. For example, if an open-end credit account ceases to be exempt, the creditor must within a reasonable period of time provide the disclosures required by § 1026.6 reflecting the current terms of the account and begin to provide periodic statements consistent with § 1026.7. However, the creditor is not required to disclose fees or charges imposed while the account was exempt. Furthermore, if the creditor provided disclosures consistent with the requirements of this part while the account was exempt, it is not required to provide disclosures required by § 1026.6 reflecting the current terms of the account. See also comment 3(b)-6.

iii. *Subsequent changes when exemption is based on initial extension of credit.* If a creditor makes an initial extension of credit that exceeds the threshold amount in effect at that time, the open-end account remains exempt under § 1026.3(b) regardless of a subsequent increase in the threshold amount, including an increase pursuant to § 1026.3(b)(1)(ii) as a result of an increase in the CPI-W. Furthermore, in these circumstances, the account remains exempt even if there are no further extensions of credit, subsequent extensions of credit do not exceed the threshold amount, the account balance is subsequently reduced below the threshold amount (such as through repayment of the extension), or the credit limit for the account is subsequently reduced below the threshold amount. However, if the initial extension of credit on an account does not exceed the threshold amount in effect at the time of the extension, the account is not exempt under § 1026.3(b) even if a subsequent extension exceeds the threshold amount or if the account balance later exceeds the threshold amount (for example, due to the subsequent accrual of interest).

iv. *Subsequent changes when exemption is based on firm commitment.*

A. *General.* If a creditor makes a firm written commitment at account opening to extend a total amount of credit that exceeds the threshold amount in effect at that time, the open-end account remains exempt under § 1026.3(b) regardless of a subsequent increase in the threshold amount pursuant to § 1026.3(b)(1)(ii) as a result of an increase in the CPI-W. However, see comment 3(b)-8 with respect to the increase in the threshold amount from \$25,000 to \$50,000. If an open-end account is exempt under § 1026.3(b) based on a firm commitment to extend credit, the account remains exempt even if the amount of credit actually extended does not exceed the threshold amount. In contrast, if the firm commitment does not exceed the threshold

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

amount at account opening, the account is not exempt under §1026.3(b) even if the account balance later exceeds the threshold amount. In addition, if a creditor reduces a firm commitment, the account ceases to be exempt unless the reduced firm commitment exceeds the threshold amount in effect at the time of the reduction. For example:

1. Assume that, at account opening in year one, the threshold amount in effect is \$50,000 and the account is exempt under §1026.3(b) based on the creditor's firm commitment to extend \$55,000 in credit. If during year one the creditor reduces its firm commitment to \$53,000, the account remains exempt under §1026.3(b). However, if during year one the creditor reduces its firm commitment to \$40,000, the account is no longer exempt under §1026.3(b).

2. Assume that, at account opening in year one, the threshold amount in effect is \$50,000 and the account is exempt under §1026.3(b) based on the creditor's firm commitment to extend \$55,000 in credit. If the threshold amount is \$56,000 on January 1 of year six as a result of increases in the CPI-W, the account remains exempt. However, if the creditor reduces its firm commitment to \$54,000 on July 1 of year six, the account ceases to be exempt under §1026.3(b).

B. *Initial extension of credit.* If an open-end account qualifies for a §1026.3(b) exemption at account opening based on a firm commitment, that account may also subsequently qualify for a §1026.3(b) exemption based on an initial extension of credit. However, that initial extension must be a single advance in excess of the threshold amount in effect at the time the extension is made. In addition, the account must continue to qualify for an exemption based on the firm commitment until the initial extension of credit is made. For example:

1. Assume that, at account opening in year one, the threshold amount in effect is \$50,000 and the account is exempt under §1026.3(b) based on the creditor's firm commitment to extend \$55,000 in credit. The account is not used for an extension of credit during year one. On January 1 of year two, the threshold amount is increased to \$51,000 pursuant to §1026.3(b)(1)(ii) as a result of an increase in the CPI-W. On July 1 of year two, the consumer uses the account for an initial extension of \$52,000. As a result of this extension of credit, the account remains exempt under §1026.3(b) even if, after July 1 of year two, the creditor reduces the firm commitment to \$51,000 or less.

2. Same facts as in paragraph 4.iv.B.1 of this section except that the consumer uses the account for an initial extension of \$30,000 on July 1 of year two and for an extension of \$22,000 on July 15 of year two. In these circumstances, the account is not exempt under §1026.3(b) based on the \$30,000 initial extension of credit because that extension did not

exceed the applicable threshold amount (\$51,000), although the account remains exempt based on the firm commitment to extend \$55,000 in credit.

3. Same facts as in paragraph 4.iv.B.1 of this section except that, on April 1 of year two, the creditor reduces the firm commitment to \$50,000, which is below the \$51,000 threshold then in effect. Because the account ceases to qualify for a §1026.3(b) exemption on April 1 of year two, the account does not qualify for a §1026.3(b) exemption based on a \$52,000 initial extension of credit on July 1 of year two.

5. *Closed-end credit. i. Qualifying for exemption.* A closed-end loan is exempt under §1026.3(b) (unless the extension of credit is secured by real property, or by personal property used or expected to be used as the consumer's principal dwelling; or is a private education loan as defined in §1026.46(b)(5)), if either of the following conditions is met:

A. The creditor makes an extension of credit at consummation that exceeds the threshold amount in effect at the time of consummation. In these circumstances, the loan remains exempt under §1026.3(b) even if the amount owed is subsequently reduced below the threshold amount (such as through repayment of the loan).

B. The creditor makes a commitment at consummation to extend a total amount of credit in excess of the threshold amount in effect at the time of consummation. In these circumstances, the loan remains exempt under §1026.3(b) even if the total amount of credit extended does not exceed the threshold amount.

ii. *Subsequent changes.* If a creditor makes a closed-end extension of credit or commitment to extend closed-end credit that exceeds the threshold amount in effect at the time of consummation, the closed-end loan remains exempt under §1026.3(b) regardless of a subsequent increase in the threshold amount. However, a closed-end loan is not exempt under §1026.3(b) merely because it is used to satisfy and replace an existing exempt loan, unless the new extension of credit is itself exempt under the applicable threshold amount. For example, assume a closed-end loan that qualified for a §1026.3(b) exemption at consummation in year one is refinanced in year ten and that the new loan amount is less than the threshold amount in effect in year ten. In these circumstances, the creditor must comply with all of the applicable requirements of this part with respect to the year ten transaction if the original loan is satisfied and replaced by the new loan, which is not exempt under §1026.3(b). See also comment 3(b)-6.

6. *Addition of a security interest in real property or a dwelling after account opening or consummation. i. Open-end credit.* For open-end accounts, if after account opening a security

**Pt. 1026, Supp. I**

interest is taken in real property, or in personal property used or expected to be used as the consumer's principal dwelling, a previously exempt account ceases to be exempt under §1026.3(b) and the creditor must begin to comply with all of the applicable requirements of this part within a reasonable period of time. See comment 3(b)-4.ii. If a security interest is taken in the consumer's principal dwelling, the creditor must also give the consumer the right to rescind the security interest consistent with §1026.15.

ii. *Closed-end credit.* For closed-end loans, if after consummation a security interest is taken in real property, or in personal property used or expected to be used as the consumer's principal dwelling, an exempt loan remains exempt under §1026.3(b). However, the addition of a security interest in the consumer's principal dwelling is a transaction for purposes of §1026.23, and the creditor must give the consumer the right to rescind the security interest consistent with that section. See §1026.23(a)(1) and its commentary. In contrast, if a closed-end loan that is exempt under §1026.3(b) is satisfied and replaced by a loan that is secured by real property, or by personal property used or expected to be used as the consumer's principal dwelling, the new loan is not exempt under §1026.3(b), and the creditor must comply with all of the applicable requirements of this part. See comment 3(b)-5.

7. *Application to extensions secured by mobile homes.* Because a mobile home can be a dwelling under §1026.2(a)(19), the exemption in §1026.3(b) does not apply to a credit extension secured by a mobile home that is used or expected to be used as the principal dwelling of the consumer. See comment 3(b)-6.

8. *Transition rule for open-end accounts exempt prior to July 21, 2011.* Section 1026.3(b)(2) applies only to open-end accounts opened prior to July 21, 2011. Section 1026.3(b)(2) does not apply if a security interest is taken by the creditor in real property, or in personal property used or expected to be used as the consumer's principal dwelling. If, on July 20, 2011, an open-end account is exempt under §1026.3(b) based on a firm commitment to extend credit in excess of \$25,000, the account remains exempt under §1026.3(b)(2) until December 31, 2011 (unless the firm commitment is reduced to \$25,000 or less). If the firm commitment is increased on or before December 31, 2011, to an amount in excess of \$50,000, the account remains exempt under §1026.3(b)(1) regardless of subsequent increases in the threshold amount as a result of increases in the CPI-W. If the firm commitment is not increased on or before December 31, 2011, to an amount in excess of \$50,000, the account ceases to be exempt under §1026.3(b) based on a firm commitment to extend credit. For example:

i. Assume that, on July 20, 2011, the account is exempt under §1026.3(b) based on the

**12 CFR Ch. X (1-1-24 Edition)**

creditor's firm commitment to extend \$30,000 in credit. On November 1, 2011, the creditor increases the firm commitment on the account to \$55,000. In these circumstances, the account remains exempt under §1026.3(b)(1) regardless of subsequent increases in the threshold amount as a result of increases in the CPI-W.

ii. Same facts as paragraph 8.i of this section except, on November 1, 2011, the creditor increases the firm commitment on the account to \$40,000. In these circumstances, the account ceases to be exempt under §1026.3(b)(2) after December 31, 2011, and the creditor must begin to comply with the applicable requirements of this part.

**3(c) Public Utility Credit**

1. *Examples.* Examples of public utility services include:

i. *General.* A. Gas, water, or electrical services.

B. Cable television services.

C. Installation of new sewer lines, water lines, conduits, telephone poles, or metering equipment in an area not already serviced by the utility.

ii. *Extensions of credit not covered.* The exemption does not apply to extensions of credit, for example:

A. To purchase appliances such as gas or electric ranges, grills, or telephones.

B. To finance home improvements such as new heating or air conditioning systems.

**3(d) Securities or Commodities Accounts**

1. *Coverage.* This exemption does not apply to a transaction with a broker registered solely with the state, or to a separate credit extension in which the proceeds are used to purchase securities.

**3(e) Home Fuel Budget Plans**

1. *Definition.* Under a typical home fuel budget plan, the fuel dealer estimates the total cost of fuel for the season, bills the customer for an average monthly payment, and makes an adjustment in the final payment for any difference between the estimated and the actual cost of the fuel. Fuel is delivered as needed, no finance charge is assessed, and the customer may withdraw from the plan at any time. Under these circumstances, the arrangement is exempt from the regulation, even if a charge to cover the billing costs is imposed.

**3(f) Student Loan Programs**

1. *Coverage.* This exemption applies to loans made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 *et seq.*). This exemption does not apply to private education loans as defined by §1026.46(b)(5).

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

### 3(h) Partial exemption for certain mortgage loans.

1. *Partial exemption.* Section 1026.3(h) exempts certain transactions from the disclosures described in § 1026.19(g), and, under certain circumstances, § 1026.19(e) and (f). Section 1026.3(h) exempts transactions from § 1026.19(e) and (f) if the creditor chooses to provide disclosures described in § 1026.18 that comply with this part pursuant to § 1026.3(h)(6)(i), but does not exempt transactions from § 1026.19(e) and (f) if the creditor chooses to provide disclosures described in § 1026.19(e) and (f) that comply with this part pursuant to § 1026.3(h)(6)(ii). Creditors may provide, at their option, either the disclosures described in § 1026.18 or the disclosures described in § 1026.19(e) and (f). In providing these disclosures, creditors must comply with all provisions of this part relating to those disclosures. Section 1026.3(h) does not exempt transactions from any of the other requirements of this part, to the extent they are applicable. For transactions that would otherwise be subject to § 1026.19(e), (f), and (g), creditors must comply with all other applicable requirements of this part, including the consumer's right to rescind the transaction under § 1026.23, to the extent that provision is applicable.

2. *Establishing compliance.* The conditions that the transaction not require the payment of interest under § 1026.3(h)(3) and that repayment of the amount of credit extended be forgiven or deferred in accordance with § 1026.3(h)(4) must be reflected in the loan contract. The other requirements of § 1026.3(h) need not be reflected in the loan contract, but the creditor must retain evidence of compliance with those provisions, as required by § 1026.25(a) or (c), as applicable. In particular, because the exemption in § 1026.3(h) means the creditor is not required to provide the disclosures of closing costs under § 1026.37 or § 1026.38 (unless the creditor chooses to provide disclosures described in § 1026.19(e) and (f) that comply with this part), the creditor must retain evidence reflecting that the costs payable by the consumer in connection with the transaction at consummation are limited to recording fees, transfer taxes, a bona fide and reasonable application fee, and a bona fide and reasonable housing counseling fee, and that the total of application and housing counseling fees is less than 1 percent of the amount of credit extended, in accordance with § 1026.3(h)(5). Unless the itemization of the amount financed provided to the consumer sufficiently details this requirement, the creditor must establish compliance with § 1026.3(h)(6) by some other written document and retain it in accordance with § 1026.25(a) or (c), as applicable.

3. *Relationship to partial exemption for certain federally related mortgage loans.* Regula-

tion X provides a partial exemption from certain Regulation X disclosure requirements in 12 CFR 1024.5(d). The partial exemption in Regulation X, 12 CFR 1024.5(d)(2) provides that certain Regulation X disclosure requirements do not apply to a federally related mortgage loan, as defined in Regulation X, 12 CFR 1024.2(b), that satisfies the criteria in § 1026.3(h) of this part. For a federally related mortgage loan that is not otherwise covered by Regulation Z, lenders may satisfy the criteria in § 1026.3(h)(6) by providing the disclosures described in § 1026.18 that comply with this part or the disclosures described in § 1026.19(e) and (f) that comply with this part.

4. *Recording fees.* See comment 37(g)(1)-1 for a discussion of what constitutes a recording fee.

5. *Transfer taxes.* See comment 37(g)(1)-3 for a discussion of what constitutes a transfer tax.

### Section 1026.4—Finance Charge

#### 4(a) Definition

1. *Charges in comparable cash transactions.* Charges imposed uniformly in cash and credit transactions are not finance charges. In determining whether an item is a finance charge, the creditor should compare the credit transaction in question with a similar cash transaction. A creditor financing the sale of property or services may compare charges with those payable in a similar cash transaction by the seller of the property or service.

i. For example, the following items are not finance charges:

A. Taxes, license fees, or registration fees paid by both cash and credit customers.

B. Discounts that are available to cash and credit customers, such as quantity discounts.

C. Discounts available to a particular group of consumers because they meet certain criteria, such as being members of an organization or having accounts at a particular financial institution. This is the case even if an individual must pay cash to obtain the discount, provided that credit customers who are members of the group and do not qualify for the discount pay no more than the nonmember cash customers.

D. Charges for a service policy, auto club membership, or policy of insurance against latent defects offered to or required of both cash and credit customers for the same price.

ii. In contrast, the following items are finance charges:

A. Inspection and handling fees for the staged disbursement of construction-loan proceeds.

B. Fees for preparing a Truth in Lending disclosure statement, if permitted by law (for example, the Real Estate Settlement Procedures Act prohibits such charges in

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

certain transactions secured by real property).

C. Charges for a required maintenance or service contract imposed only in a credit transaction.

iii. If the charge in a credit transaction exceeds the charge imposed in a comparable cash transaction, only the difference is a finance charge. For example:

A. If an escrow agent is used in both cash and credit sales of real estate and the agent's charge is \$100 in a cash transaction and \$150 in a credit transaction, only \$50 is a finance charge.

2. *Costs of doing business.* Charges absorbed by the creditor as a cost of doing business are not finance charges, even though the creditor may take such costs into consideration in determining the interest rate to be charged or the cash price of the property or service sold. However, if the creditor separately imposes a charge on the consumer to cover certain costs, the charge is a finance charge if it otherwise meets the definition. For example:

i. A discount imposed on a credit obligation when it is assigned by a seller-creditor to another party is not a finance charge as long as the discount is not separately imposed on the consumer. (See § 1026.4(b)(6).)

ii. A tax imposed by a state or other governmental body on a creditor is not a finance charge if the creditor absorbs the tax as a cost of doing business and does not separately impose the tax on the consumer. (For additional discussion of the treatment of taxes, see other commentary to § 1026.4(a).)

3. *Forfeitures of interest.* If the creditor reduces the interest rate it pays or stops paying interest on the consumer's deposit account or any portion of it for the term of a credit transaction (including, for example, an overdraft on a checking account or a loan secured by a certificate of deposit), the interest lost is a finance charge. (See the commentary to § 1026.4(c)(6).) For example:

i. A consumer borrows \$5,000 for 90 days and secures it with a \$10,000 certificate of deposit paying 15% interest. The creditor charges the consumer an interest rate of 6% on the loan and stops paying interest on \$5,000 of the \$10,000 certificate for the term of the loan. The interest lost is a finance charge and must be reflected in the annual percentage rate on the loan.

ii. However, the consumer must be entitled to the interest that is not paid in order for the lost interest to be a finance charge. For example:

A. A consumer wishes to buy from a financial institution a \$10,000 certificate of deposit paying 15% interest but has only \$4,000. The financial institution offers to lend the consumer \$6,000 at an interest rate of 6% but will pay the 15% interest only on the amount of the consumer's deposit, \$4,000. The creditor's failure to pay interest on the \$6,000 does

not result in an additional finance charge on the extension of credit, provided the consumer is entitled by the deposit agreement with the financial institution to interest only on the amount of the consumer's deposit.

B. A consumer enters into a combined time deposit/credit agreement with a financial institution that establishes a time deposit account and an open-end line of credit. The line of credit may be used to borrow against the funds in the time deposit. The agreement provides for an interest rate on any credit extension of, for example, 1%. In addition, the agreement states that the creditor will pay 0% interest on the amount of the time deposit that corresponds to the amount of the credit extension(s). The interest that is not paid on the time deposit by the financial institution is not a finance charge (and therefore does not affect the annual percentage rate computation).

4. *Treatment of transaction fees on credit card plans.* Except with regard to a covered separate credit feature and an asset feature on a prepaid account that are both accessible by a hybrid prepaid-credit card as defined in § 1026.61, which are addressed in more detail in §§ 1026.4(b)(11) and 1026.61, any transaction charge imposed on a cardholder by a card issuer is a finance charge, regardless of whether the issuer imposes the same, greater, or lesser charge on withdrawals of funds from an asset account such as a checking or savings account. For example:

i. Any charge imposed on a credit cardholder by a card issuer for the use of an automated teller machine (ATM) to obtain a cash advance (whether in a proprietary, shared, interchange, or other system) is a finance charge regardless of whether the card issuer imposes a charge on its debit cardholders for using the ATM to withdraw cash from a consumer asset account, such as a checking or savings account.

ii. Any charge imposed on a credit cardholder for making a purchase or obtaining a cash advance outside the United States, with a foreign merchant, or in a foreign currency is a finance charge, regardless of whether a charge is imposed on debit cardholders for such transactions. The following principles apply in determining what is a foreign transaction fee and the amount of the fee:

A. Included are (1) fees imposed when transactions are made in a foreign currency and converted to U.S. dollars; (2) fees imposed when transactions are made in U.S. dollars outside the U.S.; and (3) fees imposed when transactions are made (whether in a foreign currency or in U.S. dollars) with a foreign merchant, such as via a merchant's Web site. For example, a consumer may use a credit card to make a purchase in Bermuda, in U.S. dollars, and the card issuer may impose a fee because the transaction took place outside the United States.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

B. Included are fees imposed by the card issuer and fees imposed by a third party that performs the conversion, such as a credit card network or the card issuer's corporate parent. (For example, in a transaction processed through a credit card network, the network may impose a 1 percent charge and the card-issuing bank may impose an additional 2 percent charge, for a total of a 3 percentage point foreign transaction fee being imposed on the consumer.)

C. Fees imposed by a third party are included only if they are directly passed on to the consumer. For example, if a credit card network imposes a 1 percent fee on the card issuer, but the card issuer absorbs the fee as a cost of doing business (and only passes it on to consumers in the general sense that the interest and fees are imposed on all its customers to recover its costs), then the fee is not a foreign transaction fee and need not be disclosed. In another example, if the credit card network imposes a 1 percent fee for a foreign transaction on the card issuer, and the card issuer imposes this same fee on the consumer who engaged in the foreign transaction, then the fee is a foreign transaction fee and a finance charge.

D. A card issuer is not required to disclose a fee imposed by a merchant. For example, if the merchant itself performs the currency conversion and adds a fee, this fee need not be disclosed by the card issuer. Under § 1026.9(d), a card issuer is not obligated to disclose finance charges imposed by a party honoring a credit card, such as a merchant, although the merchant is required to disclose such a finance charge if the merchant is subject to the Truth in Lending Act and Regulation Z.

E. The foreign transaction fee is determined by first calculating the dollar amount of the transaction by using a currency conversion rate outside the card issuer's and third party's control. Any amount in excess of that dollar amount is a foreign transaction fee. Conversion rates outside the card issuer's and third party's control include, for example, a rate selected from the range of rates available in the wholesale currency exchange markets, an average of the highest and lowest rates available in such markets, or a government-mandated or government-managed exchange rate (or a rate selected from a range of such rates).

F. The rate used for a particular transaction need not be the same rate that the card issuer (or third party) itself obtains in its currency conversion operations. In addition, the rate used for a particular transaction need not be the rate in effect on the date of the transaction (purchase or cash advance).

5. *Taxes.* i. Generally, a tax imposed by a state or other governmental body solely on a creditor is a finance charge if the creditor

separately imposes the charge on the consumer.

ii. In contrast, a tax is not a finance charge (even if it is collected by the creditor) if applicable law imposes the tax:

A. Solely on the consumer;

B. On the creditor and the consumer jointly;

C. On the credit transaction, without indicating which party is liable for the tax; or

D. On the creditor, if applicable law directs or authorizes the creditor to pass the tax on to the consumer. (For purposes of this section, if applicable law is silent as to passing on the tax, the law is deemed not to authorize passing it on.)

iii. For example, a stamp tax, property tax, intangible tax, or any other state or local tax imposed on the consumer, or on the credit transaction, is not a finance charge even if the tax is collected by the creditor.

iv. In addition, a tax is not a finance charge if it is excluded from the finance charge by another provision of the regulation or commentary (for example, if the tax is imposed uniformly in cash and credit transactions).

### 4(a)(1) Charges by Third Parties

1. *Choosing the provider of a required service.* An example of a third-party charge included in the finance charge is the cost of required mortgage insurance, even if the consumer is allowed to choose the insurer.

2. *Annuities associated with reverse mortgages.* Some creditors offer annuities in connection with a reverse-mortgage transaction. The amount of the premium is a finance charge if the creditor requires the purchase of the annuity incident to the credit. Examples include the following:

i. The credit documents reflect the purchase of an annuity from a specific provider or providers.

ii. The creditor assesses an additional charge on consumers who do not purchase an annuity from a specific provider.

iii. The annuity is intended to replace in whole or in part the creditor's payments to the consumer either immediately or at some future date.

### 4(a)(2) Special Rule; Closing Agent Charges

1. *General.* This rule applies to charges by a third party serving as the closing agent for the particular loan. An example of a closing agent charge included in the finance charge is a courier fee where the creditor requires the use of a courier.

2. *Required closing agent.* If the creditor requires the use of a closing agent, fees charged by the closing agent are included in the finance charge only if the creditor requires the particular service, requires the imposition of the charge, or retains a portion of the charge. Fees charged by a third-party

**Pt. 1026, Supp. I**

closing agent may be otherwise excluded from the finance charge under §1026.4. For example, a fee that would be paid in a comparable cash transaction may be excluded under §1026.4(a). A charge for conducting or attending a closing is a finance charge and may be excluded only if the charge is included in and is incidental to a lump-sum fee excluded under §1026.4(c)(7).

**4(a)(3) Special Rule; Mortgage Broker Fees**

1. *General.* A fee charged by a mortgage broker is excluded from the finance charge if it is the type of fee that is also excluded when charged by the creditor. For example, to exclude an application fee from the finance charge under §1026.4(c)(1), a mortgage broker must charge the fee to all applicants for credit, whether or not credit is extended.

2. *Coverage.* This rule applies to charges paid by consumers to a mortgage broker in connection with a consumer credit transaction secured by real property or a dwelling.

3. *Compensation by lender.* The rule requires all mortgage broker fees to be included in the finance charge. Creditors sometimes compensate mortgage brokers under a separate arrangement with those parties. Creditors may draw on amounts paid by the consumer, such as points or closing costs, to fund their payment to the broker. Compensation paid by a creditor to a mortgage broker under an agreement is not included as a separate component of a consumer's total finance charge (although this compensation may be reflected in the finance charge if it comes from amounts paid by the consumer to the creditor that are finance charges, such as points and interest).

**4(b) Examples of Finance Charges**

1. *Relationship to other provisions.* Charges or fees shown as examples of finance charges in §1026.4(b) may be excludable under §1026.4(c), (d), or (e). For example:

i. Premiums for credit life insurance, shown as an example of a finance charge under §1026.4(b)(7), may be excluded if the requirements of §1026.4(d)(1) are met.

ii. Appraisal fees mentioned in §1026.4(b)(4) are excluded for real property or residential mortgage transactions under §1026.4(c)(7).

**Paragraph 4(b)(2)**

1. *Checking or transaction account charges.* A charge imposed in connection with a credit feature on a checking or transaction account (other than a prepaid account as defined in §1026.61) is a finance charge under §1026.4(b)(2) to the extent the charge exceeds the charge for a similar account without a credit feature. If a charge for an account with a credit feature does not exceed the charge for an account without a credit fea-

**12 CFR Ch. X (1-1-24 Edition)**

ture, the charge is not a finance charge under §1026.4(b)(2). To illustrate:

i. A \$5 service charge is imposed on an account with an overdraft line of credit (where the institution has agreed in writing to pay an overdraft), while a \$3 service charge is imposed on an account without a credit feature; the \$2 difference is a finance charge. (If the difference is not related to account activity, however, it may be excludable as a participation fee. See the commentary to §1026.4(c)(4).)

ii. A \$5 service charge is imposed for each item that results in an overdraft on an account with an overdraft line of credit, while a \$25 service charge is imposed for paying or returning each item on a similar account without a credit feature; the \$5 charge is not a finance charge.

2. *Prepaid accounts.* Fee or charges related to credit offered in connection with prepaid accounts as defined in §1026.61 are discussed in §§1026.4(b)(11) and 1026.61 and related commentary.

**Paragraph 4(b)(3)**

1. *Assumption fees.* The assumption fees mentioned in §1026.4(b)(3) are finance charges only when the assumption occurs and the fee is imposed on the new buyer. The assumption fee is a finance charge in the new buyer's transaction.

**Paragraph 4(b)(5)**

1. *Credit loss insurance.* Common examples of the insurance against credit loss mentioned in §1026.4(b)(5) are mortgage guaranty insurance, holder in due course insurance, and repossession insurance. Such premiums must be included in the finance charge only for the period that the creditor requires the insurance to be maintained.

2. *Residual value insurance.* Where a creditor requires a consumer to maintain residual value insurance or where the creditor is a beneficiary of a residual value insurance policy written in connection with an extension of credit (as is the case in some forms of automobile balloon-payment financing, for example), the premiums for the insurance must be included in the finance charge for the period that the insurance is to be maintained. If a creditor pays for residual-value insurance and absorbs the payment as a cost of doing business, such costs are not considered finance charges. (See comment 4(a)-2.)

**Paragraphs 4(b)(7) and (b)(8)**

1. *Pre-existing insurance policy.* The insurance discussed in §1026.4(b)(7) and (b)(8) does not include an insurance policy (such as a life or an automobile collision insurance policy) that is already owned by the consumer, even if the policy is assigned to or otherwise made payable to the creditor to satisfy an insurance requirement. Such a policy is not

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

“written in connection with” the transaction, as long as the insurance was not purchased for use in that credit extension, since it was previously owned by the consumer.

2. *Insurance written in connection with a transaction.* Credit insurance sold before or after an open-end (not home-secured) plan is opened is considered “written in connection with a credit transaction.” Insurance sold after consummation in closed-end credit transactions or after the opening of a home-equity plan subject to the requirements of § 1026.40 is not considered “written in connection with” the credit transaction if the insurance is written because of the consumer’s default (for example, by failing to obtain or maintain required property insurance) or because the consumer requests insurance after consummation or the opening of a home-equity plan subject to the requirements of § 1026.40 (although credit-sale disclosures may be required for the insurance sold after consummation if it is financed).

3. *Substitution of life insurance.* The premium for a life insurance policy purchased and assigned to satisfy a credit life insurance requirement must be included in the finance charge, but only to the extent of the cost of the credit life insurance if purchased from the creditor or the actual cost of the policy (if that is less than the cost of the insurance available from the creditor). If the creditor does not offer the required insurance, the premium to be included in the finance charge is the cost of a policy of insurance of the type, amount, and term required by the creditor.

4. *Other insurance.* Fees for required insurance not of the types described in § 1026.4(b)(7) and (b)(8) are finance charges and are not excludable. For example, the premium for a hospitalization insurance policy, if it is required to be purchased only in a credit transaction, is a finance charge.

### Paragraph 4(b)(9)

1. *Discounts for payment by other than credit.* The discounts to induce payment by other than credit mentioned in § 1026.4(b)(9) include, for example, the following situation: The seller of land offers individual tracts for \$10,000 each. If the purchaser pays cash, the price is \$9,000, but if the purchaser finances the tract with the seller the price is \$10,000. The \$1,000 difference is a finance charge for those who buy the tracts on credit.

2. *Exception for cash discounts.* i. Creditors may exclude from the finance charge discounts offered to consumers for using cash or another means of payment instead of using a credit card or an open-end plan. The discount may be in whatever amount the seller desires, either as a percentage of the regular price (as defined in section 103(z) of the Act, as amended) or a dollar amount. Pursuant to section 167(b) of the Act, this provision applies only to transactions involving an open-

end credit plan or a credit card (whether open-end or closed-end credit is extended on the card). The merchant must offer the discount to prospective buyers whether or not they are cardholders or members of the open-end credit plan. The merchant may, however, make other distinctions. For example:

A. The merchant may limit the discount to payment by cash and not offer it for payment by check or by use of a debit card.

B. The merchant may establish a discount plan that allows a 15% discount for payment by cash, a 10% discount for payment by check, and a 5% discount for payment by a particular credit card. None of these discounts is a finance charge.

ii. Pursuant to section 171(c) of the Act, discounts excluded from the finance charge under this paragraph are also excluded from treatment as a finance charge or other charge for credit under any state usury or disclosure laws.

3. *Determination of the regular price.* i. The *regular price* is critical in determining whether the difference between the price charged to cash customers and credit customers is a *discount* or a *surcharge*, as these terms are defined in amended section 103 of the Act. The *regular price* is defined in section 103 of the Act as—\* \* \* the tag or posted price charged for the property or service if a single price is tagged or posted, or the price charged for the property or service when payment is made by use of an open-end credit account or a credit card if either (1) no price is tagged or posted or (2) two prices are tagged or posted \* \* \*.

ii. For example, in the sale of motor vehicle fuel, the tagged or posted price is the price displayed at the pump. As a result, the higher price (the open-end credit or credit card price) must be displayed at the pump, either alone or along with the cash price. Service station operators may designate separate pumps or separate islands as being for either cash or credit purchases and display only the appropriate prices at the various pumps. If a pump is capable of displaying on its meter either a cash or a credit price depending upon the consumer’s means of payment, both the cash price and the credit price must be displayed at the pump. A service station operator may display the cash price of fuel by itself on a curb sign, as long as the sign clearly indicates that the price is limited to cash purchases.

### Paragraph 4(b)(10)

1. *Definition.* Debt cancellation coverage provides for payment or satisfaction of all or part of a debt when a specified event occurs. The term “debt cancellation coverage” includes guaranteed automobile protection, or “GAP,” agreements, which pay or satisfy the

**Pt. 1026, Supp. I**

remaining debt after property insurance benefits are exhausted. Debt suspension coverage provides for suspension of the obligation to make one or more payments on the date(s) otherwise required by the credit agreement, when a specified event occurs. The term “debt suspension” does not include loan payment deferral arrangements in which the triggering event is the bank’s unilateral decision to allow a deferral of payment and the borrower’s unilateral election to do so, such as by skipping or reducing one or more payments (“skip payments”).

2. *Coverage written in connection with a transaction.* Coverage sold after consummation in closed-end credit transactions or after the opening of a home-equity plan subject to the requirements of §1026.40 is not “written in connection with” the credit transaction if the coverage is written because the consumer requests coverage after consummation or the opening of a home-equity plan subject to the requirements of §1026.40 (although credit-sale disclosures may be required for the coverage sold after consummation if it is financed). Coverage sold before or after an open-end (not home-secured) plan is opened is considered “written in connection with a credit transaction.”

Paragraph 4(b)(11)

1. *Credit in connection with a prepaid card.* Section 1026.61 governs credit offered in connection with a prepaid card.

i. A separate credit feature that meets the conditions of §1026.61(a)(2)(i) is defined as a covered separate credit feature accessible by a hybrid prepaid-credit card. See §1026.61(a)(2)(i) and comment 61(a)(2)-4. In this case, the hybrid prepaid-credit card can access both the covered separate credit feature and the asset feature of the prepaid account. The rules for classification of fees or charges as finance charges with respect to the covered separate credit feature are specified in §1026.4(b)(11) and related commentary.

ii. If a prepaid card can access a non-covered separate credit feature as described in §1026.61(a)(2)(ii), the card is not a hybrid prepaid-credit card with respect to that credit feature. In that case:

A. Section 1026.4(b)(11) and related commentary do not apply to fees or charges imposed on the non-covered separate credit feature; instead, the general rules set forth in §1026.4 determine whether these fees or charges are finance charges; and

B. Fees or charges on the asset feature of the prepaid account are not finance charges under §1026.4 with respect to the non-covered separate credit feature. See comment 61(a)(2)-5.iii for guidance on the applicability of this regulation in connection with non-covered credit features accessible by prepaid cards.

**12 CFR Ch. X (1-1-24 Edition)**

iii. If the prepaid card is not a hybrid prepaid-credit card with respect to credit extended through a negative balance on the asset feature of the prepaid account pursuant to §1026.61(a)(4), with regard to that credit, fees charged on the asset feature of the prepaid account in accordance with §1026.61(a)(4)(ii)(B) are not finance charges.

Paragraph 4(b)(11)(i)

1. *Transaction fees imposed on the covered separate credit feature.* Consistent with comment 4(a)-4, any transaction charge imposed on a cardholder by a card issuer on a covered separate credit feature accessible by a hybrid prepaid-credit card is a finance charge. Transaction charges that are imposed on the asset feature of a prepaid account are subject to §1026.4(b)(11)(ii) and related commentary, instead of §1026.4(b)(11)(i).

Paragraph 4(b)(11)(ii)

1. *Fees or charges imposed on the asset feature of a prepaid account.* i. Under §1026.4(b)(11)(ii), with regard to a covered separate credit feature and an asset feature of a prepaid account that are both accessible by a hybrid prepaid-credit card as defined §1026.61, any fee or charge imposed on the asset feature of the prepaid account is a finance charge to the extent that the amount of the fee or charge exceeds comparable fees or charges imposed on prepaid accounts in the same prepaid account program that do not have a covered separate credit feature accessible by a hybrid prepaid-credit card. This comment provides guidance with respect to comparable fees under §1026.4(b)(11)(ii) for the two types of credit extensions on a covered separate credit feature. See §1026.61(a)(2)(i)(B) and comment 61(a)(2)-4.ii. Comment 4(b)(11)(ii)-1.ii provides guidance for credit extensions where the hybrid prepaid-credit card accesses credit from the covered separate credit feature in the course of authorizing, settling, or otherwise completing a transaction conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers. Comment 4(b)(11)(ii)-1.iii provides guidance for credit extensions where a consumer draws or transfers credit from the covered separate credit feature outside the course of a transaction conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers.

ii. Where the hybrid prepaid-credit card accesses credit from a covered separate credit feature in the course of authorizing, settling, or otherwise completing a transaction conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers, any per transaction fees imposed on the asset feature of prepaid accounts, including load and transfer fees, for

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

such credit from the credit feature are comparable only to per transaction fees for each transaction to access funds in the asset feature of a prepaid account that are imposed on prepaid accounts in the same prepaid account program that does not have such a credit feature. Per transaction fees for a transaction that is conducted to load or draw funds into a prepaid account from some other source are not comparable for purposes of §1026.4(b)(11)(ii). To illustrate:

A. Assume a prepaid account issuer charges \$0.50 on prepaid accounts without a covered separate credit feature for each transaction that accesses funds in the asset feature of the prepaid accounts. Also, assume that the prepaid account issuer charges \$0.50 per transaction on the asset feature of prepaid accounts in the same prepaid program where the hybrid prepaid-credit card accesses credit from a covered separate credit feature in the course of a transaction. In this case, the \$0.50 per transaction fee imposed on the asset feature of the prepaid account with a covered separate credit feature is not a finance charge.

B. Assume same facts as in paragraph A above, except that assume the prepaid account issuer charges \$1.25 on the asset feature of a prepaid account for each transaction where the hybrid prepaid-credit card accesses credit from the covered separate credit feature in the course of the transaction. In this case, the additional \$0.75 is a finance charge.

C. Assume a prepaid account issuer charges \$0.50 on prepaid accounts without a covered separate credit feature for each transaction that accesses funds in the asset feature of the prepaid accounts. Assume also that the prepaid account issuer charges both a \$0.50 per transaction fee and a \$1.25 transfer fee on the asset feature of prepaid accounts in the same prepaid program where the hybrid prepaid-credit card accesses credit from a covered separate credit feature in the course of a transaction. In this case, both fees charged on a per-transaction basis for the credit transaction (*i.e.*, a combined fee of \$1.75 per transaction) must be compared to the \$0.50 per transaction fee to access funds in the asset feature of the prepaid account without a covered separate credit feature. Accordingly, the \$1.25 excess is a finance charge.

D. Assume same facts as in paragraph C above, except that assume the prepaid account issuer also charges a load fee of \$1.25 whenever funds are transferred or loaded from a separate asset account, such as from a deposit account via a debit card, in the course of a transaction on prepaid accounts without a covered separate credit feature, in addition to charging a \$0.50 per transaction fee. The \$1.25 excess in paragraph C is still a finance charge because load or transfer fees that are charged on the asset feature of prepaid account for credit from the covered sep-

arate credit feature are compared only to per transaction fees imposed for accessing funds in the asset feature of the prepaid account for prepaid accounts without such a credit feature. Per transaction fees for a transaction that is conducted to load or draw funds into a prepaid account from some other source are not comparable for purposes of §1026.4(b)(11)(ii).

iii. A consumer may choose in a particular circumstance to draw or transfer credit from the covered separate credit feature outside the course of a transaction conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers. For example, a consumer may use the prepaid card at the prepaid account issuer's website to load funds from the covered separate credit feature outside the course of a transaction conducted with the card to obtain goods or services, obtain cash, or conduct person-to-person transfers. See §1026.61(a)(2)(i)(B) and comment 61(a)(2)-4.ii. In these situations, load or transfer fees imposed for draws or transfers of credit from the covered separate credit feature outside the course of a transaction are compared only with fees, if any, to load funds as a direct deposit of salary from an employer or a direct deposit of government benefits that are charged on prepaid accounts without a covered separate credit feature. Fees imposed on prepaid accounts without a covered separate credit feature for a one-time load or transfer of funds from a separate asset account or from a non-covered separate credit feature are not comparable for purposes of §1026.4(b)(11)(ii). To illustrate:

A. Assume a prepaid account issuer charges a \$1.25 load fee to transfer funds from a non-covered separate credit feature, such as a non-covered separate credit card account, into prepaid accounts that do not have a covered separate credit feature and does not charge a fee for a direct deposit of salary from an employer or a direct deposit of government benefits on those prepaid accounts. Assume the prepaid account issuer charges \$1.25 on the asset feature of a prepaid account with a covered separate credit feature to load funds from the covered separate credit feature outside the course of a transaction. In this case, the \$1.25 fee imposed on the asset feature of the prepaid account with a covered separate credit feature is a finance charge because no fee is charged for a direct deposit of salary from an employer or a direct deposit of government benefits on prepaid accounts without such a credit feature. Fees imposed on prepaid accounts without a covered separate credit feature for a one-time load or transfer of funds from a non-covered separate credit feature are not comparable for purposes of §1026.4(b)(11)(ii).

**Pt. 1026, Supp. I**

B. Assume that a prepaid account issuer charges a \$1.25 load fee for a one-time transfer of funds from a separate asset account, such as from a deposit account via a debit card, to a prepaid account without a covered separate credit feature and does not charge a fee for a direct deposit of salary from an employer or a direct deposit of government benefits on those prepaid accounts. Assume the prepaid account issuer charges \$1.25 on the asset feature of a prepaid account with a covered separate credit feature to load funds from the covered separate credit feature outside the course of a transaction. In this case, the \$1.25 fee imposed on the asset feature of the prepaid account with a covered separate credit feature is a finance charge because no fee is charged for a direct deposit of salary from an employer or a direct deposit of government benefits on prepaid accounts without a covered separate credit feature. Fees imposed on prepaid accounts without a covered separate credit feature for a one-time load or transfer of funds from a separate asset account are not comparable for purposes of § 1026.4(b)(11)(ii).

2. *Relation to Regulation E.* See Regulation E, 12 CFR 1005.18(g), which only permits a financial institution to charge the same or higher fees on the asset feature of a prepaid account with a covered separate credit feature accessible by a hybrid prepaid-credit card than the amount of a comparable fee it charges on prepaid accounts in the same prepaid account program without such a credit feature. Under that provision, a financial institution cannot charge a lower fee on the asset feature of a prepaid account with a covered separate credit feature accessible by a hybrid prepaid-credit card than the amount of a comparable fee it charges on prepaid accounts without such a credit feature in the same prepaid account program.

**4(c) Charges Excluded From the Finance Charge****Paragraph 4(c)(1)**

1. *Application fees.* An application fee that is excluded from the finance charge is a charge to recover the costs associated with processing applications for credit. The fee may cover the costs of services such as credit reports, credit investigations, and appraisals. The creditor is free to impose the fee in only certain of its loan programs, such as mortgage loans. However, if the fee is to be excluded from the finance charge under § 1026.4(c)(1), it must be charged to all applicants, not just to applicants who are approved or who actually receive credit.

**Paragraph 4(c)(2)**

1. *Late payment charges.* i. Late payment charges can be excluded from the finance charge under § 1026.4(c)(2) whether or not the

**12 CFR Ch. X (1-1-24 Edition)**

person imposing the charge continues to extend credit on the account or continues to provide property or services to the consumer. In determining whether a charge is for actual unanticipated late payment on a 30-day account, for example, factors to be considered include:

A. The terms of the account. For example, is the consumer required by the account terms to pay the account balance in full each month? If not, the charge may be a finance charge.

B. The practices of the creditor in handling the accounts. For example, regardless of the terms of the account, does the creditor allow consumers to pay the accounts over a period of time without demanding payment in full or taking other action to collect? If no effort is made to collect the full amount due, the charge may be a finance charge.

ii. section 1026.4(c)(2) applies to late payment charges imposed for failure to make payments as agreed, as well as failure to pay an account in full when due.

2. *Other excluded charges.* Charges for “delinquency, default, or a similar occurrence” include, for example, charges for reinstatement of credit privileges or for submitting as payment a check that is later returned unpaid.

**Paragraph 4(c)(3)**

1. *Assessing interest on an overdraft balance.* Except with respect to credit offered in connection with a prepaid account as defined in § 1026.61, a charge on an overdraft balance computed by applying a rate of interest to the amount of the overdraft is not a finance charge, even though the consumer agrees to the charge in the account agreement, unless the financial institution agrees in writing that it will pay such items.

2. *Credit accessed in connection with a prepaid account.* See comment 4(b)(11)-1 for guidance on when fees imposed with regard to credit accessed in connection with a prepaid account as defined in § 1026.61 are finance charges.

**Paragraph 4(c)(4)**

1. *Participation fees—periodic basis.* The participation fees described in § 1026.4(c)(4) do not necessarily have to be formal membership fees, nor are they limited to credit card plans. Except as provided in § 1026.4(c)(4) for covered separate credit features accessible by hybrid prepaid-credit cards as defined in § 1026.61, the provision applies to any credit plan in which payment of a fee is a condition of access to the plan itself, but it does not apply to fees imposed separately on individual closed-end transactions. The fee may be charged on a monthly, annual, or other periodic basis; a one-time, non-recurring fee imposed at the time an account is opened is not a fee that is charged on a periodic basis,

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

and may not be treated as a participation fee.

2. *Participation fees—exclusions.* Minimum monthly charges, charges for non-use of a credit card, and other charges based on either account activity or the amount of credit available under the plan are not excluded from the finance charge by §1026.4(c)(4). Thus, for example, a fee that is charged and then refunded to the consumer based on the extent to which the consumer uses the credit available would be a finance charge. (See the commentary to §1026.4(b)(2). Also, see comment 14(c)-2 for treatment of certain types of fees excluded in determining the annual percentage rate for the periodic statement.)

3. *Credit accessed in connection with a prepaid account.* See comment 4(b)(11)-1 for guidance on when fees imposed with regard to credit accessed in connection with a prepaid account as defined in §1026.61 are finance charges.

### Paragraph 4(c)(5)

1. *Seller's points.* The seller's points mentioned in §1026.4(c)(5) include any charges imposed by the creditor upon the noncreditor seller of property for providing credit to the buyer or for providing credit on certain terms. These charges are excluded from the finance charge even if they are passed on to the buyer, for example, in the form of a higher sales price. Seller's points are frequently involved in real estate transactions guaranteed or insured by governmental agencies. A *commitment fee* paid by a noncreditor seller (such as a real estate developer) to the creditor should be treated as seller's points. Buyer's points (that is, points charged to the buyer by the creditor), however, are finance charges.

2. *Other seller-paid amounts.* Mortgage insurance premiums and other finance charges are sometimes paid at or before consummation or settlement on the borrower's behalf by a noncreditor seller. The creditor should treat the payment made by the seller as seller's points and exclude it from the finance charge if, based on the seller's payment, the consumer is not legally bound to the creditor for the charge. A creditor who gives disclosures before the payment has been made should base them on the best information reasonably available.

### Paragraph 4(c)(6)

1. *Lost interest.* Certain Federal and state laws mandate a percentage differential between the interest rate paid on a deposit and the rate charged on a loan secured by that deposit. In some situations, because of usury limits the creditor must reduce the interest rate paid on the deposit and, as a result, the consumer loses some of the interest that would otherwise have been earned. Under §1026.4(c)(6), such "lost interest" need not be

included in the finance charge. This rule applies only to an interest reduction imposed because a rate differential is required by law and a usury limit precludes compliance by any other means. If the creditor imposes a differential that exceeds that required, only the lost interest attributable to the excess amount is a finance charge. (See the commentary to §1026.4(a).)

### 4(c)(7) Real-Estate Related Fees

1. *Real estate or residential mortgage transaction charges.* The list of charges in §1026.4(c)(7) applies both to residential mortgage transactions (which may include, for example, the purchase of a mobile home) and to other transactions secured by real estate. The fees are excluded from the finance charge even if the services for which the fees are imposed are performed by the creditor's employees rather than by a third party. In addition, the cost of verifying or confirming information connected to the item is also excluded. For example, credit-report fees cover not only the cost of the report but also the cost of verifying information in the report. In all cases, charges excluded under §1026.4(c)(7) must be bona fide and reasonable.

2. *Lump-sum charges.* If a lump sum charged for several services includes a charge that is not excludable, a portion of the total should be allocated to that service and included in the finance charge. However, a lump sum charged for conducting or attending a closing (for example, by a lawyer or a title company) is excluded from the finance charge if the charge is primarily for services related to items listed in §1026.4(c)(7) (for example, reviewing or completing documents), even if other incidental services such as explaining various documents or disbursing funds for the parties are performed. The entire charge is excluded even if a fee for the incidental services would be a finance charge if it were imposed separately.

3. *Charges assessed during the loan term.* Real estate or residential mortgage transaction charges excluded under §1026.4(c)(7) are those charges imposed solely in connection with the initial decision to grant credit. This would include, for example, a fee to search for tax liens on the property or to determine if flood insurance is required. The exclusion does not apply to fees for services to be performed periodically during the loan term, regardless of when the fee is collected. For example, a fee for one or more determinations during the loan term of the current tax-lien status or flood-insurance requirements is a finance charge, regardless of whether the fee is imposed at closing, or when the service is performed. If a creditor is uncertain about what portion of a fee to be paid at consummation or loan closing is related to the initial decision to grant credit,

## Pt. 1026, Supp. I

the entire fee may be treated as a finance charge.

### 4(d) Insurance and Debt Cancellation and Debt Suspension Coverage

1. *General.* Section 1026.4(d) permits insurance premiums and charges and debt cancellation and debt suspension charges to be excluded from the finance charge. The required disclosures must be made in writing, except as provided in §1026.4(d)(4). The rules on location of insurance and debt cancellation and debt suspension disclosures for closed-end transactions are in §1026.17(a). For purposes of §1026.4(d), all references to insurance also include debt cancellation and debt suspension coverage unless the context indicates otherwise.

2. *Timing of disclosures.* If disclosures are given early, for example under §1026.17(f) or §1026.19(a), the creditor need not redisclose if the actual premium is different at the time of consummation. If insurance disclosures are not given at the time of early disclosure and insurance is in fact written in connection with the transaction, the disclosures under §1026.4(d) must be made in order to exclude the premiums from the finance charge.

3. *Premium rate increases.* The creditor should disclose the premium amount based on the rates currently in effect and need not designate it as an estimate even if the premium rates may increase. An increase in insurance rates after consummation of a closed-end credit transaction or during the life of an open-end credit plan does not require redisclosure in order to exclude the additional premium from treatment as a finance charge.

4. *Unit-cost disclosures.* i. *Open-end credit.* The premium or fee for insurance or debt cancellation or debt suspension for the initial term of coverage may be disclosed on a unit-cost basis in open-end credit transactions. The cost per unit should be based on the initial term of coverage, unless one of the options under comment 4(d)-12 is available.

ii. *Closed-end credit.* One of the transactions for which unit-cost disclosures (such as 50 cents per year for each \$100 of the amount financed) may be used in place of the total insurance premium involves a particular kind of insurance plan. For example, a consumer with a current indebtedness of \$8,000 is covered by a plan of credit life insurance coverage with a maximum of \$10,000. The consumer requests an additional \$4,000 loan to be covered by the same insurance plan. Since the \$4,000 loan exceeds, in part, the maximum amount of indebtedness that can be covered by the plan, the creditor may properly give the insurance-cost disclosures on the \$4,000 loan on a unit-cost basis.

5. *Required credit life insurance; debt cancellation or suspension coverage.* Credit life, accident, health, or loss-of-income insur-

## 12 CFR Ch. X (1-1-24 Edition)

ance, and debt cancellation and suspension coverage described in §1026.4(b)(10), must be voluntary in order for the premium or charges to be excluded from the finance charge. Whether the insurance or coverage is in fact required or optional is a factual question. If the insurance or coverage is required, the premiums must be included in the finance charge, whether the insurance or coverage is purchased from the creditor or from a third party. If the consumer is required to elect one of several options—such as to purchase credit life insurance, or to assign an existing life insurance policy, or to pledge security such as a certificate of deposit—and the consumer purchases the credit life insurance policy, the premium must be included in the finance charge. (If the consumer assigns a preexisting policy or pledges security instead, no premium is included in the finance charge. The security interest would be disclosed under §1026.6(a)(4), §1026.6(b)(5)(ii), or §1026.18(m). See the commentary to §1026.4(b)(7) and (b)(8).)

6. *Other types of voluntary insurance.* Insurance is not credit life, accident, health, or loss-of-income insurance if the creditor or the credit account of the consumer is not the beneficiary of the insurance coverage. If the premium for such insurance is not imposed by the creditor as an incident to or a condition of credit, it is not covered by §1026.4.

7. *Signatures.* If the creditor offers a number of insurance options under §1026.4(d), the creditor may provide a means for the consumer to sign or initial for each option, or it may provide for a single authorizing signature or initial with the options selected designated by some other means, such as a check mark. The insurance authorization may be signed or initialed by any consumer, as defined in §1026.2(a)(11), or by an authorized user on a credit card account.

8. *Property insurance.* To exclude property insurance premiums or charges from the finance charge, the creditor must allow the consumer to choose the insurer and disclose that fact. This disclosure must be made whether or not the property insurance is available from or through the creditor. The requirement that an option be given does not require that the insurance be readily available from other sources. The premium or charge must be disclosed only if the consumer elects to purchase the insurance from the creditor; in such a case, the creditor must also disclose the term of the property insurance coverage if it is less than the term of the obligation.

9. *Single-interest insurance.* Blanket and specific single-interest coverage are treated the same for purposes of the regulation. A charge for either type of single-interest insurance may be excluded from the finance charge if:

i. The insurer waives any right of subrogation.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

ii. The other requirements of §1026.4(d)(2) are met. This includes, of course, giving the consumer the option of obtaining the insurance from a person of the consumer's choice. The creditor need not ascertain whether the consumer is able to purchase the insurance from someone else.

10. *Single-interest insurance defined.* The term *single-interest insurance* as used in the regulation refers only to the types of coverage traditionally included in the term *vendor's single-interest insurance* (or *VSI*), that is, protection of tangible property against normal property damage, concealment, confiscation, conversion, embezzlement, and skip. Some comprehensive insurance policies may include a variety of additional coverages, such as repossession insurance and holder-in-due-course insurance. These types of coverage do not constitute single-interest insurance for purposes of the regulation, and premiums for them do not qualify for exclusion from the finance charge under §1026.4(d). If a policy that is primarily VSI also provides coverages that are not VSI or other property insurance, a portion of the premiums must be allocated to the nonexcludable coverages and included in the finance charge. However, such allocation is not required if the total premium in fact attributable to all of the non-VSI coverages included in the policy is \$1.00 or less (or \$5.00 or less in the case of a multiyear policy).

11. *Initial term.* i. The initial term of insurance or debt cancellation or debt suspension coverage determines the period for which a premium amount must be disclosed, unless one of the options discussed under comment 4(d)-12 is available. For purposes of §1026.4(d), the initial term is the period for which the insurer or creditor is obligated to provide coverage, even though the consumer may be allowed to cancel the coverage or coverage may end due to nonpayment before that term expires.

ii. For example: A. The initial term of a property insurance policy on an automobile that is written for one year is one year even though premiums are paid monthly and the term of the credit transaction is four years.

B. The initial term of an insurance policy is the full term of the credit transaction if the consumer pays or finances a single premium in advance.

12. *Initial term; alternative.* i. *General.* A creditor has the option of providing cost disclosures on the basis of one year of insurance or debt cancellation or debt suspension coverage instead of a longer initial term (provided the premium or fee is clearly labeled as being for one year) if:

A. The initial term is indefinite or not clear, or

B. The consumer has agreed to pay a premium or fee that is assessed periodically but the consumer is under no obligation to con-

tinue the coverage, whether or not the consumer has made an initial payment.

ii. *Open-end plans.* For open-end plans, a creditor also has the option of providing unit-cost disclosure on the basis of a period that is less than one year if the consumer has agreed to pay a premium or fee that is assessed periodically, for example monthly, but the consumer is under no obligation to continue the coverage.

iii. *Examples.* To illustrate:

A. A credit life insurance policy providing coverage for a 30-year mortgage loan has an initial term of 30 years, even though premiums are paid monthly and the consumer is not required to continue the coverage. Disclosures may be based on the initial term, but the creditor also has the option of making disclosures on the basis of coverage for an assumed initial term of one year.

13. *Loss-of-income insurance.* The loss-of-income insurance mentioned in §1026.4(d) includes involuntary unemployment insurance, which provides that some or all of the consumer's payments will be made if the consumer becomes unemployed involuntarily.

### 4(d)(3) Voluntary Debt Cancellation or Debt Suspension Fees

1. *General.* Fees charged for the specialized form of debt cancellation agreement known as guaranteed automobile protection ("GAP") agreements must be disclosed according to §1026.4(d)(3) rather than according to §1026.4(d)(2) for property insurance.

2. *Disclosures.* Creditors can comply with §1026.4(d)(3) by providing a disclosure that refers to debt cancellation or debt suspension coverage whether or not the coverage is considered insurance. Creditors may use the model credit insurance disclosures only if the debt cancellation or debt suspension coverage constitutes insurance under state law. (See Model Clauses and Samples at G-16 and H-17 in appendix G and appendix H to part 1026 for guidance on how to provide the disclosure required by §1026.4(d)(3) for debt suspension products.)

3. *Multiple events.* If debt cancellation or debt suspension coverage for two or more events is provided at a single charge, the entire charge may be excluded from the finance charge if at least one of the events is accident or loss of life, health, or income and the conditions specified in §1026.4(d)(3) or, as applicable, §1026.4(d)(4), are satisfied.

4. *Disclosures in programs combining debt cancellation and debt suspension features.* If the consumer's debt can be cancelled under certain circumstances, the disclosure may be modified to reflect that fact. The disclosure could, for example, state (in addition to the language required by §1026.4(d)(3)) that "In some circumstances, my debt may be cancelled." However, the disclosure would not be permitted to list the specific events that would result in debt cancellation.

## Pt. 1026, Supp. I

### 4(d)(4) Telephone Purchases

1. *Affirmative request.* A creditor would not satisfy the requirement to obtain a consumer's affirmative request if the "request" was a response to a script that uses leading questions or negative consent. A question asking whether the consumer wishes to enroll in the credit insurance or debt cancellation or suspension plan and seeking a yes-or-no response (such as "Do you want to enroll in this optional debt cancellation plan?") would not be considered leading.

### 4(e) Certain Security Interest Charges

1. *Examples.* i. *Excludable charges.* Sums must be actually paid to public officials to be excluded from the finance charge under §1026.4(e)(1) and (e)(3). Examples are charges or other fees required for filing or recording security agreements, mortgages, continuation statements, termination statements, and similar documents, as well as intangible property or other taxes even when the charges or fees are imposed by the state solely on the creditor and charged to the consumer (if the tax must be paid to record a security agreement). (See comment 4(a)-5 regarding the treatment of taxes, generally.)

ii. *Charges not excludable.* If the obligation is between the creditor and a third party (an assignee, for example), charges or other fees for filing or recording security agreements, mortgages, continuation statements, termination statements, and similar documents relating to that obligation are not excludable from the finance charge under this section.

2. *Itemization.* The various charges described in §1026.4(e)(1) and (e)(3) may be totaled and disclosed as an aggregate sum, or they may be itemized by the specific fees and taxes imposed. If an aggregate sum is disclosed, a general term such as security interest fees or filing fees may be used.

3. *Notary fees.* In order for a notary fee to be excluded under §1026.4(e)(1), all of the following conditions must be met:

i. The document to be notarized is one used to perfect, release, or continue a security interest.

ii. The document is required by law to be notarized.

iii. A notary is considered a public official under applicable law.

iv. The amount of the fee is set or authorized by law.

4. *Nonfiling insurance.* The exclusion in §1026.4(e)(2) is available only if nonfiling insurance is purchased. If the creditor collects and simply retains a fee as a sort of "self-insurance" against nonfiling, it may not be excluded from the finance charge. If the nonfiling insurance premium exceeds the amount of the fees excludable from the finance charge under §1026.4(e)(1), only the excess is a finance charge. For example:

## 12 CFR Ch. X (1-1-24 Edition)

i. The fee for perfecting a security interest is \$5.00 and the fee for releasing the security interest is \$3.00. The creditor charges \$10.00 for nonfiling insurance. Only \$8.00 of the \$10.00 is excludable from the finance charge.

### 4(f) Prohibited Offsets

1. *Earnings on deposits or investments.* The rule that the creditor shall not deduct any earnings by the consumer on deposits or investments applies whether or not the creditor has a security interest in the property.

## SUBPART B—OPEN-END CREDIT

### Section 1026.5—General Disclosure Requirements

#### 5(a) Form of Disclosures

##### 5(a)(1) General

1. *Clear and conspicuous standard.* The "clear and conspicuous" standard generally requires that disclosures be in a reasonably understandable form. Disclosures for credit card applications and solicitations under §1026.60, highlighted account-opening disclosures under §1026.6(b)(1), highlighted disclosure on checks that access a credit card under §1026.9(b)(3), highlighted change-in-terms disclosures under §1026.9(c)(2)(iv)(D), and highlighted disclosures when a rate is increased due to delinquency, default or for a penalty under §1026.9(g)(3)(ii) must also be readily noticeable to the consumer.

2. *Clear and conspicuous—reasonably understandable form.* Except where otherwise provided, the reasonably understandable form standard does not require that disclosures be segregated from other material or located in any particular place on the disclosure statement, or that numerical amounts or percentages be in any particular type size. For disclosures that are given orally, the standard requires that they be given at a speed and volume sufficient for a consumer to hear and comprehend them. (See comment 5(b)(1)(ii)-1.) Except where otherwise provided, the standard does not prohibit:

i. Pluralizing required terminology ("finance charge" and "annual percentage rate").

ii. Adding to the required disclosures such items as contractual provisions, explanations of contract terms, state disclosures, and translations.

iii. Sending promotional material with the required disclosures.

iv. Using commonly accepted or readily understandable abbreviations (such as "mo." for "month" or "TX" for "Texas") in making any required disclosures.

v. Using codes or symbols such as "APR" (for annual percentage rate), "FC" (for finance charge), or "Cr" (for credit balance), so long as a legend or description of the code or symbol is provided on the disclosure statement.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

3. *Clear and conspicuous—readily noticeable standard.* To meet the readily noticeable standard, disclosures for credit card applications and solicitations under §1026.60, highlighted account-opening disclosures under §1026.6(b)(1), highlighted disclosures on checks that access a credit card account under §1026.9(b)(3), highlighted change-in-terms disclosures under §1026.9(c)(2)(iv)(D), and highlighted disclosures when a rate is increased due to delinquency, default or penalty pricing under §1026.9(g)(3)(ii) must be given in a minimum of 10-point font. (See special rule for font size requirements for the annual percentage rate for purchases under §§1026.60(b)(1) and 1026.6(b)(2)(i).)

4. *Integrated document.* The creditor may make both the account-opening disclosures (§1026.6) and the periodic-statement disclosures (§1026.7) on more than one page, and use both the front and the reverse sides, except where otherwise indicated, so long as the pages constitute an integrated document. An integrated document would not include disclosure pages provided to the consumer at different times or disclosures interspersed on the same page with promotional material. An integrated document would include, for example:

i. Multiple pages provided in the same envelope that cover related material and are folded together, numbered consecutively, or clearly labeled to show that they relate to one another; or

ii. A brochure that contains disclosures and explanatory material about a range of services the creditor offers, such as credit, checking account, and electronic fund transfer features.

5. *Disclosures covered.* Disclosures that must meet the “clear and conspicuous” standard include all required communications under this subpart. Therefore, disclosures made by a person other than the card issuer, such as disclosures of finance charges imposed at the time of honoring a consumer’s credit card under §1026.9(d), and notices, such as the correction notice required to be sent to the consumer under §1026.13(e), must also be clear and conspicuous.

### Paragraph 5(a)(1)(ii)(A)

1. *Electronic disclosures.* Disclosures that need not be provided in writing under §1026.5(a)(1)(ii)(A) may be provided in writing, orally, or in electronic form. If the consumer requests the service in electronic form, such as on the creditor’s Web site, the specified disclosures may be provided in electronic form without regard to the consumer consent or other provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. 7001 *et seq.*).

### Paragraph 5(a)(1)(iii)

1. *Disclosures not subject to E-Sign Act.* See the commentary to §1026.5(a)(1)(ii)(A) regarding disclosures (in addition to those specified under §1026.5(a)(1)(iii)) that may be provided in electronic form without regard to the consumer consent or other provisions of the E-Sign Act.

### 5(a)(2) Terminology

1. *When disclosures must be more conspicuous.* For home-equity plans subject to §1026.40, the terms *finance charge* and *annual percentage rate*, when required to be used with a number, must be disclosed more conspicuously than other required disclosures, except in the cases provided in §1026.5(a)(2)(ii). At the creditor’s option, *finance charge* and *annual percentage rate* may also be disclosed more conspicuously than the other required disclosures even when the regulation does not so require. The following examples illustrate these rules:

i. In disclosing the annual percentage rate as required by §1026.6(a)(1)(ii), the term *annual percentage rate* is subject to the *more conspicuous* rule.

ii. In disclosing the amount of the finance charge, required by §1026.7(a)(6)(i), the term *finance charge* is subject to the *more conspicuous* rule.

iii. Although neither *finance charge* nor *annual percentage rate* need be emphasized when used as part of general informational material or in textual descriptions of other terms, emphasis is permissible in such cases. For example, when the terms appear as part of the explanations required under §1026.6(a)(1)(iii) and (a)(1)(iv), they may be equally conspicuous as the disclosures required under §§1026.6(a)(1)(ii) and 1026.7(a)(7).

2. *Making disclosures more conspicuous.* In disclosing the terms *finance charge* and *annual percentage rate* more conspicuously for home-equity plans subject to §1026.40, only the words *finance charge* and *annual percentage rate* should be accentuated. For example, if the term *total finance charge* is used, only *finance charge* should be emphasized. The disclosures may be made more conspicuous by, for example:

i. Capitalizing the words when other disclosures are printed in lower case.

ii. Putting them in bold print or a contrasting color.

iii. Underlining them.

iv. Setting them off with asterisks.

v. Printing them in larger type.

3. *Disclosure of figures—exception to more conspicuous rule.* For home-equity plans subject to §1026.40, the terms *annual percentage rate* and *finance charge* need not be more conspicuous than figures (including, for example, numbers, percentages, and dollar signs).

4. *Consistent terminology.* Language used in disclosures required in this subpart must be

**Pt. 1026, Supp. I**

close enough in meaning to enable the consumer to relate the different disclosures; however, the language need not be identical.

5(b) Time of Disclosures

5(b)(1) Account-Opening Disclosures

5(b)(1)(i) General Rule

1. *Disclosure before the first transaction.* When disclosures must be furnished “before the first transaction,” account-opening disclosures must be delivered before the consumer becomes obligated on the plan. Examples include:

i. *Purchases.* The consumer makes the first purchase, such as when a consumer opens a credit plan and makes purchases contemporaneously at a retail store, except when the consumer places a telephone call to make the purchase and opens the plan contemporaneously. (See commentary to §1026.5(b)(1)(iii) below.)

ii. *Advances.* The consumer receives the first advance. If the consumer receives a cash advance check at the same time the account-opening disclosures are provided, disclosures are still timely if the consumer can, after receiving the disclosures, return the cash advance check to the creditor without obligation (for example, without paying finance charges).

2. *Reactivation of suspended account.* If an account is temporarily suspended (for example, because the consumer has exceeded a credit limit, or because a credit card is reported lost or stolen) and then is reactivated, no new account-opening disclosures are required.

3. *Reopening closed account.* If an account has been closed (for example, due to inactivity, cancellation, or expiration) and then is reopened, new account-opening disclosures are required. No new account-opening disclosures are required, however, when the account is closed merely to assign it a new number (for example, when a credit card is reported lost or stolen) and the “new” account then continues on the same terms.

4. *Converting closed-end to open-end credit.* If a closed-end credit transaction is converted to an open-end credit account under a written agreement with the consumer, account-opening disclosures under §1026.6 must be given before the consumer becomes obligated on the open-end credit plan. (See the commentary to §1026.17 on converting open-end credit to closed-end credit.)

5. *Balance transfers.* A creditor that solicits the transfer by a consumer of outstanding balances from an existing account to a new open-end plan must furnish the disclosures required by §1026.6 so that the consumer has an opportunity, after receiving the disclosures, to contact the creditor before the balance is transferred and decline the transfer. For example, assume a consumer responds to

**12 CFR Ch. X (1-1-24 Edition)**

a card issuer's solicitation for a credit card account subject to §1026.60 that offers a range of balance transfer annual percentage rates, based on the consumer's creditworthiness. If the creditor opens an account for the consumer, the creditor would comply with the timing rules of this section by providing the consumer with the annual percentage rate (along with the fees and other required disclosures) that would apply to the balance transfer in time for the consumer to contact the creditor and withdraw the request. A creditor that permits consumers to withdraw the request by telephone has met this timing standard if the creditor does not effect the balance transfer until 10 days after the creditor has sent account-opening disclosures to the consumer, assuming the consumer has not contacted the creditor to withdraw the request. Card issuers that are subject to the requirements of §1026.60 may establish procedures that comply with both §§1026.60 and 1026.6 in a single disclosure statement.

6. *Substitution or replacement of credit card accounts.* i. *Generally.* When a card issuer substitutes or replaces an existing credit card account with another credit card account, the card issuer must either provide notice of the terms of the new account consistent with §1026.6(b) or provide notice of the changes in the terms of the existing account consistent with §1026.9(c)(2). Whether a substitution or replacement results in the opening of a new account or a change in the terms of an existing account for purposes of the disclosure requirements in §§1026.6(b) and 1026.9(c)(2) is determined in light of all the relevant facts and circumstances. For additional requirements and limitations related to the substitution or replacement of credit card accounts, see §§1026.12(a) and 1026.55(d) and comments 12(a)(1)-1 through -8, 12(a)(2)-1 through -9, 55(b)(3)-3, and 55(d)-1 through -3.

ii. *Relevant facts and circumstances.* Listed below are facts and circumstances that are relevant to whether a substitution or replacement results in the opening of a new account or a change in the terms of an existing account for purposes of the disclosure requirements in §§1026.6(b) and 1026.9(c)(2). When most of the facts and circumstances listed below are present, the substitution or replacement likely constitutes the opening of a new account for which §1026.6(b) disclosures are appropriate. When few of the facts and circumstances listed below are present, the substitution or replacement likely constitutes a change in the terms of an existing account for which §1026.9(c)(2) disclosures are appropriate.

A. Whether the card issuer provides the consumer with a new credit card;

B. Whether the card issuer provides the consumer with a new account number;

C. Whether the account provides new features or benefits after the substitution or replacement (such as rewards on purchases);

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

D. Whether the account can be used to conduct transactions at a greater or lesser number of merchants after the substitution or replacement (such as when a retail card is replaced with a cobranded general purpose credit card that can be used at a wider number of merchants);

E. Whether the card issuer implemented the substitution or replacement on an individualized basis (such as in response to a consumer's request); and

F. Whether the account becomes a different type of open-end plan after the substitution or replacement (such as when a charge card is replaced by a credit card).

iii. *Replacement as a result of theft or unauthorized use.* Notwithstanding paragraphs i and ii above, a card issuer that replaces a credit card or provides a new account number because the consumer has reported the card stolen or because the account appears to have been used for unauthorized transactions is not required to provide a notice under §§1026.6(b) or 1026.9(c)(2) unless the card issuer has changed a term of the account that is subject to §§1026.6(b) or 1026.9(c)(2).

### 5(b)(1)(ii) Charges Imposed as Part of an Open-End (Not Home-Secured) Plan

1. *Disclosing charges before the fee is imposed.* Creditors may disclose charges imposed as part of an open-end (not home-secured) plan orally or in writing at any time before a consumer agrees to pay the fee or becomes obligated for the charge, unless the charge is specified under §1026.6(b)(2). (Charges imposed as part of an open-end (not home-secured) plan) that are not specified under §1026.6(b)(2) may alternatively be disclosed in electronic form; see the commentary to §1026.5(a)(1)(ii)(A).) Creditors must provide such disclosures at a time and in a manner that a consumer would be likely to notice them. For example, if a consumer telephones a card issuer to discuss a particular service, a creditor would meet the standard if the creditor clearly and conspicuously discloses the fee associated with the service that is the topic of the telephone call orally to the consumer. Similarly, a creditor providing marketing materials in writing to a consumer about a particular service would meet the standard if the creditor provided a clear and conspicuous written disclosure of the fee for that service in those same materials. A creditor that provides written materials to a consumer about a particular service but provides a fee disclosure for another service not promoted in such materials would not meet the standard. For example, if a creditor provided marketing materials promoting payment by Internet, but included the fee for a replacement card on such materials with no explanation, the creditor would not be disclosing the fee at a time and in a manner

that the consumer would be likely to notice the fee.

### 5(b)(1)(iii) Telephone Purchases

1. *Return policies.* In order for creditors to provide disclosures in accordance with the timing requirements of this paragraph, consumers must be permitted to return merchandise purchased at the time the plan was established without paying mailing or return-shipment costs. Creditors may impose costs to return subsequent purchases of merchandise under the plan, or to return merchandise purchased by other means such as a credit card issued by another creditor. A reasonable return policy would be of sufficient duration that the consumer is likely to have received the disclosures and had sufficient time to make a decision about the financing plan before his or her right to return the goods expires. Return policies need not provide a right to return goods if the consumer consumes or damages the goods, or for installed appliances or fixtures, provided there is a reasonable repair or replacement policy to cover defective goods or installations. If the consumer chooses to reject the financing plan, creditors comply with the requirements of this paragraph by permitting the consumer to pay for the goods with another reasonable form of payment acceptable to the merchant and keep the goods although the creditor cannot require the consumer to do so.

### 5(b)(1)(iv) Membership Fees

1. *Membership fees.* See §1026.60(b)(2) and related commentary for guidance on fees for issuance or availability of a credit or charge card.

2. *Rejecting the plan.* If a consumer has paid or promised to pay a membership fee including an application fee excludable from the finance charge under §1026.4(c)(1) before receiving account-opening disclosures, the consumer may, after receiving the disclosures, reject the plan and not be obligated for the membership fee, application fee, or any other fee or charge. A consumer who has received the disclosures and uses the account, or makes a payment on the account after receiving a billing statement, is deemed not to have rejected the plan.

3. *Using the account.* A consumer uses an account by obtaining an extension of credit after receiving the account-opening disclosures, such as by making a purchase or obtaining an advance. A consumer does not "use" the account by activating the account. A consumer also does not "use" the account when the creditor assesses fees on the account (such as start-up fees or fees associated with credit insurance or debt cancellation or suspension programs agreed to as a part of the application and before the consumer receives account-opening disclosures).

## Pt. 1026, Supp. I

For example, the consumer does not “use” the account when a creditor sends a billing statement with start-up fees, there is no other activity on the account, the consumer does not pay the fees, and the creditor subsequently assesses a late fee or interest on the unpaid fee balances. A consumer also does not “use” the account by paying an application fee excludable from the finance charge under §1026.4(c)(1) prior to receiving the account-opening disclosures.

4. *Home-equity plans.* Creditors offering home-equity plans subject to the requirements of §1026.40 are subject to the requirements of §1026.40(h) regarding the collection of fees.

### 5(b)(2) Periodic Statements

#### 5(b)(2)(i) Statement Required

1. *Periodic statements not required.* Periodic statements need not be sent in the following cases:

i. If the creditor adjusts an account balance so that at the end of the cycle the balance is less than \$1—so long as no finance charge has been imposed on the account for that cycle.

ii. If a statement was returned as undeliverable. If a new address is provided, however, within a reasonable time before the creditor must send a statement, the creditor must resume sending statements. Receiving the address at least 20 days before the end of a cycle would be a reasonable amount of time to prepare the statement for that cycle. For example, if an address is received 22 days before the end of the June cycle, the creditor must send the periodic statement for the June cycle. (See §1026.13(a)(7).)

2. *Termination of draw privileges.* When a consumer's ability to draw on an open-end account is terminated without being converted to closed-end credit under a written agreement, the creditor must continue to provide periodic statements to those consumers entitled to receive them under §1026.5(b)(2)(i), for example, when the draw period of an open-end credit plan ends and consumers are paying off outstanding balances according to the account agreement or under the terms of a workout agreement that is not converted to a closed-end transaction. In addition, creditors must continue to follow all of the other open-end credit requirements and procedures in subpart B.

3. *Uncollectible accounts.* An account is deemed uncollectible for purposes of §1026.5(b)(2)(i) when a creditor has ceased collection efforts, either directly or through a third party.

4. *Instituting collection proceedings.* Creditors institute a delinquency collection proceeding by filing a court action or initiating an adjudicatory process with a third party. Assigning a debt to a debt collector or other

## 12 CFR Ch. X (1-1-24 Edition)

third party would not constitute instituting a collection proceeding.

#### 5(b)(2)(ii) Timing Requirements

1. *Mailing or delivery of periodic statements.* A creditor is not required to determine the specific date on which a periodic statement is mailed or delivered to an individual consumer for purposes of §1026.5(b)(2)(ii). A creditor complies with §1026.5(b)(2)(ii) if it has adopted reasonable procedures designed to ensure that periodic statements are mailed or delivered to consumers no later than a certain number of days after the closing date of the billing cycle and adds that number of days to the 21-day or 14-day period required by §1026.5(b)(2)(ii) when determining, as applicable, the payment due date for purposes of §1026.5(b)(2)(ii)(A), the date on which any grace period expires for purposes of §1026.5(b)(2)(ii)(B)(1), or the date after which the payment will be treated as late for purposes of §1026.5(b)(2)(ii)(B)(2). For example:

A. If a creditor has adopted reasonable procedures designed to ensure that periodic statements for a credit card account under an open-end (not home-secured) consumer credit plan or an account under an open-end consumer credit plan that provides a grace period are mailed or delivered to consumers no later than three days after the closing date of the billing cycle, the payment due date for purposes of §1026.5(b)(2)(ii)(A) and the date on which any grace period expires for purposes of §1026.5(b)(2)(ii)(B)(1) must be no less than 24 days after the closing date of the billing cycle. Similarly, in these circumstances, the limitations in §1026.5(b)(2)(ii)(A) and (b)(2)(ii)(B)(1) on treating a payment as late and imposing finance charges apply for 24 days after the closing date of the billing cycle.

B. If a creditor has adopted reasonable procedures designed to ensure that periodic statements for an account under an open-end consumer credit plan that does not provide a grace period are mailed or delivered to consumers no later than five days after the closing date of the billing cycle, the date on which a payment must be received in order to avoid being treated as late for purposes of §1026.5(b)(2)(ii)(B)(2) must be no less than 19 days after the closing date of the billing cycle. Similarly, in these circumstances, the limitation in §1026.5(b)(2)(ii)(B)(2) on treating a payment as late for any purpose applies for 19 days after the closing date of the billing cycle.

2. *Treating a payment as late for any purpose.* Treating a payment as late for any purpose includes increasing the annual percentage rate as a penalty, reporting the consumer as delinquent to a credit reporting agency, assessing a late fee or any other fee, initiating collection activities, or terminating benefits (such as rewards on purchases) based on the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

consumer's failure to make a payment within a specified amount of time or by a specified date. The prohibitions in § 1026.5(b)(2)(ii)(A)(2) and (b)(2)(B)(2)(ii) on treating a payment as late for any purpose apply only during the 21-day or 14-day period (as applicable) following mailing or delivery of the periodic statement stating the due date for that payment and only if the required minimum periodic payment is received within that period. For example:

i. Assume that, for a credit card account under an open-end (not home-secured) consumer credit plan, a periodic statement mailed on April 4 states that a required minimum periodic payment of \$50 is due on April 25. If the card issuer does not receive any payment on or before April 25, § 1026.5(b)(2)(ii)(A)(2) does not prohibit the card issuer from treating the required minimum periodic payment as late.

ii. Same facts as in paragraph i above. On April 20, the card issuer receives a payment of \$30 and no additional payment is received on or before April 25. Section 1026.5(b)(2)(ii)(A)(2) does not prohibit the card issuer from treating the required minimum periodic payment as late.

iii. Same facts as in paragraph i above. On May 4, the card issuer has not received the \$50 required minimum periodic payment that was due on April 25. The periodic statement mailed on May 4 states that a required minimum periodic payment of \$150 is due on May 25. Section 1026.5(b)(2)(ii)(A)(2) does not permit the card issuer to treat the \$150 required minimum periodic payment as late until April 26. However, the card issuer may continue to treat the \$50 required minimum periodic payment as late during this period.

iv. Assume that, for an account under an open-end consumer credit plan that does not provide a grace period, a periodic statement mailed on September 10 states that a required minimum periodic payment of \$100 is due on September 24. If the creditor does not receive any payment on or before September 24, § 1026.5(b)(2)(ii)(B)(2)(ii) does not prohibit the creditor from treating the required minimum periodic payment as late.

3. *Grace periods.* i. *Definition of grace period.* For purposes of § 1026.5(b)(2)(ii)(B), "grace period" means a period within which any credit extended may be repaid without incurring a finance charge due to a periodic interest rate. A deferred interest or similar promotional program under which the consumer is not obligated to pay interest that accrues on a balance if that balance is paid in full prior to the expiration of a specified period of time is not a grace period for purposes of § 1026.5(b)(2)(ii)(B). Similarly, a period following the payment due date during which a late payment fee will not be imposed is not a grace period for purposes of § 1026.5(b)(2)(ii)(B). See comments 7(b)(11)-1, 7(b)(11)-2, and 54(a)(1)-2.

ii. *Applicability of § 1026.5(b)(2)(ii)(B)(1).* Section 1026.5(b)(2)(ii)(B)(1) applies if an account is eligible for a grace period when the periodic statement is mailed or delivered. Section 1026.5(b)(2)(ii)(B)(1) does not require the creditor to provide a grace period or prohibit the creditor from placing limitations and conditions on a grace period to the extent consistent with § 1026.5(b)(2)(ii)(B) and § 1026.54. See comment 54(a)(1)-1. Furthermore, the prohibition in § 1026.5(b)(2)(ii)(B)(1)(ii) applies only during the 21-day period following mailing or delivery of the periodic statement and applies only when the creditor receives a payment within that 21-day period that satisfies the terms of the grace period.

iii. *Example.* Assume that the billing cycles for an account begin on the first day of the month and end on the last day of the month and that the payment due date for the account is the twenty-fifth of the month. Assume also that, under the terms of the account, the balance at the end of a billing cycle must be paid in full by the following payment due date in order for the account to remain eligible for the grace period. At the end of the April billing cycle, the balance on the account is \$500. The grace period applies to the \$500 balance because the balance for the March billing cycle was paid in full on April 25. Accordingly, § 1026.5(b)(2)(ii)(B)(1)(i) requires the creditor to have reasonable procedures designed to ensure that the periodic statement reflecting the \$500 balance is mailed or delivered on or before May 4. Furthermore, § 1026.5(b)(2)(ii)(B)(1)(ii) requires the creditor to have reasonable procedures designed to ensure that the creditor does not impose finance charges as a result of the loss of the grace period if a \$500 payment is received on or before May 25. However, if the creditor receives a payment of \$300 on April 25, § 1026.5(b)(2)(ii)(B)(1)(ii) would not prohibit the creditor from imposing finance charges as a result of the loss of the grace period (to the extent permitted by § 1026.54).

4. *Application of § 1026.5(b)(2)(ii) to charge card and charged-off accounts.* i. *Charge card accounts.* For purposes of § 1026.5(b)(2)(ii)(A)(1), the payment due date for a credit card account under an open-end (not home-secured) consumer credit plan is the date the card issuer is required to disclose on the periodic statement pursuant to § 1026.7(b)(11)(i)(A). Because § 1026.7(b)(11)(ii) provides that § 1026.7(b)(11)(i) does not apply to periodic statements provided solely for charge card accounts other than covered separate credit features that are charge card accounts accessible by hybrid prepaid-credit cards as defined in § 1026.61, § 1026.5(b)(2)(ii)(A)(1) also does not apply to the mailing or delivery of periodic statements provided solely for such accounts. However, in these circumstances, § 1026.5(b)(2)(ii)(A)(2) requires the card issuer

**Pt. 1026, Supp. I**

to have reasonable procedures designed to ensure that a payment is not treated as late for any purpose during the 21-day period following mailing or delivery of the statement. A card issuer that complies with § 1026.5(b)(2)(ii)(A) as discussed above with respect to a charge card account has also complied with § 1026.5(b)(2)(ii)(B)(2). Section 1026.5(b)(2)(ii)(B)(1) does not apply to charge card accounts because, for purposes of § 1026.5(b)(2)(ii)(B), a grace period is a period within which any credit extended may be repaid without incurring a finance charge due to a periodic interest rate and, consistent with § 1026.2(a)(15)(iii), charge card accounts do not impose a finance charge based on a periodic rate.

ii. *Charged-off accounts.* For purposes of § 1026.5(b)(2)(ii)(A)(1), the payment due date for a credit card account under an open-end (not home-secured) consumer credit plan is the date the card issuer is required to disclose on the periodic statement pursuant to § 1026.7(b)(11)(i)(A). Because § 1026.7(b)(11)(ii) provides that § 1026.7(b)(11)(i) does not apply to periodic statements provided for charged-off accounts where full payment of the entire account balance is due immediately, § 1026.5(b)(2)(ii)(A)(1) also does not apply to the mailing or delivery of periodic statements provided solely for such accounts. Furthermore, although § 1026.5(b)(2)(ii)(A)(2) requires the card issuer to have reasonable procedures designed to ensure that a payment is not treated as late for any purpose during the 21-day period following mailing or delivery of the statement, § 1026.5(b)(2)(ii)(A)(2) does not prohibit a card issuer from continuing to treat prior payments as late during that period. See comment 5(b)(2)(ii)-2. Similarly, although § 1026.5(b)(2)(ii)(B)(2) applies to open-end consumer credit accounts in these circumstances, § 1026.5(b)(2)(ii)(B)(2)(ii) does not prohibit a creditor from continuing treating prior payments as late during the 14-day period following mailing or delivery of a periodic statement. Section 1026.5(b)(2)(ii)(B)(1) does not apply to charged-off accounts where full payment of the entire account balance is due immediately because such accounts do not provide a grace period.

5. *Consumer request to pick up periodic statements.* When a consumer initiates a request, the creditor may permit, but may not require, the consumer to pick up periodic statements. If the consumer wishes to pick up a statement, the statement must be made available in accordance with § 1026.5(b)(2)(ii).

6. *Deferred interest and similar promotional programs.* See comment 7(b)-1.iv.

**5(c) Basis of Disclosures and Use of Estimates**

1. *Legal obligation.* The disclosures should reflect the credit terms to which the parties

**12 CFR Ch. X (1-1-24 Edition)**

are legally bound at the time of giving the disclosures.

i. The legal obligation is determined by applicable state or other law.

ii. The fact that a term or contract may later be deemed unenforceable by a court on the basis of equity or other grounds does not, by itself, mean that disclosures based on that term or contract did not reflect the legal obligation.

iii. The legal obligation normally is presumed to be contained in the contract that evidences the agreement. But this may be rebutted if another agreement between the parties legally modifies that contract.

2. *Estimates—obtaining information.* Disclosures may be estimated when the exact information is unknown at the time disclosures are made. Information is unknown if it is not reasonably available to the creditor at the time disclosures are made. The reasonably available standard requires that the creditor, acting in good faith, exercise due diligence in obtaining information. In using estimates, the creditor is not required to disclose the basis for the estimated figures, but may include such explanations as additional information. The creditor normally may rely on the representations of other parties in obtaining information. For example, the creditor might look to insurance companies for the cost of insurance.

3. *Estimates—redisclosure.* If the creditor makes estimated disclosures, redisclosure is not required for that consumer, even though more accurate information becomes available before the first transaction. For example, in an open-end plan to be secured by real estate, the creditor may estimate the appraisal fees to be charged; such an estimate might reasonably be based on the prevailing market rates for similar appraisals. If the exact appraisal fee is determinable after the estimate is furnished but before the consumer receives the first advance under the plan, no new disclosure is necessary.

**5(d) Multiple Creditors; Multiple Consumers****1. Multiple creditors.** Under § 1026.5(d):

i. Creditors must choose which of them will make the disclosures.

ii. A single, complete set of disclosures must be provided, rather than partial disclosures from several creditors.

iii. All disclosures for the open-end credit plan must be given, even if the disclosing creditor would not otherwise have been obligated to make a particular disclosure.

2. *Multiple consumers.* Disclosures may be made to either obligor on a joint account. Disclosure responsibilities are not satisfied by giving disclosures to only a surety or guarantor for a principal obligor or to an authorized user. In rescindable transactions, however, separate disclosures must be given to each consumer who has the right to rescind under § 1026.15.

## Consumer Financial Protection Bureau

3. *Card issuer and person extending credit not the same person.* Section 127(c)(4)(D) of the Truth in Lending Act (15 U.S.C. 1637(c)(4)(D)) contains rules pertaining to charge card issuers with plans that allow access to an open-end credit plan that is maintained by a person other than the charge card issuer. These rules are not implemented in Regulation Z (although they were formerly implemented in §1026.60(f)). However, the statutory provisions remain in effect and may be used by charge card issuers with plans meeting the specified criteria.

### 5(e) Effect of Subsequent Events

1. *Events causing inaccuracies.* Inaccuracies in disclosures are not violations if attributable to events occurring after disclosures are made. For example, when the consumer fails to fulfill a prior commitment to keep the collateral insured and the creditor then provides the coverage and charges the consumer for it, such a change does not make the original disclosures inaccurate. The creditor may, however, be required to provide a new disclosure(s) under §1026.9(c).

2. *Use of inserts.* When changes in a creditor's plan affect required disclosures, the creditor may use inserts with outdated disclosure forms. Any insert:

- i. Should clearly refer to the disclosure provision it replaces.
- ii. Need not be physically attached or affixed to the basic disclosure statement.
- iii. May be used only until the supply of outdated forms is exhausted.

### Section 1026.6—Account-Opening Disclosures

#### 6(a) Rules Affecting Home-Equity Plans

##### 6(a)(1) Finance Charge

###### Paragraph 6(a)(1)(i)

1. *When finance charges accrue.* Creditors are not required to disclose a specific date when finance charges will begin to accrue. Creditors may provide a general explanation such as that the consumer has 30 days from the closing date to pay the new balance before finance charges will accrue on the account.

2. *Grace periods.* In disclosing whether or not a grace period exists, the creditor need not use "free period," "free-ride period," "grace period" or any other particular descriptive phrase or term. For example, a statement that "the finance charge begins on the date the transaction is posted to your account" adequately discloses that no grace period exists. In the same fashion, a statement that "finance charges will be imposed on any new purchases only if they are not paid in full within 25 days after the close of the billing cycle" indicates that a grace period exists in the interim.

## Pt. 1026, Supp. I

### Paragraph 6(a)(1)(ii)

1. *Range of balances.* The range of balances disclosure is inapplicable:

- i. If only one periodic rate may be applied to the entire account balance.

ii. If only one periodic rate may be applied to the entire balance for a feature (for example, cash advances), even though the balance for another feature (purchases) may be subject to two rates (a 1.5% monthly periodic rate on purchase balances of \$0-\$500, and a 1% monthly periodic rate for balances above \$500). In this example, the creditor must give a range of balances disclosure for the purchase feature.

2. *Variable-rate disclosures—coverage.* i. *Examples.* This section covers open-end credit plans under which rate changes are specifically set forth in the account agreement and are tied to an index or formula. A creditor would use variable-rate disclosures for plans involving rate changes such as the following:

A. Rate changes that are tied to the rate the creditor pays on its six-month certificates of deposit.

B. Rate changes that are tied to Treasury bill rates.

C. Rate changes that are tied to changes in the creditor's commercial lending rate.

ii. An open-end credit plan in which the employee receives a lower rate contingent upon employment (that is, with the rate to be increased upon termination of employment) is not a variable-rate plan.

3. *Variable-rate plan—rate(s) in effect.* In disclosing the rate(s) in effect at the time of the account-opening disclosures (as is required by §1026.6(a)(1)(ii)), the creditor may use an insert showing the current rate; may give the rate as of a specified date and then update the disclosure from time to time, for example, each calendar month; or may disclose an estimated rate under §1026.5(c).

4. *Variable-rate plan—additional disclosures required.* In addition to disclosing the rates in effect at the time of the account-opening disclosures, the disclosures under §1026.6(a)(1)(ii) also must be made.

5. *Variable-rate plan—index.* The index to be used must be clearly identified; the creditor need not give, however, an explanation of how the index is determined or provide instructions for obtaining it.

6. *Variable-rate plan—circumstances for increase.* i. Circumstances under which the rate(s) may increase include, for example:

A. An increase in the Treasury bill rate.

B. An increase in the Federal Reserve discount rate.

ii. The creditor must disclose when the increase will take effect; for example:

A. "An increase will take effect on the day that the Treasury bill rate increases." or

B. "An increase in the Federal Reserve discount rate will take effect on the first day of the creditor's billing cycle."

**Pt. 1026, Supp. I**

7. *Variable-rate plan—limitations on increase.* In disclosing any limitations on rate increases, limitations such as the maximum increase per year or the maximum increase over the duration of the plan must be disclosed. When there are no limitations, the creditor may, but need not, disclose that fact. (A maximum interest rate must be included in dwelling-secured open-end credit plans under which the interest rate may be changed. See §1026.30 and the commentary to that section.) Legal limits such as usury or rate ceilings under state or Federal statutes or regulations need not be disclosed. Examples of limitations that must be disclosed include:

- i. "The rate on the plan will not exceed 25% annual percentage rate."
- ii. "Not more than ½ percent increase in the annual percentage rate per year will occur."

8. *Variable-rate plan—effects of increase.* Examples of effects of rate increases that must be disclosed include:

- i. Any requirement for additional collateral if the annual percentage rate increases beyond a specified rate.
- ii. Any increase in the scheduled minimum periodic payment amount.

9. *Variable-rate plan—change-in-terms notice not required.* No notice of a change in terms is required for a rate increase under a variable-rate plan as defined in comment 6(a)(1)(ii)-2.

10. *Discounted variable-rate plans.* In some variable-rate plans, creditors may set an initial interest rate that is not determined by the index or formula used to make later interest rate adjustments. Typically, this initial rate is lower than the rate would be if it were calculated using the index or formula.

i. For example, a creditor may calculate interest rates according to a formula using the six-month Treasury bill rate plus a 2 percent margin. If the current Treasury bill rate is 10 percent, the creditor may forgo the 2 percent spread and charge only 10 percent for a limited time, instead of setting an initial rate of 12 percent, or the creditor may disregard the index or formula and set the initial rate at 9 percent.

ii. When creditors use an initial rate that is not calculated using the index or formula for later rate adjustments, the account-opening disclosure statement should reflect:

A. The initial rate (expressed as a periodic rate and a corresponding annual percentage rate), together with a statement of how long the initial rate will remain in effect;

B. The current rate that would have been applied using the index or formula (also expressed as a periodic rate and a corresponding annual percentage rate); and

C. The other variable-rate information required in §1026.6(a)(1)(ii).

iii. In disclosing the current periodic and annual percentage rates that would be ap-

**12 CFR Ch. X (1-1-24 Edition)**

plied using the index or formula, the creditor may use any of the disclosure options described in comment 6(a)(1)(ii)-3.

11. *Increased penalty rates.* If the initial rate may increase upon the occurrence of one or more specific events, such as a late payment or an extension of credit that exceeds the credit limit, the creditor must disclose the initial rate and the increased penalty rate that may apply. If the penalty rate is based on an index and an increased margin, the issuer must disclose the index and the margin. The creditor must also disclose the specific event or events that may result in the increased rate, such as "22% APR, if 60 days late." If the penalty rate cannot be determined at the time disclosures are given, the creditor must provide an explanation of the specific event or events that may result in the increased rate. At the creditor's option, the creditor may disclose the period for which the increased rate will remain in effect, such as "until you make three timely payments." The creditor need not disclose an increased rate that is imposed when credit privileges are permanently terminated.

Paragraph 6(a)(1)(iii)

1. *Explanation of balance computation method.* A shorthand phrase such as "previous balance method" does not suffice in explaining the balance computation method. (See Model Clauses G-1 and G-1(A) to part 1026.)

2. *Allocation of payments.* Creditors may, but need not, explain how payments and other credits are allocated to outstanding balances. For example, the creditor need not disclose that payments are applied to late charges, overdue balances, and finance charges before being applied to the principal balance; or in a multifeatured plan, that payments are applied first to finance charges, then to purchases, and then to cash advances. (See comment 7-1 for definition of multifeatured plan.)

Paragraph 6(a)(1)(iv)

1. *Finance charges.* In addition to disclosing the periodic rate(s) under §1026.6(a)(1)(ii), creditors must disclose any other type of finance charge that may be imposed, such as minimum, fixed, transaction, and activity charges; required insurance; or appraisal or credit report fees (unless excluded from the finance charge under §1026.4(c)(7)). Creditors are not required to disclose the fact that no finance charge is imposed when the outstanding balance is less than a certain amount or the balance below which no finance charge will be imposed.

6(a)(2) Other Charges

1. *General; examples of other charges.* Under §1026.6(a)(2), significant charges related to the plan (that are not finance charges) must also be disclosed. For example:

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

- i. Late-payment and over-the-credit-limit charges.
- ii. Fees for providing documentary evidence of transactions requested under § 1026.13 (billing error resolution).
- iii. Charges imposed in connection with residential mortgage transactions or real estate transactions such as title, appraisal, and credit-report fees (see § 1026.4(c)(7)).
- iv. A tax imposed on the credit transaction by a state or other governmental body, such as a documentary stamp tax on cash advances. (See the commentary to § 1026.4(a)).
- v. A membership or participation fee for a package of services that includes an open-end credit feature, unless the fee is required whether or not the open-end credit feature is included. For example, a membership fee to join a credit union is not an “other charge,” even if membership is required to apply for credit. For example, if the primary benefit of membership in an organization is the opportunity to apply for a credit card, and the other benefits offered (such as a newsletter or a member information hotline) are merely incidental to the credit feature, the membership fee would be disclosed as an “other charge.”
- vi. Charges imposed for the termination of an open-end credit plan.
2. *Exclusions.* The following are examples of charges that are not “other charges”:
  - i. Fees charged for documentary evidence of transactions for income tax purposes.
  - ii. Amounts payable by a consumer for collection activity after default; attorney’s fees, whether or not automatically imposed; foreclosure costs; post-judgment interest rates imposed by law; and reinstatement or reissuance fees.
  - iii. Premiums for voluntary credit life or disability insurance, or for property insurance, that are not part of the finance charge.
  - iv. Application fees under § 1026.4(c)(1).
- v. A monthly service charge for a checking account with overdraft protection that is applied to all checking accounts, whether or not a credit feature is attached.
- vi. Charges for submitting as payment a check that is later returned unpaid (See commentary to § 1026.4(c)(2)).
- vii. Charges imposed on a cardholder by an institution other than the card issuer for the use of the other institution’s ATM in a shared or interchange system. (See also comment 7(a)(2)-2.)
- viii. Taxes and filing or notary fees excluded from the finance charge under § 1026.4(e).
- ix. A fee to expedite delivery of a credit card, either at account opening or during the life of the account, provided delivery of the card is also available by standard mail service (or other means at least as fast) without paying a fee for delivery.
- x. A fee charged for arranging a single payment on the credit account, upon the con-

sumer’s request (regardless of how frequently the consumer requests the service), if the credit plan provides that the consumer may make payments on the account by another reasonable means, such as by standard mail service, without paying a fee to the creditor.

### 6(a)(3) Home-Equity Plan Information

1. *Additional disclosures required.* For home-equity plans, creditors must provide several of the disclosures set forth in § 1026.40(d) along with the disclosures required under § 1026.6. Creditors also must disclose a list of the conditions that permit the creditor to terminate the plan, freeze or reduce the credit limit, and implement specified modifications to the original terms. (See comment 40(d)(4)(iii)-1.)

2. *Form of disclosures.* The home-equity disclosures provided under this section must be in a form the consumer can keep, and are governed by § 1026.5(a)(1). The segregation standard set forth in § 1026.40(a) does not apply to home-equity disclosures provided under § 1026.6.

3. *Disclosure of payment and variable-rate examples.* i. The payment-example disclosure in § 1026.40(d)(5)(iii) and the variable-rate information in § 1026.40(d)(12)(viii), (d)(12)(x), (d)(12)(xi), and (d)(12)(xii) need not be provided with the disclosures under § 1026.6 if the disclosures under § 1026.40(d) were provided in a form the consumer could keep; and the disclosures of the payment example under § 1026.40(d)(5)(iii), the maximum-payment example under § 1026.40(d)(12)(x) and the historical table under § 1026.40(d)(12)(xi) included a representative payment example for the category of payment options the consumer has chosen.

ii. For example, if a creditor offers three payment options (one for each of the categories described in the commentary to § 1026.40(d)(5)), describes all three options in its early disclosures, and provides all of the disclosures in a retainable form, that creditor need not provide the § 1026.40(d)(5)(iii) or (d)(12) disclosures again when the account is opened. If the creditor showed only one of the three options in the early disclosures (which would be the case with a separate disclosure form rather than a combined form, as discussed under § 1026.40(a)), the disclosures under § 1026.40(d)(5)(iii), (d)(12)(viii), (d)(12)(x), (d)(12)(xi) and (d)(12)(xii) must be given to any consumer who chooses one of the other two options. If the § 1026.40(d)(5)(iii) and (d)(12) disclosures are provided with the second set of disclosures, they need not be transaction-specific, but may be based on a representative example of the category of payment option chosen.

4. *Disclosures for the repayment period.* The creditor must provide disclosures about both the draw and repayment phases when giving the disclosures under § 1026.6. Specifically,

## Pt. 1026, Supp. I

the creditor must make the disclosures in §1026.6(a)(3), state the corresponding annual percentage rate, and provide the variable-rate information required in §1026.6(a)(1)(ii) for the repayment phase. To the extent the corresponding annual percentage rate, the information in §1026.6(a)(1)(ii), and any other required disclosures are the same for the draw and repayment phase, the creditor need not repeat such information, as long as it is clear that the information applies to both phases.

### 6(a)(4) Security Interests

1. *General.* Creditors are not required to use specific terms to describe a security interest, or to explain the type of security or the creditor's rights with respect to the collateral.

2. *Identification of property.* Creditors sufficiently identify collateral by type by stating, for example, *motor vehicle* or *household appliances*. (Creditors should be aware, however, that the Federal credit practices rules, as well as some state laws, prohibit certain security interests in household goods.) The creditor may, at its option, provide a more specific identification (for example, a model and serial number).

3. *Spreader clause.* If collateral for pre-existing credit with the creditor will secure the plan being opened, the creditor must disclose that fact. (Such security interests may be known as "spreader" or "dragnet" clauses, or as "cross-collateralization" clauses.) The creditor need not specifically identify the collateral; a reminder such as "collateral securing other loans with us may also secure this loan" is sufficient. At the creditor's option, a more specific description of the property involved may be given.

4. *Additional collateral.* If collateral is required when advances reach a certain amount, the creditor should disclose the information available at the time of the account-opening disclosures. For example, if the creditor knows that a security interest will be taken in household goods if the consumer's balance exceeds \$1,000, the creditor should disclose accordingly. If the creditor knows that security will be required if the consumer's balance exceeds \$1,000, but the creditor does not know what security will be required, the creditor must disclose on the initial disclosure statement that security will be required if the balance exceeds \$1,000, and the creditor must provide a change-in-terms notice under §1026.9(c) at the time the security is taken. (See comment 6(a)(4)-2.)

5. *Collateral from third party.* Security interests taken in connection with the plan must be disclosed, whether the collateral is owned by the consumer or a third party.

## 12 CFR Ch. X (1-1-24 Edition)

### 6(a)(5) Statement of Billing Rights

1. See the commentary to Model Forms G-3, G-3(A), G-4, and G-4(A).

### 6(b) Rules Affecting Open-End (Not Home-Secured) Plans

#### 6(b)(1) Form of Disclosures; Tabular Format for Open-End (Not Home-Secured) Plans

1. *Relation to tabular summary for applications and solicitations.* See commentary to §1026.60(a), (b), and (c) regarding format and content requirements, except for the following:

i. Creditors must use the accuracy standard for annual percentage rates in §1026.6(b)(4)(ii)(G).

ii. Generally, creditors must disclose the specific rate for each feature that applies to the account. If the rates on an open-end (not home-secured) plan vary by state and the creditor is providing the account-opening table in person at the time the plan is established in connection with financing the purchase of goods or services the creditor may, at its option, disclose in the account-opening table (A) the rate applicable to the consumer's account, or (B) the range of rates, if the disclosure includes a statement that the rate varies by state and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the rate applicable to the consumer's account is disclosed.

iii. Creditors must explain whether or not a grace period exists for all features on the account. The row heading "Paying Interest" must be used if any one feature on the account does not have a grace period.

iv. Creditors must name the balance computation method used for each feature of the account and state that an explanation of the balance computation method(s) is provided in the account-opening disclosures.

v. Creditors must state that consumers' billing rights are provided in the account-opening disclosures.

vi. If fees on an open-end (not home-secured) plan vary by state and the creditor is providing the account-opening table in person at the time the plan is established in connection with financing the purchase of goods or services the creditor may, at its option, disclose in the account-opening table (A) the specific fee applicable to the consumer's account, or (B) the range of fees, if the disclosure includes a statement that the amount of the fee varies by state and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the fee applicable to the consumer's account is disclosed.

vii. Creditors that must disclose the amount of available credit must state the initial credit limit provided on the account.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

viii. Creditors must disclose directly beneath the table the circumstances under which an introductory rate may be revoked and the rate that will apply after the introductory rate is revoked. Issuers of credit card accounts under an open-end (not home-secured) consumer credit plan are subject to limitations on the circumstances under which an introductory rate may be revoked. (See comment 60(b)(1)-5 for guidance on how a card issuer may disclose the circumstances under which an introductory rate may be revoked.)

ix. The applicable forms providing safe harbors for account-opening tables are under appendix G-17 to part 1026.

2. *Clear and conspicuous standard.* See comment 5(a)(1)-1 for the clear and conspicuous standard applicable to § 1026.6 disclosures.

3. *Terminology.* Section 1026.6(b)(1) generally requires that the headings, content, and format of the tabular disclosures be substantially similar, but need not be identical, to the tables in appendix G to part 1026; but see § 1026.5(a)(2) for terminology requirements applicable to § 1026.6(b).

### 6(b)(2) Required Disclosures for Account-Opening Table for Open-End (Not Home-Secured) Plans

1. *Fees imposed on the asset feature of a prepaid account in connection with a covered separate credit feature accessible by a hybrid prepaid-credit card.* With regard to a covered separate credit feature and an asset feature on a prepaid account that are both accessible by a hybrid prepaid-credit card as defined in § 1026.61, a creditor is required to disclose under § 1026.6(b)(2) any fees or charges imposed on the asset feature that are charges imposed as part of the plan under § 1026.6(b)(3) to the extent those fees fall within the categories of fees or charges required to be disclosed under § 1026.6(b)(2). For example, assume that a creditor imposes a \$1.25 per transaction fee on an asset feature of the prepaid account for purchases when a hybrid prepaid-credit card accesses a covered separate credit feature in the course of authorizing, settling, or otherwise completing purchase transactions conducted with the card, and a \$0.50 transaction fee for purchases that access funds in the asset feature of a prepaid account in the same program without such a credit feature. In this case, the \$0.75 excess is a charge imposed as part of the plan under § 1026.6(b)(3) and must be disclosed under § 1026.6(b)(2)(iv).

2. *Fees imposed on the asset feature of a prepaid account that are not charges imposed as part of the plan.* A creditor is not required to disclose under § 1026.6(b)(2) any fee or charge imposed on the asset feature of a prepaid account that is not a charge imposed as part of the plan under § 1026.6(b)(3). See § 1026.6(b)(3)(iii)(D) and (E) and related commentary regarding fees imposed on the asset

feature of the prepaid account that are not charges imposed as part of the plan under § 1026.6(b)(3).

### 6(b)(2)(iii) Fixed Finance Charge; Minimum Interest Charge

1. *Example of brief statement.* See Samples G-17(B), G-17(C), and G-17(D) for guidance on how to provide a brief description of a minimum interest charge.

### 6(b)(2)(v) Grace Period

1. *Grace period.* Creditors must state any conditions on the applicability of the grace period. A creditor, however, may not disclose under § 1026.6(b)(2)(v) the limitations on the imposition of finance charges as a result of a loss of a grace period in § 1026.54, or the impact of payment allocation on whether interest is charged on transactions as a result of a loss of a grace period. Some creditors may offer a grace period on all types of transactions under which interest will not be charged on transactions if the consumer pays the outstanding balance shown on a periodic statement in full by the due date shown on that statement for one or more billing cycles. In these circumstances, § 1026.6(b)(2)(v) requires that the creditor disclose the grace period and the conditions for its applicability using the following language, or substantially similar language, as applicable: “Your due date is [at least] \_\_\_\_\_ days after the close of each billing cycle. We will not charge you any interest on your account if you pay your entire balance by the due date each month.” However, other creditors may offer a grace period on all types of transactions under which interest may be charged on transactions even if the consumer pays the outstanding balance shown on a periodic statement in full by the due date shown on that statement each billing cycle. In these circumstances, § 1026.6(b)(2)(v) requires the creditor to amend the above disclosure language to describe accurately the conditions on the applicability of the grace period.

2. *No grace period.* Creditors may use the following language to describe that no grace period is offered, as applicable: “We will begin charging interest on [applicable transactions] on the transaction date.”

3. *Grace period on some features.* Some creditors do not offer a grace period on cash advances and balance transfers, but offer a grace period for all purchases under which interest will not be charged on purchases if the consumer pays the outstanding balance shown on a periodic statement in full by the due date shown on that statement for one or more billing cycles. In these circumstances, § 1026.6(b)(2)(v) requires that the creditor disclose the grace period for purchases and the conditions for its applicability, and the lack

**Pt. 1026, Supp. I**

of a grace period for cash advances and balance transfers using the following language, or substantially similar language, as applicable: “Your due date is [at least] \_\_\_\_ days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on cash advances and balance transfers on the transaction date.” However, other creditors may offer a grace period on all purchases under which interest may be charged on purchases even if the consumer pays the outstanding balance shown on a periodic statement in full by the due date shown on that statement each billing cycle. In these circumstances, §1026.6(a)(2)(v) requires the creditor to amend the above disclosure language to describe accurately the conditions on the applicability of the grace period. Also, some creditors may not offer a grace period on cash advances and balance transfers, and will begin charging interest on these transactions from a date other than the transaction date, such as the posting date. In these circumstances, §1026.6(a)(2)(v) requires the creditor to amend the above disclosure language to be accurate.

**6(b)(2)(vi) Balance Computation Method**

1. *Use of same balance computation method for all features.* In cases where the balance for each feature is computed using the same balance computation method, a single identification of the name of the balance computation method is sufficient. In this case, a creditor may use an appropriate name listed in §1026.60(g) (e.g., “*average daily balance (including new purchases)*”) to satisfy the requirement to disclose the name of the method for all features on the account, even though the name only refers to purchases. For example, if a creditor uses the average daily balance method including new transactions for all features, a creditor may use the name “*average daily balance (including new purchases)*” listed in §1026.60(g)(i) to satisfy the requirement to disclose the name of the balance computation method for all features. As an alternative, in this situation, a creditor may revise the balance computation names listed in §1026.60(g) to refer more broadly to all new credit transactions, such as using the language “new transactions” or “current transactions” (e.g., “*average daily balance (including new transactions)*”), rather than simply referring to new purchases when the same method is used to calculate the balances for all features of the account. See Samples G-17(B) and G-17(C) for guidance on how to disclose the balance computation method where the same method is used for all features on the account.

2. *Use of balance computation names in §1026.60(g) for balances other than purchases.* The names of the balance computation meth-

**12 CFR Ch. X (1-1-24 Edition)**

ods listed in §1026.60(g) describe balance computation methods for purchases. When a creditor is disclosing the name of the balance computation methods separately for each feature, in using the names listed in §1026.60(g) to satisfy the requirements of §1026.6(b)(2)(vi) for features other than purchases, a creditor must revise the names listed in §1026.60(g) to refer to the other features. For example, when disclosing the name of the balance computation method applicable to cash advances, a creditor must revise the name listed in §1026.60(g)(i) to disclose it as “*average daily balance (including new cash advances)*” when the balance for cash advances is figured by adding the outstanding balance (including new cash advances and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. Similarly, a creditor must revise the name listed in §1026.60(g)(ii) to disclose it as “*average daily balance (excluding new cash advances)*” when the balance for cash advances is figured by adding the outstanding balance (excluding new cash advances and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. See comment 6(b)(2)(vi)-1 for guidance on the use of one balance computation name when the same balance computation method is used for all features on the account.

**6(b)(2)(xiii) Available Credit**

1. *Right to reject the plan.* Creditors may use the following language to describe consumers’ right to reject a plan after receiving account-opening disclosures: “You may still reject this plan, provided that you have not yet used the account or paid a fee after receiving a billing statement. If you do reject the plan, you are not responsible for any fees or charges.”

**6(b)(3) Disclosure of Charges Imposed as Part of Open-End (Not Home-Secured) Plans**

1. *When finance charges accrue.* Creditors are not required to disclose a specific date when a cost that is a finance charge under §1026.4 will begin to accrue.

2. *Grace periods.* In disclosing in the account agreement or disclosure statement whether or not a grace period exists, the creditor need not use any particular descriptive phrase or term. However, the descriptive phrase or term must be sufficiently similar to the disclosures provided pursuant to §§1026.60(b)(5) and 1026.6(b)(2)(v) to satisfy a creditor’s duty to provide consistent terminology under §1026.5(a)(2).

3. *No finance charge imposed below certain balance.* Creditors are not required to disclose the fact that no finance charge is imposed when the outstanding balance is less

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

than a certain amount or the balance below which no finance charge will be imposed.

### Paragraph 6(b)(3)(ii)

1. *Failure to use the plan as agreed.* Late payment fees, over-the-limit fees, and fees for payments returned unpaid are examples of charges resulting from consumers' failure to use the plan as agreed.

2. *Examples of fees that affect the plan.* Examples of charges the payment, or non-payment, of which affects the consumer's account are:

i. *Access to the plan.* Fees for using the card at the creditor's ATM to obtain a cash advance, fees to obtain additional cards including replacements for lost or stolen cards, fees to expedite delivery of cards or other credit devices, application and membership fees, and annual or other participation fees identified in § 1026.4(c)(4).

ii. *Amount of credit extended.* Fees for increasing the credit limit on the account, whether at the consumer's request or unilaterally by the creditor.

iii. *Timing or method of billing or payment.* Fees to pay by telephone or via the Internet.

3. *Threshold test.* If the creditor is unsure whether a particular charge is a cost imposed as part of the plan, the creditor may at its option consider such charges as a cost imposed as part of the plan for purposes of the Truth in Lending Act.

### Paragraph 6(b)(3)(iii)

#### Paragraph 6(b)(3)(iii)(B)

1. *Fees for package of services.* A fee to join a credit union is an example of a fee for a package of services that is not imposed as part of the plan, even if the consumer must join the credit union to apply for credit. In contrast, a membership fee is an example of a fee for a package of services that is considered to be imposed as part of a plan where the primary benefit of membership in the organization is the opportunity to apply for a credit card, and the other benefits offered (such as a newsletter or a member information hotline) are merely incidental to the credit feature.

#### Paragraph 6(b)(3)(iii)(D)

1. *Fees imposed on the asset feature of the prepaid account in connection with a covered separate credit feature accessible by a hybrid prepaid-credit card.* Under § 1026.6(b)(3)(iii)(D), with regard to a covered separate credit feature and an asset feature on a prepaid account that are both accessible by a hybrid prepaid-credit card as defined in § 1026.61, a fee or charge imposed on the asset feature of the prepaid account is not a charge imposed as part of the plan under § 1026.6(b)(3) with respect to a covered separate credit feature to the extent that the amount of the fee or

charge does not exceed comparable fees or charges imposed on prepaid accounts in the same prepaid account program that do not have a covered separate credit feature accessed by a hybrid prepaid-credit card. To illustrate:

i. Assume a prepaid account issuer charges a \$0.50 per transaction fee on an asset feature of the prepaid account for purchases when a hybrid prepaid-credit card accesses a covered separate credit feature in the course of authorizing, settling, or otherwise completing purchase transactions conducted with the card and a \$0.50 transaction fee for purchases that access funds in the asset feature of a prepaid account in the same program without such a credit feature. The \$0.50 fees are comparable fees and the \$0.50 fee for purchases when a hybrid prepaid-credit card accesses a covered separate credit feature in the course of authorizing, settling, or otherwise completing purchase transactions conducted with the card is not a charge imposed as part of the plan. However, if in this example, the prepaid account issuer imposes a \$1.25 per transaction fee on an asset feature of the prepaid account for purchases when a hybrid prepaid-credit card accesses a covered separate credit feature in the course of authorizing, settling, or otherwise completing purchase transactions conducted with the card, the \$0.75 excess is a charge imposed as part of the plan. This \$0.75 excess also is a finance charge under § 1026.4(b)(11)(ii).

ii. See comment 4(b)(11)(ii)-1 for additional illustrations of when a prepaid account issuer is charging comparable per transaction fees or load or transfer fees on the prepaid account.

#### Paragraph 6(b)(3)(iii)(E)

1. *Fees imposed on the asset feature of a prepaid account in connection with a non-covered separate credit feature.* With regard to a non-covered separate credit feature accessible by a prepaid card as defined in § 1026.61, under § 1026.6(b)(3)(iii)(E), none of the fees or charges imposed on the asset balance of the prepaid account are charges imposed as part of the plan under § 1026.6(b)(3) with respect to the non-covered separate credit feature. In addition, none of these fees or charges imposed on the asset feature of the prepaid account are finance charges with respect to the non-covered separate credit feature as discussed in comment 4(b)(11)-1.i.B.

#### 6(b)(4) Disclosure of Rates for Open-End (Not Home-Secured) Plans

##### 6(b)(4)(i)(B) Range of Balances

1. *Range of balances.* Creditors are not required to disclose the range of balances:

- i. If only one periodic interest rate may be applied to the entire account balance.
- ii. If only one periodic interest rate may be applied to the entire balance for a feature

## Pt. 1026, Supp. I

(for example, cash advances), even though the balance for another feature (purchases) may be subject to two rates (a 1.5% monthly periodic interest rate on purchase balances of \$0-\$500, and a 1% periodic interest rate for balances above \$500). In this example, the creditor must give a range of balances disclosure for the purchase feature.

### 6(b)(4)(i)(D) Balance Computation Method

1. *Explanation of balance computation method.* Creditors do not provide a sufficient explanation of a balance computation method by using a shorthand phrase such as "previous balance method" or the name of a balance computation method listed in § 1026.60(g). (See Model Clauses G-1(A) in appendix G to part 1026. See § 1026.6(b)(2)(vi) regarding balance computation descriptions in the account-opening summary.)

2. *Allocation of payments.* Creditors may, but need not, explain how payments and other credits are allocated to outstanding balances.

### 6(b)(4)(ii) Variable-Rate Accounts

1. *Variable-rate disclosures—coverage.* i. *Examples.* Examples of open-end plans that permit the rate to change and are considered variable-rate plans include:

A. Rate changes that are tied to the rate the creditor pays on its six-month certificates of deposit.

B. Rate changes that are tied to Treasury bill rates.

C. Rate changes that are tied to changes in the creditor's commercial lending rate.

ii. Examples of open-end plans that permit the rate to change and are not considered variable-rate include:

A. Rate changes that are invoked under a creditor's contract reservation to increase the rate without reference to such an index or formula (for example, a plan that simply provides that the creditor reserves the right to raise its rates).

B. Rate changes that are triggered by a specific event such as an open-end credit plan in which the employee receives a lower rate contingent upon employment, and the rate increases upon termination of employment.

2. *Variable-rate plan—circumstances for increase.* i. The following are examples that comply with the requirement to disclose circumstances under which the rate(s) may increase:

A. "The Treasury bill rate increases."

B. "The Federal Reserve discount rate increases."

ii. Disclosing the frequency with which the rate may increase includes disclosing when the increase will take effect; for example:

A. "An increase will take effect on the day that the Treasury bill rate increases."

## 12 CFR Ch. X (1-1-24 Edition)

B. "An increase in the Federal Reserve discount rate will take effect on the first day of the creditor's billing cycle."

3. *Variable-rate plan—limitations on increase.* In disclosing any limitations on rate increases, limitations such as the maximum increase per year or the maximum increase over the duration of the plan must be disclosed. When there are no limitations, the creditor may, but need not, disclose that fact. Legal limits such as usury or rate ceilings under state or Federal statutes or regulations need not be disclosed. Examples of limitations that must be disclosed include:

i. "The rate on the plan will not exceed 25% annual percentage rate."

ii. "Not more than 1/2; of 1% increase in the annual percentage rate per year will occur."

4. *Variable-rate plan—effects of increase.* Examples of effects of rate increases that must be disclosed include:

i. Any requirement for additional collateral if the annual percentage rate increases beyond a specified rate.

ii. Any increase in the scheduled minimum periodic payment amount.

5. *Discounted variable-rate plans.* In some variable-rate plans, creditors may set an initial interest rate that is not determined by the index or formula used to make later interest rate adjustments. Typically, this initial rate is lower than the rate would be if it were calculated using the index or formula.

i. For example, a creditor may calculate interest rates according to a formula using the six-month Treasury bill rate plus a 2 percent margin. If the current Treasury bill rate is 10 percent, the creditor may forgo the 2 percent spread and charge only 10 percent for a limited time, instead of setting an initial rate of 12 percent, or the creditor may disregard the index or formula and set the initial rate at 9 percent.

ii. When creditors disclose in the account-opening disclosures an initial rate that is not calculated using the index or formula for later rate adjustments, the disclosure should reflect:

A. The initial rate (expressed as a periodic rate and a corresponding annual percentage rate), together with a statement of how long the initial rate will remain in effect;

B. The current rate that would have been applied using the index or formula (also expressed as a periodic rate and a corresponding annual percentage rate); and

C. The other variable-rate information required by § 1026.6(b)(4)(ii).

### 6(b)(4)(iii) Rate Changes Not Due to Index or Formula

1. *Events that cause the initial rate to change.*

i. *Changes based on expiration of time period.* If the initial rate will change at the expiration of a time period, creditors that disclose the initial rate in the account-opening disclosure must identify the expiration date and

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

the fact that the initial rate will end at that time.

ii. *Changes based on specified contract terms.* If the account agreement provides that the creditor may change the initial rate upon the occurrence of a specified event or events, the creditor must identify the events or events. Examples include the consumer not making the required minimum payment when due, or the termination of an employee preferred rate when the employment relationship is terminated.

2. *Rate that will apply after initial rate changes.* i. *Increased margins.* If the initial rate is based on an index and the rate may increase due to a change in the margin applied to the index, the creditor must disclose the increased margin. If more than one margin could apply, the creditor may disclose the highest margin.

ii. *Risk-based pricing.* In some plans, the amount of the rate change depends on how the creditor weighs the occurrence of events specified in the account agreement that authorize the creditor to change rates, as well as other factors. Creditors must state the increased rate that may apply. At the creditor's option, the creditor may state the possible rates as a range, or by stating only the highest rate that could be assessed. The creditor must disclose the period for which the increased rate will remain in effect, such as "until you make three timely payments," or if there is no limitation, the fact that the increased rate may remain indefinitely.

3. *Effect of rate change on balances.* Creditors must disclose information to consumers about the balance to which the new rate will apply and the balance to which the current rate at the time of the change will apply. Card issuers subject to §1026.55 may be subject to certain restrictions on the application of increased rates to certain balances.

### 6(b)(5) Additional Disclosures for Open-End (Not Home-Secured) Plans

### 6(b)(5)(i) Voluntary Credit Insurance, Debt Cancellation or Debt Suspension

1. *Timing.* Under §1026.4(d), disclosures required to exclude the cost of voluntary credit insurance or debt cancellation or debt suspension coverage from the finance charge must be provided before the consumer agrees to the purchase of the insurance or coverage. Creditors comply with §1026.6(b)(5)(i) if they provide those disclosures in accordance with §1026.4(d). For example, if the disclosures required by §1026.4(d) are provided at application, creditors need not repeat those disclosures at account opening.

### 6(b)(5)(ii) Security Interests

1. *General.* Creditors are not required to use specific terms to describe a security interest, or to explain the type of security or the

creditor's rights with respect to the collateral.

2. *Identification of property.* Creditors sufficiently identify collateral by type by stating, for example, *motor vehicle* or *household appliances*. (Creditors should be aware, however, that the Federal credit practices rules, as well as some state laws, prohibit certain security interests in household goods.) The creditor may, at its option, provide a more specific identification (for example, a model and serial number.)

3. *Spreader clause.* If collateral for pre-existing credit with the creditor will secure the plan being opened, the creditor must disclose that fact. (Such security interests may be known as "spreader" or "dragnet" clauses, or as "cross-collateralization" clauses.) The creditor need not specifically identify the collateral; a reminder such as "collateral securing other loans with us may also secure this loan" is sufficient. At the creditor's option, a more specific description of the property involved may be given.

4. *Additional collateral.* If collateral is required when advances reach a certain amount, the creditor should disclose the information available at the time of the account-opening disclosures. For example, if the creditor knows that a security interest will be taken in household goods if the consumer's balance exceeds \$1,000, the creditor should disclose accordingly. If the creditor knows that security will be required if the consumer's balance exceeds \$1,000, but the creditor does not know what security will be required, the creditor must disclose on the initial disclosure statement that security will be required if the balance exceeds \$1,000, and the creditor must provide a change-in-terms notice under §1026.9(c) at the time the security is taken. (See comment 6(b)(5)(ii)-2.)

5. *Collateral from third party.* Security interests taken in connection with the plan must be disclosed, whether the collateral is owned by the consumer or a third party.

### 6(b)(5)(iii) Statement of Billing Rights

1. See the commentary to Model Forms G-3(A) and G-4(A).

### Section 1026.7—Periodic Statement

1. *Multifeatured plans.* Some plans involve a number of different features, such as purchases, cash advances, or overdraft checking. Groups of transactions subject to different finance charge terms because of the dates on which the transactions took place are treated like different features for purposes of disclosures on the periodic statements. The commentary includes additional guidance for multifeatured plans.

## Pt. 1026, Supp. I

### 7(a) Rules Affecting Home-Equity Plans

#### 7(a)(1) Previous Balance

1. *Credit balances.* If the previous balance is a credit balance, it must be disclosed in such a way so as to inform the consumer that it is a credit balance, rather than a debit balance.

2. *Multifeatured plans.* In a multifeatured plan, the previous balance may be disclosed either as an aggregate balance for the account or as separate balances for each feature (for example, a previous balance for purchases and a previous balance for cash advances). If separate balances are disclosed, a total previous balance is optional.

3. *Accrued finance charges allocated from payments.* Some open-end credit plans provide that the amount of the finance charge that has accrued since the consumer's last payment is directly deducted from each new payment, rather than being separately added to each statement and reflected as an increase in the obligation. In such a plan, the previous balance need not reflect finance charges accrued since the last payment.

#### 7(a)(2) Identification of Transactions

1. *Multifeatured plans.* In identifying transactions under §1026.7(a)(2) for multifeatured plans, creditors may, for example, choose to arrange transactions by feature (such as disclosing sale transactions separately from cash advance transactions) or in some other clear manner, such as by arranging the transactions in general chronological order.

2. *Automated teller machine (ATM) charges imposed by other institutions in shared or interchange systems.* A charge imposed on the cardholder by an institution other than the card issuer for the use of the other institution's ATM in a shared or interchange system and included by the terminal-operating institution in the amount of the transaction need not be separately disclosed on the periodic statement.

#### 7(a)(3) Credits

1. *Identification—sufficiency.* The creditor need not describe each credit by type (returned merchandise, rebate of finance charge, etc.)—"credit" would suffice—except if the creditor is using the periodic statement to satisfy the billing-error correction notice requirement. (See the commentary to §1026.13(e) and (f).)

2. *Format.* A creditor may list credits relating to credit extensions (payments, rebates, etc.) together with other types of credits (such as deposits to a checking account), as long as the entries are identified so as to inform the consumer which type of credit each entry represents.

3. *Date.* If only one date is disclosed (that is, the crediting date as required by the regulation), no further identification of that date

## 12 CFR Ch. X (1-1-24 Edition)

is necessary. More than one date may be disclosed for a single entry, as long as it is clear which date represents the date on which credit was given.

4. *Totals.* A total of amounts credited during the billing cycle is not required.

#### 7(a)(4) Periodic Rates

1. *Disclosure of periodic rates—whether or not actually applied.* Except as provided in §1026.7(a)(4)(ii), any periodic rate that may be used to compute finance charges (and its corresponding annual percentage rate) must be disclosed whether or not it is applied during the billing cycle. For example:

i. If the consumer's account has both a purchase feature and a cash advance feature, the creditor must disclose the rate for each, even if the consumer only makes purchases on the account during the billing cycle.

ii. If the rate varies (such as when it is tied to a particular index), the creditor must disclose each rate in effect during the cycle for which the statement was issued.

2. *Disclosure of periodic rates required only if imposition possible.* With regard to the periodic rate disclosure (and its corresponding annual percentage rate), only rates that could have been imposed during the billing cycle reflected on the periodic statement need to be disclosed. For example:

i. If the creditor is changing rates effective during the next billing cycle (because of a variable-rate plan), the rates required to be disclosed under §1026.7(a)(4) are only those in effect during the billing cycle reflected on the periodic statement. For example, if the monthly rate applied during May was 1.5%, but the creditor will increase the rate to 1.8% effective June 1, 1.5% (and its corresponding annual percentage rate) is the only required disclosure under §1026.7(a)(4) for the periodic statement reflecting the May account activity.

ii. If rates applicable to a particular type of transaction changed after a certain date and the old rate is only being applied to transactions that took place prior to that date, the creditor need not continue to disclose the old rate for those consumers that have no outstanding balances to which that rate could be applied.

3. *Multiple rates—same transaction.* If two or more periodic rates are applied to the same balance for the same type of transaction (for example, if the finance charge consists of a monthly periodic rate of 1.5% applied to the outstanding balance and a required credit life insurance component calculated at 0.1% per month on the same outstanding balance), the creditor may do either of the following:

i. Disclose each periodic rate, the range of balances to which it is applicable, and the corresponding annual percentage rate for each. (For example, 1.5% monthly, 18% annual percentage rate; 0.1% monthly, 1.2% annual percentage rate.)

**Consumer Financial Protection Bureau****Pt. 1026, Supp. I**

ii. Disclose one composite periodic rate (that is, 1.6% per month) along with the applicable range of balances and the corresponding annual percentage rate.

4. *Corresponding annual percentage rate.* In disclosing the annual percentage rate that corresponds to each periodic rate, the creditor may use “corresponding annual percentage rate,” “nominal annual percentage rate,” “corresponding nominal annual percentage rate,” or similar phrases.

5. *Rate same as actual annual percentage rate.* When the corresponding rate is the same as the annual percentage rate disclosed under § 1026.7(a)(7), the creditor need disclose only one annual percentage rate, but must use the phrase “annual percentage rate.”

6. *Range of balances.* See comment 6(a)(1)(ii)-1. A creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.

**7(a)(5) Balance on Which Finance Charge Computed**

1. *Limitation to periodic rates.* Section 1026.7(a)(5) only requires disclosure of the balance(s) to which a periodic rate was applied and does not apply to balances on which other kinds of finance charges (such as transaction charges) were imposed. For example, if a consumer obtains a \$1,500 cash advance subject to both a 1% transaction fee and a 1% monthly periodic rate, the creditor need only disclose the balance subject to the monthly rate (which might include portions of earlier cash advances not paid off in previous cycles).

2. *Split rates applied to balance ranges.* If split rates were applied to a balance because different portions of the balance fall within two or more balance ranges, the creditor need not separately disclose the portions of the balance subject to such different rates since the range of balances to which the rates apply has been separately disclosed. For example, a creditor could disclose a balance of \$700 for purchases even though a monthly periodic rate of 1.5% applied to the first \$500, and a monthly periodic rate of 1% to the remainder. This option to disclose a combined balance does not apply when the finance charge is computed by applying the split rates to each day's balance (in contrast, for example, to applying the rates to the average daily balance). In that case, the balances must be disclosed using any of the options that are available if two or more daily rates are imposed. (See comment 7(a)(5)-5.)

3. *Monthly rate on average daily balance.* Creditors may apply a monthly periodic rate to an average daily balance.

4. *Multifeatured plans.* In a multifeatured plan, the creditor must disclose a separate balance (or balances, as applicable) to which a periodic rate was applied for each feature or group of features subject to different peri-

odic rates or different balance computation methods. Separate balances are not required, however, merely because a grace period is available for some features but not others. A total balance for the entire plan is optional. This does not affect how many balances the creditor must disclose—or may disclose—within each feature. (See, for example, comment 7(a)(5)-5.)

5. *Daily rate on daily balances.* If the finance charge is computed on the balance each day by application of one or more daily periodic rates, the balance on which the finance charge was computed may be disclosed in any of the following ways for each feature:

i. If a single daily periodic rate is imposed, the balance to which it is applicable may be stated as:

A. A balance for each day in the billing cycle.

B. A balance for each day in the billing cycle on which the balance in the account changes.

C. The sum of the daily balances during the billing cycle.

D. The average daily balance during the billing cycle, in which case the creditor shall explain that the average daily balance is or can be multiplied by the number of days in the billing cycle and the periodic rate applied to the product to determine the amount of the finance charge.

ii. If two or more daily periodic rates may be imposed, the balances to which the rates are applicable may be stated as:

A. A balance for each day in the billing cycle.

B. A balance for each day in the billing cycle on which the balance in the account changes.

C. Two or more average daily balances, each applicable to the daily periodic rates imposed for the time that those rates were in effect, as long as the creditor explains that the finance charge is or may be determined by (1) multiplying each of the average balances by the number of days in the billing cycle (or if the daily rate varied during the cycle, by multiplying by the number of days the applicable rate was in effect), (2) multiplying each of the results by the applicable daily periodic rate, and (3) adding these products together.

6. *Explanation of balance computation method.* See the commentary to 6(a)(1)(iii).

7. *Information to compute balance.* In connection with disclosing the finance charge balance, the creditor need not give the consumer all of the information necessary to compute the balance if that information is not otherwise required to be disclosed. For example, if current purchases are included from the date they are posted to the account, the posting date need not be disclosed.

8. *Non-deduction of credits.* The creditor need not specifically identify the total dollar

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

amount of credits not deducted in computing the finance charge balance. Disclosure of the amount of credits not deducted is accomplished by listing the credits (§1026.7(a)(3)) and indicating which credits will not be deducted in determining the balance (for example, “credits after the 15th of the month are not deducted in computing the finance charge.”).

9. *Use of one balance computation method explanation when multiple balances disclosed.* Sometimes the creditor will disclose more than one balance to which a periodic rate was applied, even though each balance was computed using the same balance computation method. For example, if a plan involves purchases and cash advances that are subject to different rates, more than one balance must be disclosed, even though the same computation method is used for determining the balance for each feature. In these cases, one explanation of the balance computation method is sufficient. Sometimes the creditor separately discloses the portions of the balance that are subject to different rates because different portions of the balance fall within two or more balance ranges, even when a combined balance disclosure would be permitted under comment 7(a)(5)-2. In these cases, one explanation of the balance computation method is also sufficient (assuming, of course, that all portions of the balance were computed using the same method).

**7(a)(6) Amount of Finance Charge and Other Charges****7(a)(6)(i) Finance Charges**

1. *Total.* A total finance charge amount for the plan is not required.

2. *Itemization—types of finance charges.* Each type of finance charge (such as periodic rates, transaction charges, and minimum charges) imposed during the cycle must be separately itemized; for example, disclosure of only a combined finance charge attributable to both a minimum charge and transaction charges would not be permissible. Finance charges of the same type may be disclosed, however, individually or as a total. For example, five transaction charges of \$1 may be listed separately or as \$5.

3. *Itemization—different periodic rates.* Whether different periodic rates are applicable to different types of transactions or to different balance ranges, the creditor may give the finance charge attributable to each rate or may give a total finance charge amount. For example, if a creditor charges 1.5% per month on the first \$500 of a balance and 1% per month on amounts over \$500, the creditor may itemize the two components (\$7.50 and \$1.00) of the \$8.50 charge, or may disclose \$8.50.

4. *Multifeatured plans.* In a multifeatured plan, in disclosing the amount of the finance

charge attributable to the application of periodic rates no total periodic rate disclosure for the entire plan need be given.

5. *Finance charges not added to account.* A finance charge that is not included in the new balance because it is payable to a third party (such as required life insurance) must still be shown on the periodic statement as a finance charge.

6. *Finance charges other than periodic rates.* See comment 6(a)(1)(iv)-1 for examples.

7. *Accrued finance charges allocated from payments.* Some plans provide that the amount of the finance charge that has accrued since the consumer's last payment is directly deducted from each new payment, rather than being separately added to each statement and therefore reflected as an increase in the obligation. In such a plan, no disclosure is required of finance charges that have accrued since the last payment.

8. *Start-up fees.* Points, loan fees, and similar finance charges relating to the opening of the account that are paid prior to the issuance of the first periodic statement need not be disclosed on the periodic statement. If, however, these charges are financed as part of the plan, including charges that are paid out of the first advance, the charges must be disclosed as part of the finance charge on the first periodic statement. However, they need not be factored into the annual percentage rate. (See §1026.14(c)(3).)

**7(a)(6)(ii) Other Charges**

1. *Identification.* In identifying any *other charges* actually imposed during the billing cycle, the type is adequately described as *late charge* or *membership fee*, for example. Similarly, *closing costs* or *settlement costs*, for example, may be used to describe charges imposed in connection with real estate transactions that are excluded from the finance charge under §1026.4(c)(7), if the same term (such as *closing costs*) was used in the initial disclosures and if the creditor chose to itemize and individually disclose the costs included in that term. Even though the taxes and filing or notary fees excluded from the finance charge under §1026.4(e) are not required to be disclosed as *other charges* under §1026.6(a)(2), these charges may be included in the amount shown as *closing costs* or *settlement costs* on the periodic statement, if the charges were itemized and disclosed as part of the *closing costs* or *settlement costs* on the initial disclosure statement. (See comment 6(a)(2)-1 for examples of *other charges*.)

2. *Date.* The date of imposing or debiting *other charges* need not be disclosed.

3. *Total.* Disclosure of the total amount of *other charges* is optional.

4. *Itemization—types of other charges.* Each type of *other charge* (such as late-payment charges, over-the-credit-limit charges, and membership fees) imposed during the cycle must be separately itemized; for example,

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

disclosure of only a total of *other charges* attributable to both an over-the-credit-limit charge and a late-payment charge would not be permissible. *Other charges* of the same type may be disclosed, however, individually or as a total. For example, three fees of \$3 for providing copies related to the resolution of a billing error could be listed separately or as \$9.

### 7(a)(7) Annual Percentage Rate

1. *Plans subject to the requirements of §1026.40.* For home-equity plans subject to the requirements of §1026.40, creditors are not required to disclose an effective annual percentage rate. Creditors that state an annualized rate in addition to the corresponding annual percentage rate required by §1026.7(a)(4) must calculate that rate in accordance with §1026.14(c).

2. *Labels.* Creditors that choose to disclose an annual percentage rate calculated under §1026.14(c) and label the figure as “annual percentage rate” must label the periodic rate expressed as an annualized rate as the “corresponding APR,” “nominal APR,” or a similar phrase as provided in comment 7(a)(4)-4. Creditors also comply with the label requirement if the rate calculated under §1026.14(c) is described as the “effective APR” or something similar. For those creditors, the periodic rate expressed as an annualized rate could be labeled “annual percentage rate,” consistent with the requirement under §1026.7(b)(4). If the two rates represent different values, creditors must label the rates differently to meet the clear and conspicuous standard under §1026.5(a)(1).

### 7(a)(8) Grace Period

1. *Terminology.* Although the creditor is required to indicate any time period the consumer may have to pay the balance outstanding without incurring additional finance charges, no specific wording is required, so long as the language used is consistent with that used on the account-opening disclosure statement. For example, “To avoid additional finance charges, pay the new balance before \_\_\_\_” would suffice.

### 7(a)(9) Address for Notice of Billing Errors

1. *Terminology.* The periodic statement should indicate the general purpose for the address for billing-error inquiries, although a detailed explanation or particular wording is not required.

2. *Telephone number.* A telephone number, email address, or Web site location may be included, but the mailing address for billing-error inquiries, which is the required disclosure, must be clear and conspicuous. The address is deemed to be clear and conspicuous if a precautionary instruction is included that telephoning or notifying the creditor by

email or Web site will not preserve the consumer's billing rights, unless the creditor has agreed to treat billing error notices provided by electronic means as written notices, in which case the precautionary instruction is required only for telephoning.

### 7(a)(10) Closing Date of Billing Cycle; New Balance

1. *Credit balances.* See comment 7(a)(1)-1.

2. *Multifeatured plans.* In a multifeatured plan, the new balance may be disclosed for each feature or for the plan as a whole. If separate new balances are disclosed, a total new balance is optional.

3. *Accrued finance charges allocated from payments.* Some plans provide that the amount of the finance charge that has accrued since the consumer's last payment is directly deducted from each new payment, rather than being separately added to each statement and therefore reflected as an increase in the obligation. In such a plan, the new balance need not reflect finance charges accrued since the last payment.

### 7(b) Rules Affecting Open-End (Not Home-Secured) Plans

1. *Deferred interest or similar transactions.* Creditors offer a variety of payment plans for purchases that permit consumers to avoid interest charges if the purchase balance is paid in full by a certain date. “Deferred interest” has the same meaning as in §1026.16(h)(2) and associated commentary. The following provides guidance for a deferred interest or similar plan where, for example, no interest charge is imposed on a \$500 purchase made in January if the \$500 balance is paid by July 31.

i. *Annual percentage rates.* Under §1026.7(b)(4), creditors must disclose each annual percentage rate that may be used to compute the interest charge. Under some plans with a deferred interest or similar feature, if the deferred interest balance is not paid by a certain date, July 31 in this example, interest charges applicable to the billing cycles between the date of purchase in January and July 31 may be imposed. Annual percentage rates that may apply to the deferred interest balance (\$500 in this example) if the balance is not paid in full by July 31 must appear on periodic statements for the billing cycles between the date of purchase and July 31. However, if the consumer does not pay the deferred interest balance by July 31, the creditor is not required to identify, on the periodic statement disclosing the interest charge for the deferred interest balance, annual percentage rates that have been disclosed in previous billing cycles between the date of purchase and July 31.

ii. *Balances subject to periodic rates.* Under §1026.7(b)(5), creditors must disclose the balances subject to interest during a billing

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

cycle. The deferred interest balance (\$500 in this example) is not subject to interest for billing cycles between the date of purchase and July 31 in this example. Periodic statements sent for those billing cycles should not include the deferred interest balance in the balance disclosed under §1026.7(b)(5). This amount must be separately disclosed on periodic statements and identified by a term other than the term used to identify the balance disclosed under §1026.7(b)(5) (such as “deferred interest balance”). During any billing cycle in which an interest charge on the deferred interest balance is debited to the account, the balance disclosed under §1026.7(b)(5) should include the deferred interest balance for that billing cycle.

iii. *Amount of interest charge.* Under §1026.7(b)(6)(ii), creditors must disclose interest charges imposed during a billing cycle. For some deferred interest purchases, the creditor may impose interest from the date of purchase if the deferred interest balance (\$500 in this example) is not paid in full by July 31 in this example, but otherwise will not impose interest for billing cycles between the date of purchase and July 31. Periodic statements for billing cycles preceding July 31 in this example should not include in the interest charge disclosed under §1026.7(b)(6)(ii) the amounts a consumer may owe if the deferred interest balance is not paid in full by July 31. In this example, the February periodic statement should not identify as interest charges interest attributable to the \$500 January purchase. This amount must be separately disclosed on periodic statements and identified by a term other than “interest charge” (such as “contingent interest charge” or “deferred interest charge”). The interest charge on a deferred interest balance should be reflected on the periodic statement under §1026.7(b)(6)(ii) for the billing cycle in which the interest charge is debited to the account.

iv. *Due date to avoid obligation for finance charges under a deferred interest or similar program.* Section 1026.7(b)(14) requires disclosure on periodic statements of the date by which any outstanding balance subject to a deferred interest or similar program must be paid in full in order to avoid the obligation for finance charges on such balance. This disclosure must appear on the front of any page of each periodic statement issued during the deferred interest period beginning with the first periodic statement issued during the deferred interest period that reflects the deferred interest or similar transaction.

**7(b)(1) Previous Balance**

1. *Credit balances.* If the previous balance is a credit balance, it must be disclosed in such a way so as to inform the consumer that it is a credit balance, rather than a debit balance.

2. *Multifeatured plans.* In a multifeatured plan, the previous balance may be disclosed either as an aggregate balance for the account or as separate balances for each feature (for example, a previous balance for purchases and a previous balance for cash advances). If separate balances are disclosed, a total previous balance is optional.

3. *Accrued finance charges allocated from payments.* Some open-end credit plans provide that the amount of the finance charge that has accrued since the consumer's last payment is directly deducted from each new payment, rather than being separately added to each statement and reflected as an increase in the obligation. In such a plan, the previous balance need not reflect finance charges accrued since the last payment.

**7(b)(2) Identification of Transactions**

1. *Multifeatured plans.* Creditors may, but are not required to, arrange transactions by feature (such as disclosing purchase transactions separately from cash advance transactions). Pursuant to §1026.7(b)(6), however, creditors must group all fees and all interest separately from transactions and may not disclose any fees or interest charges with transactions.

2. *Automated teller machine (ATM) charges imposed by other institutions in shared or interchange systems.* A charge imposed on the cardholder by an institution other than the card issuer for the use of the other institution's ATM in a shared or interchange system and included by the terminal-operating institution in the amount of the transaction need not be separately disclosed on the periodic statement.

**7(b)(3) Credits**

1. *Identification—sufficiency.* The creditor need not describe each credit by type (returned merchandise, rebate of finance charge, etc.)—“credit” would suffice—except if the creditor is using the periodic statement to satisfy the billing-error correction notice requirement. (See the commentary to §1026.13(e) and (f).) Credits may be distinguished from transactions in any way that is clear and conspicuous, for example, by use of debit and credit columns or by use of plus signs and/or minus signs.

2. *Date.* If only one date is disclosed (that is, the crediting date as required by the regulation), no further identification of that date is necessary. More than one date may be disclosed for a single entry, as long as it is clear which date represents the date on which credit was given.

3. *Totals.* A total of amounts credited during the billing cycle is not required.

**7(b)(4) Periodic Rates**

1. *Disclosure of periodic interest rates—whether or not actually applied.* Except as provided

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

in § 1026.7(b)(4)(ii), any periodic interest rate that may be used to compute finance charges, expressed as and labeled “Annual Percentage Rate,” must be disclosed whether or not it is applied during the billing cycle. For example:

i. If the consumer’s account has both a purchase feature and a cash advance feature, the creditor must disclose the annual percentage rate for each, even if the consumer only makes purchases on the account during the billing cycle.

ii. If the annual percentage rate varies (such as when it is tied to a particular index), the creditor must disclose each annual percentage rate in effect during the cycle for which the statement was issued.

2. *Disclosure of periodic interest rates required only if imposition possible.* With regard to the periodic interest rate disclosure (and its corresponding annual percentage rate), only rates that could have been imposed during the billing cycle reflected on the periodic statement need to be disclosed. For example:

i. If the creditor is changing annual percentage rates effective during the next billing cycle (either because it is changing terms or because of a variable-rate plan), the annual percentage rates required to be disclosed under § 1026.7(b)(4) are only those in effect during the billing cycle reflected on the periodic statement. For example, if the annual percentage rate applied during May was 18%, but the creditor will increase the rate to 21% effective June 1, 18% is the only required disclosure under § 1026.7(b)(4) for the periodic statement reflecting the May account activity.

ii. If the consumer has an overdraft line that might later be expanded upon the consumer’s request to include secured advances, the rates for the secured advance feature need not be given until such time as the consumer has requested and received access to the additional feature.

iii. If annual percentage rates applicable to a particular type of transaction changed after a certain date and the old rate is only being applied to transactions that took place prior to that date, the creditor need not continue to disclose the old rate for those consumers that have no outstanding balances to which that rate could be applied.

3. *Multiple rates—same transaction.* If two or more periodic rates are applied to the same balance for the same type of transaction (for example, if the interest charge consists of a monthly periodic interest rate of 1.5% applied to the outstanding balance and a required credit life insurance component calculated at 0.1% per month on the same outstanding balance), creditors must disclose the periodic interest rate, expressed as an 18% annual percentage rate and the range of balances to which it is applicable. Costs attributable to the credit life insurance com-

ponent must be disclosed as a fee under § 1026.7(b)(6)(iii).

4. *Fees.* Creditors that identify fees in accordance with § 1026.7(b)(6)(iii) need not identify the periodic rate at which a fee would accrue if the fee remains unpaid. For example, assume a fee is imposed for a late payment in the previous cycle and that the fee, unpaid, would be included in the purchases balance and accrue interest at the rate for purchases. The creditor need not separately disclose that the purchase rate applies to the portion of the purchases balance attributable to the unpaid fee.

5. *Ranges of balances.* See comment 6(b)(4)(i)(B)-1. A creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.

6. *Deferred interest transactions.* See comment 7(b)-1.i.

### 7(b)(5) Balance on Which Finance Charge Computed

1. *Split rates applied to balance ranges.* If split rates were applied to a balance because different portions of the balance fall within two or more balance ranges, the creditor need not separately disclose the portions of the balance subject to such different rates since the range of balances to which the rates apply has been separately disclosed. For example, a creditor could disclose a balance of \$700 for purchases even though a monthly periodic rate of 1.5% applied to the first \$500, and a monthly periodic rate of 1% to the remainder. This option to disclose a combined balance does not apply when the interest charge is computed by applying the split rates to each day’s balance (in contrast, for example, to applying the rates to the average daily balance). In that case, the balances must be disclosed using any of the options that are available if two or more daily rates are imposed. (See comment 7(b)(5)-4.)

2. *Monthly rate on average daily balance.* Creditors may apply a monthly periodic rate to an average daily balance.

3. *Multifeatured plans.* In a multifeatured plan, the creditor must disclose a separate balance (or balances, as applicable) to which a periodic rate was applied for each feature. Separate balances are not required, however, merely because a grace period is available for some features but not others. A total balance for the entire plan is optional. This does not affect how many balances the creditor must disclose—or may disclose—with each feature. (See, for example, comments 7(b)(5)-4 and 7(b)(4)-5.)

4. *Daily rate on daily balance.* If a finance charge is computed on the balance each day by application of one or more daily periodic interest rates, the balance on which the interest charge was computed may be disclosed in any of the following ways for each feature:

**Pt. 1026, Supp. I**

i. If a single daily periodic interest rate is imposed, the balance to which it is applicable may be stated as:

A. A balance for each day in the billing cycle.

B. A balance for each day in the billing cycle on which the balance in the account changes.

C. The sum of the daily balances during the billing cycle.

D. The average daily balance during the billing cycle, in which case the creditor may, at its option, explain that the average daily balance is or can be multiplied by the number of days in the billing cycle and the periodic rate applied to the product to determine the amount of interest.

ii. If two or more daily periodic interest rates may be imposed, the balances to which the rates are applicable may be stated as:

A. A balance for each day in the billing cycle.

B. A balance for each day in the billing cycle on which the balance in the account changes.

C. Two or more average daily balances, each applicable to the daily periodic interest rates imposed for the time that those rates were in effect. The creditor may, at its option, explain that interest is or may be determined by (1) multiplying each of the average balances by the number of days in the billing cycle (or if the daily rate varied during the cycle, by multiplying by the number of days the applicable rate was in effect), (2) multiplying each of the results by the applicable daily periodic rate, and (3) adding these products together.

5. *Information to compute balance.* In connection with disclosing the interest charge balance, the creditor need not give the consumer all of the information necessary to compute the balance if that information is not otherwise required to be disclosed. For example, if current purchases are included from the date they are posted to the account, the posting date need not be disclosed.

6. *Non-deduction of credits.* The creditor need not specifically identify the total dollar amount of credits not deducted in computing the finance charge balance. Disclosure of the amount of credits not deducted is accomplished by listing the credits (§1026.7(b)(3)) and indicating which credits will not be deducted in determining the balance (for example, "credits after the 15th of the month are not deducted in computing the interest charge.").

7. *Use of one balance computation method explanation when multiple balances disclosed.* Sometimes the creditor will disclose more than one balance to which a periodic rate was applied, even though each balance was computed using the same balance computation method. For example, if a plan involves purchases and cash advances that are subject

**12 CFR Ch. X (1-1-24 Edition)**

to different rates, more than one balance must be disclosed, even though the same computation method is used for determining the balance for each feature. In these cases, one explanation or a single identification of the name of the balance computation method is sufficient. Sometimes the creditor separately discloses the portions of the balance that are subject to different rates because different portions of the balance fall within two or more balance ranges, even when a combined balance disclosure would be permitted under comment 7(b)(5)-1. In these cases, one explanation or a single identification of the name of the balance computation method is also sufficient (assuming, of course, that all portions of the balance were computed using the same method). In these cases, a creditor may use an appropriate name listed in §1026.60(g) (e.g., "*average daily balance (including new purchases)*") as the single identification of the name of the balance computation method applicable to all features, even though the name only refers to purchases. For example, if a creditor uses the average daily balance method including new transactions for all features, a creditor may use the name "*average daily balance (including new purchases)*" listed in §1026.60(g)(i) to satisfy the requirement to disclose the name of the balance computation method for all features. As an alternative, in this situation, a creditor may revise the balance computation names listed in §1026.60(g) to refer more broadly to all new credit transactions, such as using the language "*new transactions*" or "*current transactions*" (e.g., "*average daily balance (including new transactions)*"), rather than simply referring to new purchases, when the same method is used to calculate the balances for all features of the account.

8. *Use of balance computation names in §1026.60(g) for balances other than purchases.* The names of the balance computation methods listed in §1026.60(g) describe balance computation methods for purchases. When a creditor is disclosing the name of the balance computation methods separately for each feature, in using the names listed in §1026.60(g) to satisfy the requirements of §1026.7(b)(5) for features other than purchases, a creditor must revise the names listed in §1026.60(g) to refer to the other features. For example, when disclosing the name of the balance computation method applicable to cash advances, a creditor must revise the name listed in §1026.60(g)(i) to disclose it as "*average daily balance (including new cash advances)*" when the balance for cash advances is figured by adding the outstanding balance (including new cash advances and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. Similarly, a creditor must revise the name listed in §1026.60(g)(ii) to disclose it as

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

“average daily balance (excluding new cash advances)” when the balance for cash advances is figured by adding the outstanding balance (excluding new cash advances and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. See comment 7(b)(5)-7 for guidance on the use of one balance computation method explanation or name when multiple balances are disclosed.

### 7(b)(6) Charges Imposed

1. *Examples of charges.* See commentary to § 1026.6(b)(3).

2. *Fees.* Costs attributable to periodic rates other than interest charges shall be disclosed as a fee. For example, if a consumer obtains credit life insurance that is calculated at 0.1% per month on an outstanding balance and a monthly interest rate of 1.5% applies to the same balance, the creditor must disclose the dollar cost attributable to interest as an “interest charge” and the credit insurance cost as a “fee.”

3. *Total fees and interest charged for calendar year to date.* i. *Monthly statements.* Some creditors send monthly statements but the statement periods do not coincide with the calendar month. For creditors sending monthly statements, the following comply with the requirement to provide calendar year-to-date totals.

A. A creditor may disclose calendar-year-to-date totals at the end of the calendar year by separately aggregating finance charges attributable to periodic interest rates and fees for 12 monthly cycles, starting with the period that begins during January and finishing with the period that begins during December. For example, if statement periods begin on the 10th day of each month, the statement covering December 10, 2011 through January 9, 2012, may disclose the separate year-to-date totals for interest charged and fees imposed from January 10, 2011, through January 9, 2012. Alternatively, the creditor could provide a statement for the cycle ending January 9, 2012, showing the separate year-to-date totals for interest charged and fees imposed January 1, 2011, through December 31, 2011.

B. A creditor may disclose calendar-year-to-date totals at the end of the calendar year by separately aggregating finance charges attributable to periodic interest rates and fees for 12 monthly cycles, starting with the period that begins during December and finishing with the period that begins during November. For example, if statement periods begin on the 10th day of each month, the statement covering November 10, 2011 through December 9, 2011, may disclose the separate year-to-date totals for interest charged and fees imposed from December 10, 2010, through December 9, 2011.

ii. *Quarterly statements.* Creditors issuing quarterly statements may apply the guid-

ance set forth for monthly statements to comply with the requirement to provide calendar year-to-date totals on quarterly statements.

4. *Minimum charge in lieu of interest.* A minimum charge imposed if a charge would otherwise have been determined by applying a periodic rate to a balance except for the fact that such charge is smaller than the minimum must be disclosed as a fee. For example, assume a creditor imposes a minimum charge of \$1.50 in lieu of interest if the calculated interest for a billing period is less than that minimum charge. If the interest calculated on a consumer’s account for a particular billing period is 50 cents, the minimum charge of \$1.50 would apply. In this case, the entire \$1.50 would be disclosed as a fee; the periodic statement would reflect the \$1.50 as a fee, and \$0 in interest.

5. *Adjustments to year-to-date totals.* In some cases, a creditor may provide a statement for the current period reflecting that fees or interest charges imposed during a previous period were waived or reversed and credited to the account. Creditors may, but are not required to, reflect the adjustment in the year-to-date totals, nor, if an adjustment is made, to provide an explanation about the reason for the adjustment. Such adjustments should not affect the total fees or interest charges imposed for the current statement period.

6. *Acquired accounts.* An institution that acquires an account or plan must include, as applicable, fees and charges imposed on the account or plan prior to the acquisition in the aggregate disclosures provided under § 1026.7(b)(6) for the acquired account or plan. Alternatively, the institution may provide separate totals reflecting activity prior and subsequent to the account or plan acquisition. For example, a creditor that acquires an account or plan on August 12 of a given calendar year may provide one total for the period from January 1 to August 11 and a separate total for the period beginning on August 12.

7. *Account upgrades.* A creditor that upgrades, or otherwise changes, a consumer’s plan to a different open-end credit plan must include, as applicable, fees and charges imposed for that portion of the calendar year prior to the upgrade or change in the consumer’s plan in the aggregate disclosures provided pursuant to § 1026.7(b)(6) for the new plan. For example, assume a consumer has incurred \$125 in fees for the calendar year to date for a retail credit card account, which is then replaced by a cobranded credit card account also issued by the creditor. In this case, the creditor must reflect the \$125 in fees incurred prior to the replacement of the retail credit card account in the calendar year-to-date totals provided for the co-branded credit card account. Alternatively,

**Pt. 1026, Supp. I**

the institution may provide two separate totals reflecting activity prior and subsequent to the plan upgrade or change.

**7(b)(7) Change-in-Terms and Increased Penalty Rate Summary for Open-End (Not Home-Secured) Plan**

1. *Location of summary tables.* If a change-in-terms notice required by §1026.9(c)(2) is provided on or with a periodic statement, a tabular summary of key changes must appear on the front of the statement. Similarly, if a notice of a rate increase due to delinquency or default or as a penalty required by §1026.9(g)(1) is provided on or with a periodic statement, information required to be provided about the increase, presented in a table, must appear on the front of the statement.

**7(b)(8) Grace Period**

1. *Terminology.* In describing the grace period, the language used must be consistent with that used on the account-opening disclosure statement. (See §1026.5(a)(2)(i).)

2. *Deferred interest transactions.* See comment 7(b)-1.iv.

3. *Limitation on the imposition of finance charges in §1026.54.* Section 1026.7(b)(8) does not require a card issuer to disclose the limitations on the imposition of finance charges as a result of a loss of a grace period in §1026.54, or the impact of payment allocation on whether interest is charged on transactions as a result of a loss of a grace period.

**7(b)(9) Address for Notice of Billing Errors**

1. *Terminology.* The periodic statement should indicate the general purpose for the address for billing-error inquiries, although a detailed explanation or particular wording is not required.

2. *Telephone number.* A telephone number, email address, or Web site location may be included, but the mailing address for billing-error inquiries, which is the required disclosure, must be clear and conspicuous. The address is deemed to be clear and conspicuous if a precautionary instruction is included that telephoning or notifying the creditor by email or Web site will not preserve the consumer's billing rights, unless the creditor has agreed to treat billing error notices provided by electronic means as written notices, in which case the precautionary instruction is required only for telephoning.

**7(b)(10) Closing Date of Billing Cycle; New Balance**

1. *Credit balances.* See comment 7(b)(1)-1.

2. *Multifeatured plans.* In a multifeatured plan, the new balance may be disclosed for each feature or for the plan as a whole. If separate new balances are disclosed, a total new balance is optional.

**12 CFR Ch. X (1-1-24 Edition)**

3. *Accrued finance charges allocated from payments.* Some plans provide that the amount of the finance charge that has accrued since the consumer's last payment is directly deducted from each new payment, rather than being separately added to each statement and therefore reflected as an increase in the obligation. In such a plan, the new balance need not reflect finance charges accrued since the last payment.

**7(b)(11) Due Date; Late Payment Costs**

1. *Informal periods affecting late payments.* Although the terms of the account agreement may provide that a card issuer may assess a late payment fee if a payment is not received by a certain date, the card issuer may have an informal policy or practice that delays the assessment of the late payment fee for payments received a brief period of time after the date upon which a card issuer has the contractual right to impose the fee. A card issuer must disclose the due date according to the legal obligation between the parties, and need not consider the end of an informal "courtesy period" as the due date under §1026.7(b)(11).

2. *Assessment of late payment fees.* Some state or other laws require that a certain number of days must elapse following a due date before a late payment fee may be imposed. In addition, a card issuer may be restricted by the terms of the account agreement from imposing a late payment fee until a payment is late for a certain number of days following a due date. For example, assume a payment is due on March 10 and the account agreement or state law provides that a late payment fee cannot be assessed before March 21. A card issuer must disclose the due date under the terms of the legal obligation (March 10 in this example), and not a date different than the due date, such as when the card issuer is restricted by the account agreement or state or other law from imposing a late payment fee unless a payment is late for a certain number of days following the due date (March 21 in this example). Consumers' rights under state law to avoid the imposition of late payment fees during a specified period following a due date are unaffected by the disclosure requirement. In this example, the card issuer would disclose March 10 as the due date for purposes of §1026.7(b)(11), but could not, under state law, assess a late payment fee before March 21.

3. *Fee or rate triggered by multiple events.* If a late payment fee or penalty rate is triggered after multiple events, such as two late payments in six months, the card issuer may, but is not required to, disclose the late payment and penalty rate disclosure each month. The disclosures must be included on any periodic statement for which a late payment could trigger the late payment fee or

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

penalty rate, such as after the consumer made one late payment in this example. For example, if a cardholder has already made one late payment, the disclosure must be on each statement for the following five billing cycles.

4. *Range of late fees or penalty rates.* A card issuer that imposes a range of late payment fees or rates on a credit card account under an open-end (not home-secured) consumer credit plan may state the highest fee or rate along with an indication lower fees or rates could be imposed. For example, a phrase indicating the late payment fee could be “up to \$29” complies with this requirement.

5. *Penalty rate in effect.* If the highest penalty rate has previously been triggered on an account, the card issuer may, but is not required to, delete the amount of the penalty rate and the warning that the rate may be imposed for an untimely payment, as not applicable. Alternatively, the card issuer may, but is not required to, modify the language to indicate that the penalty rate has been increased due to previous late payments (if applicable).

6. *Same day each month.* The requirement that the due date be the same day each month means that the due date must generally be the same numerical date. For example, a consumer's due date could be the 25th of every month. In contrast, a due date that is the same relative date but not numerical date each month, such as the third Tuesday of the month, generally would not comply with this requirement. However, a consumer's due date may be the last day of each month, even though that date will not be the same numerical date. For example, if a consumer's due date is the last day of each month, it will fall on February 28th (or February 29th in a leap year) and on August 31st.

7. *Change in due date.* A creditor may adjust a consumer's due date from time to time provided that the new due date will be the same numerical date each month on an ongoing basis. For example, a creditor may choose to honor a consumer's request to change from a due date that is the 20th of each month to the 5th of each month, or may choose to change a consumer's due date from time to time for operational reasons. See comment 2(a)(4)-3 for guidance on transitional billing cycles.

8. *Billing cycles longer than one month.* The requirement that the due date be the same day each month does not prohibit billing cycles that are two or three months, provided that the due date for each billing cycle is on the same numerical date of the month. For example, a creditor that establishes two-month billing cycles could send a consumer periodic statements disclosing due dates of January 25, March 25, and May 25.

9. *Payment due date when the creditor does not accept or receive payments by mail.* If the due date in a given month falls on a day on

which the creditor does not receive or accept payments by mail and the creditor is required to treat a payment received the next business day as timely pursuant to §1026.10(d), the creditor must disclose the due date according to the legal obligation between the parties, not the date as of which the creditor is permitted to treat the payment as late. For example, assume that the consumer's due date is the 4th of every month and the creditor does not accept or receive payments by mail on Thursday, July 4. Pursuant to §1026.10(d), the creditor may not treat a mailed payment received on the following business day, Friday, July 5, as late for any purpose. The creditor must nonetheless disclose July 4 as the due date on the periodic statement and may not disclose a July 5 due date.

### 7(b)(12) Repayment Disclosures

1. *Rounding.* In disclosing on the periodic statement the minimum payment total cost estimate, the estimated monthly payment for repayment in 36 months, the total cost estimate for repayment in 36 months, and the savings estimate for repayment in 36 months under §1026.7(b)(12)(i) or (b)(12)(ii) as applicable, a card issuer, at its option, must either round these disclosures to the nearest whole dollar or to the nearest cent. Nonetheless, an issuer's rounding for all of these disclosures must be consistent. An issuer may round all of these disclosures to the nearest whole dollar when disclosing them on the periodic statement, or may round all of these disclosures to the nearest cent. An issuer may not, however, round some of the disclosures to the nearest whole dollar, while rounding other disclosures to the nearest cent.

### Paragraph 7(b)(12)(i)(F)

1. *Minimum payment repayment estimate disclosed on the periodic statement is three years or less.* Section 1026.7(b)(12)(i)(F)(2)(i) provides that a credit card issuer is not required to provide the disclosures related to repayment in 36 months if the minimum payment repayment estimate disclosed under §1026.7(b)(12)(i)(B) after rounding is 3 years or less. For example, if the minimum payment repayment estimate is 2 years 6 months to 3 years 5 months, issuers would be required under §1026.7(b)(12)(i)(B) to disclose that it would take 3 years to pay off the balance in full if making only the minimum payment. In these cases, an issuer would not be required to disclose the 36-month disclosures on the periodic statement because the minimum payment repayment estimate disclosed to the consumer on the periodic statement (after rounding) is 3 years or less.

**Pt. 1026, Supp. I****7(b)(12)(iv) Provision of Information About Credit Counseling Services**

1. *Approved organizations.* Section 1026.7(b)(12)(iv)(A) requires card issuers to provide information regarding at least three organizations that have been approved by the United States Trustee or a bankruptcy administrator pursuant to 11 U.S.C. 111(a)(1) to provide credit counseling services in, at the card issuer's option, either the state in which the billing address for the account is located or the state specified by the consumer. A card issuer does not satisfy the requirements in §1026.7(b)(12)(iv)(A) by providing information regarding providers that have been approved pursuant to 11 U.S.C. 111(a)(2) to offer personal financial management courses.

2. *Information regarding approved organizations.* i. *Provision of information obtained from United States Trustee or bankruptcy administrator.* A card issuer complies with the requirements of §1026.7(b)(12)(iv)(A) if, through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii), it provides the consumer with information obtained from the United States Trustee or a bankruptcy administrator, such as information obtained from the Web site operated by the United States Trustee. Section 1026.7(b)(12)(iv)(A) does not require a card issuer to provide information that is not available from the United States Trustee or a bankruptcy administrator. If, for example, the Web site address for an organization approved by the United States Trustee is not available from the Web site operated by the United States Trustee, a card issuer is not required to provide a Web site address for that organization. However, §1026.7(b)(12)(iv)(B) requires the card issuer to, at least annually, update the information it provides for consistency with the information provided by the United States Trustee or a bankruptcy administrator.

ii. *Provision of information consistent with request of approved organization.* If requested by an approved organization, a card issuer may at its option provide, in addition to the name of the organization obtained from the United States Trustee or a bankruptcy administrator, another name used by that organization through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii). In addition, if requested by an approved organization, a card issuer may at its option provide through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii) a street address, telephone number, or Web site address for the organization that is different than the street address, telephone number, or Web site address obtained from the United States Trustee or a bankruptcy administrator. However, if requested by an approved organization, a card issuer must not provide information regarding that orga-

**12 CFR Ch. X (1-1-24 Edition)**

nization through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii).

iii. *Information regarding approved organizations that provide credit counseling services in a language other than English.* A card issuer may at its option provide through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii) information regarding approved organizations that provide credit counseling services in languages other than English. In the alternative, a card issuer may at its option state that such information is available from the Web site operated by the United States Trustee. Disclosing this Web site address does not by itself constitute a statement that organizations have been approved by the United States Trustee for purposes of comment 7(b)(12)(iv)-2.iv.

iv. *Statements regarding approval by the United States Trustee or a bankruptcy administrator.* Section 1026.7(b)(12)(iv) does not require a card issuer to disclose through the toll-free number disclosed pursuant to §1026.7(b)(12)(i) or (b)(12)(ii) that organizations have been approved by the United States Trustee or a bankruptcy administrator. However, if a card issuer chooses to make such a disclosure, §1026.7(b)(12)(iv) requires that the card issuer also disclose that:

A. The United States Trustee or a bankruptcy administrator has determined that the organizations meet the minimum requirements for nonprofit pre-bankruptcy budget and credit counseling;

B. The organizations may provide other credit counseling services that have not been reviewed by the United States Trustee or a bankruptcy administrator; and

C. The United States Trustee or the bankruptcy administrator does not endorse or recommend any particular organization.

3. *Automated response systems or devices.* At their option, card issuers may use toll-free telephone numbers that connect consumers to automated systems, such as an interactive voice response system, through which consumers may obtain the information required by §1026.7(b)(12)(iv) by inputting information using a touch-tone telephone or similar device.

4. *Toll-free telephone number.* A card issuer may provide a toll-free telephone number that is designed to handle customer service calls generally, so long as the option to receive the information required by §1026.7(b)(12)(iv) is prominently disclosed to the consumer. For automated systems, the option to receive the information required by §1026.7(b)(12)(iv) is prominently disclosed to the consumer if it is listed as one of the options in the first menu of options given to the consumer, such as "Press or say '3' if you would like information about credit counseling services." If the automated system permits callers to select the language in

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

which the call is conducted and in which information is provided, the menu to select the language may precede the menu with the option to receive information about accessing credit counseling services.

5. *Third parties.* At their option, card issuers may use a third party to establish and maintain a toll-free telephone number for use by the issuer to provide the information required by §1026.7(b)(12)(iv).

6. *Web site address.* When making the repayment disclosures on the periodic statement pursuant to §1026.7(b)(12), a card issuer at its option may also include a reference to a Web site address (in addition to the toll-free telephone number) where its customers may obtain the information required by §1026.7(b)(12)(iv), so long as the information provided on the Web site complies with §1026.7(b)(12)(iv). The Web site address disclosed must take consumers directly to the Web page where information about accessing credit counseling may be obtained. In the alternative, the card issuer may disclose the Web site address for the Web page operated by the United States Trustee where consumers may obtain information about approved credit counseling organizations. Disclosing this Web site address does not by itself constitute a statement that organizations have been approved by the United States Trustee for purposes of comment 7(b)(12)(iv)-2.iv.

7. *Advertising or marketing information.* If a consumer requests information about credit counseling services, the card issuer may not provide advertisements or marketing materials to the consumer (except for providing the name of the issuer) prior to providing the information required by §1026.7(b)(12)(iv). Educational materials that do not solicit business are not considered advertisements or marketing materials for this purpose. Examples:

i. *Toll-free telephone number.* As described in comment 7(b)(12)(iv)-4, an issuer may provide a toll-free telephone number that is designed to handle customer service calls generally, so long as the option to receive the information required by §1026.7(b)(12)(iv) through that toll-free telephone number is prominently disclosed to the consumer. Once the consumer selects the option to receive the information required by §1026.7(b)(12)(iv), the issuer may not provide advertisements or marketing materials to the consumer (except for providing the name of the issuer) prior to providing the required information.

ii. *Web page.* If the issuer discloses a link to a Web site address as part of the disclosures pursuant to comment 7(b)(12)(iv)-6, the issuer may not provide advertisements or marketing materials (except for providing the name of the issuer) on the Web page accessed by the address prior to providing the information required by §1026.7(b)(12)(iv).

### 7(b)(12)(v) Exemptions

1. *Billing cycle where paying the minimum payment due for that billing cycle will pay the outstanding balance on the account for that billing cycle.* Under §1026.7(b)(12)(v)(C), a card issuer is exempt from the repayment disclosure requirements set forth in §1026.7(b)(12) for a particular billing cycle where paying the minimum payment due for that billing cycle will pay the outstanding balance on the account for that billing cycle. For example, if the entire outstanding balance on an account for a particular billing cycle is \$20 and the minimum payment is \$20, an issuer would not need to comply with the repayment disclosure requirements for that particular billing cycle. In addition, this exemption would apply to a charged-off account where payment of the entire account balance is due immediately.

### 7(b)(13) Format Requirements

1. *Combined asset account and credit account statements.* Some financial institutions provide information about deposit account and open-end credit account activity on one periodic statement. For purposes of providing disclosures on the front of the first page of the periodic statement pursuant to §1026.7(b)(13), the first page of such a combined statement shall be the page on which credit transactions first appear. This guidance also applies to financial institutions that provide information about prepaid accounts and account activity in connection with covered separate credit features accessible by hybrid prepaid-credit cards as defined in §1026.61 on one periodic statement.

### Section 1026.8—Identifying Transactions on Periodic Statements

#### 8(a) Sale Credit

1. *Sale credit.* The term “sale credit” refers to a purchase in which the consumer uses a credit card or otherwise directly accesses an open-end line of credit (see comment 8(b)-1 if access is by means of a check) to obtain goods or services from a merchant, whether or not the merchant is the card issuer or creditor. See comment 8(a)-9 for guidance on when credit accessed by a hybrid prepaid-credit card from a covered separate credit feature is “sale credit” or “nonsale credit.” “Sale credit” includes:

i. The purchase of funds-transfer services (such as a wire transfer) from an intermediary.

ii. The purchase of services from the card issuer or creditor. For the purchase of services that are costs imposed as part of the plan under §1026.6(b)(3), card issuers and creditors comply with the requirements for identifying transactions under this section by disclosing the fees in accordance with the

**Pt. 1026, Supp. I**

requirements of §1026.7(b)(6). For the purchases of services that are not costs imposed as part of the plan, card issuers and creditors may, at their option, identify transactions under this section or in accordance with the requirements of §1026.7(b)(6).

2. *Amount—transactions not billed in full.* If sale transactions are not billed in full on any single statement, but are billed periodically in precomputed installments, the first periodic statement reflecting the transaction must show either the full amount of the transaction together with the date the transaction actually took place; or the amount of the first installment that was debited to the account together with the date of the transaction or the date on which the first installment was debited to the account. In any event, subsequent periodic statements should reflect each installment due, together with either any other identifying information required by §1026.8(a) (such as the seller's name and address in a three-party situation) or other appropriate identifying information relating the transaction to the first billing. The debiting date for the particular installment, or the date the transaction took place, may be used as the date of the transaction on these subsequent statements.

3. *Date—when a transaction takes place.* i. If the consumer conducts the transaction in person, the date of the transaction is the calendar date on which the consumer made the purchase or order, or secured the advance.

ii. For transactions billed to the account on an ongoing basis (other than installments to pay a precomputed amount), the date of the transaction is the date on which the amount is debited to the account. This might include, for example, monthly insurance premiums.

iii. For mail, Internet, or telephone orders, a creditor may disclose as the transaction date either the invoice date, the debiting date, or the date the order was placed by telephone or via the Internet.

iv. In a foreign transaction, the debiting date may be considered the transaction date.

4. *Date—sufficiency of description.* i. If the creditor discloses only the date of the transaction, the creditor need not identify it as the "transaction date." If the creditor discloses more than one date (for example, the transaction date and the posting date), the creditor must identify each.

ii. The month and day sufficiently identify the transaction date, unless the posting of the transaction is delayed so long that the year is needed for a clear disclosure to the consumer.

5. *Same or related persons.* i. For purposes of identifying transactions, the term *same or related persons* refers to, for example:

A. Franchised or licensed sellers of a creditor's product or service.

B. Sellers who assign or sell open-end sales accounts to a creditor or arrange for such

**12 CFR Ch. X (1-1-24 Edition)**

credit under a plan that allows the consumer to use the credit only in transactions with that seller.

ii. A seller is not related to the creditor merely because the seller and the creditor have an agreement authorizing the seller to honor the creditor's credit card.

6. *Brief identification—sufficiency of description.* The "brief identification" provision in §1026.8(a)(1)(i) requires a designation that will enable the consumer to reconcile the periodic statement with the consumer's own records. In determining the sufficiency of the description, the following rules apply:

i. While item-by-item descriptions are not necessary, reasonable precision is required. For example, "merchandise," "miscellaneous," "second-hand goods," or "promotional items" would not suffice.

ii. A reference to a department in a sales establishment that accurately conveys the identification of the types of property or services available in the department is sufficient—for example, "jewelry," or "sporting goods."

iii. A number or symbol that is related to an identification list printed elsewhere on the statement that reasonably identifies the transaction with the creditor is sufficient.

7. *Seller's name—sufficiency of description.* The requirement contemplates that the seller's name will appear on the periodic statement in essentially the same form as it appears on transaction documents provided to the consumer at the time of the sale. The seller's name may also be disclosed as, for example:

i. A more complete spelling of the name that was alphabetically abbreviated on the receipt or other credit document.

ii. An alphabetical abbreviation of the name on the periodic statement even if the name appears in a more complete spelling on the receipt or other credit document. Terms that merely indicate the form of a business entity, such as "Inc.," "Co.," or "Ltd.," may always be omitted.

8. *Location of transaction.* i. If the seller has multiple stores or branches within a city, the creditor need not identify the specific branch at which the sale occurred.

ii. When no meaningful address is available because the consumer did not make the purchase at any fixed location of the seller, the creditor may omit the address, or may provide some other identifying designation, such as "aboard plane," "ABC Airways Flight," "customer's home," "telephone order," "internet order" or "mail order."

9. *Covered separate credit feature accessible by hybrid prepaid-credit card.* i. A transaction will be treated as a "sale credit" under §1026.8(a) in cases where a consumer uses a hybrid prepaid-credit card as defined in §1026.61 to make a purchase to obtain goods or services from a merchant with credit from a covered separate credit feature and the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

credit is drawn directly from the covered separate credit feature without transferring funds into the asset feature of the prepaid account to cover the amount of the purchase. For example, assume that the consumer has \$10 of funds in the asset feature of the prepaid account and initiates a transaction with a merchant to obtain goods or services with the hybrid prepaid-credit card for \$25. In this case, \$10 is debited from the asset feature, and \$15 of credit is drawn directly from the covered separate credit feature accessed by the hybrid prepaid-credit card without any transfer of funds into the asset feature of the prepaid account to cover the amount of the purchase. The \$15 credit transaction will be treated as "sale credit" under § 1026.8(a).

ii. On the other hand, a transaction will be treated as "nonsale credit" for purposes of § 1026.8(b) in cases where a consumer uses a hybrid prepaid-credit card as defined in § 1026.61 to make a purchase to obtain goods or services from a merchant and credit is transferred from a covered separate credit feature accessed by the hybrid prepaid-credit card into the asset feature of the prepaid account to cover the amount of the purchase. For example, assume the same facts as above, except that the \$15 will be transferred from the credit feature to the asset feature, and a transaction of \$25 is debited from the asset feature of the prepaid account. In this case, the \$15 credit transaction is treated as "nonsale credit" under § 1026.8(b). See comment 8(b)-1.vi below.

iii. If a transaction is "sale credit" as described above in comment 8(a)-9.i, the following applies:

A. If a hybrid prepaid-credit card is used to obtain goods or services from a merchant and the transaction is partially paid with funds in the asset feature of the prepaid account, and partially paid with credit from a covered separate credit feature, the amount to be disclosed under § 1026.8(a) is the amount of the credit extension, not the total amount of the purchase transaction.

B. For a transaction at point of sale where credit from a covered separate credit feature is accessed by a hybrid prepaid-credit card, and that transaction partially involves the purchase of goods or services and partially involves other credit such as cash back given to the cardholder, the creditor must disclose the entire amount of the credit transaction as sale credit, including the part of the transaction that does not relate to the purchase of goods or services.

### 8(b) Nonsale Credit

1. *Nonsale credit.* The term "nonsale credit" refers to any form of loan credit including, for example:

i. A cash advance.

ii. An advance on a credit plan that is accessed by overdrafts on an asset account

other than a prepaid account as defined in § 1026.61.

iii. The use of a "supplemental credit device" in the form of a check or draft or the use of the overdraft credit plan accessed by a debit card, even if such use is in connection with a purchase of goods or services.

iv. Miscellaneous debits to remedy mispostings, returned checks, and similar entries.

v. An advance at an ATM on a covered separate credit feature accessed by a hybrid prepaid-credit card as defined in § 1026.61. If a hybrid prepaid-credit card is used to obtain an advance at an ATM and the transaction is partially paid with funds from the asset feature of the prepaid account, and partially paid with a credit extension from the covered separate credit feature, the amount to be disclosed under § 1026.8(b) is the amount of the credit extension, not the total amount of the ATM transaction.

vi. A transaction where a consumer uses a hybrid prepaid-credit card as defined in § 1026.61 to make a purchase to obtain goods or services from a merchant and credit is transferred from a covered separate credit feature accessed by the hybrid prepaid-credit card into the asset feature of the prepaid account to cover the amount of the purchase, as described in comment 8(a)-9.ii. In this scenario, the amount to be disclosed under § 1026.8(b) is the amount of the credit extension, not the total amount of the purchase transaction.

2. *Amount—overdraft credit plans.* If credit is extended under an overdraft credit plan tied to an asset account other than a prepaid account as defined in § 1026.61 or by means of a debit card tied to an overdraft credit plan:

i. The amount to be disclosed is that of the credit extension, not the face amount of the check or the total amount of the debit/credit transaction.

ii. The creditor may disclose the amount of the credit extensions on a cumulative daily basis, rather than the amount attributable to each check or each use of the debit card that accesses the credit plan.

3. *Date of transaction.* See comment 8(a)-4.

4. *Nonsale transaction—sufficiency of identification.* The creditor sufficiently identifies a nonsale transaction by describing the type of advance it represents, such as cash advance, loan, overdraft loan, or any readily understandable trade name for the credit program.

### Section 1026.9—Subsequent Disclosure Requirements

#### 9(a) Furnishing Statement of Billing Rights

##### 9(a)(1) Annual Statement

1. *General.* The creditor may provide the annual billing rights statement:

## Pt. 1026, Supp. I

- i. By sending it in one billing period per year to each consumer that gets a periodic statement for that period; or
  - ii. By sending a copy to all of its accountholders sometime during the calendar year but not necessarily all in one billing period (for example, sending the annual notice in connection with renewal cards or when imposing annual membership fees).
2. *Substantially similar.* See the commentary to Model Forms G-3 and G-3(A) in appendix G to part 1026.

### 9(a)(2) Alternative Summary Statement

1. *Changing from long-form to short form statement and vice versa.* If the creditor has been sending the long-form annual statement, and subsequently decides to use the alternative summary statement, the first summary statement must be sent no later than 12 months after the last long-form statement was sent. Conversely, if the creditor wants to switch to the long-form, the first long-form statement must be sent no later than 12 months after the last summary statement.

2. *Substantially similar.* See the commentary to Model Forms G-4 and G-4(A) in appendix G to part 1026.

### 9(b) Disclosures for Supplemental Credit Access Devices and Additional Features

1. *Credit access device—examples.* Credit access device includes, for example, a blank check, payee-designated check, blank draft or order, or authorization form for issuance of a check; it does not include a check issued payable to a consumer representing loan proceeds or the disbursement of a cash advance.

2. *Credit account feature—examples.* A new credit account feature would include, for example:

- i. The addition of overdraft checking to an existing account (although the regular checks that could trigger the overdraft feature are not themselves “devices”).
- ii. The option to use an existing credit card to secure cash advances, when previously the card could only be used for purchases.

#### Paragraph 9(b)(2)

1. *Different finance charge terms.* Except as provided in §1026.9(b)(3) for checks that access a credit card account, if the finance charge terms are different from those previously disclosed, the creditor may satisfy the requirement to give the finance charge terms either by giving a complete set of new account-opening disclosures reflecting the terms of the added device or feature or by giving only the finance charge disclosures for the added device or feature.

## 12 CFR Ch. X (1-1-24 Edition)

### 9(b)(3) Checks That Access a Credit Card Account

#### 9(b)(3)(i) Disclosures

1. *Front of the page containing the checks.* The following would comply with the requirement that the tabular disclosures provided pursuant to §1026.9(b)(3) appear on the front of the page containing the checks:

- i. Providing the tabular disclosure on the front of the first page on which checks appear, for an offer where checks are provided on multiple pages;

- ii. Providing the tabular disclosure on the front of a mini-book or accordion booklet containing the checks; or

- iii. Providing the tabular disclosure on the front of the solicitation letter, when the checks are printed on the front of the same page as the solicitation letter even if the checks can be separated by the consumer from the solicitation letter using perforations.

2. *Combined disclosures for checks and other transactions subject to the same terms.* A card issuer may include in the tabular disclosure provided pursuant to §1026.9(b)(3) disclosures regarding the terms offered on non-check transactions, provided that such transactions are subject to the same terms that are required to be disclosed pursuant to §1026.9(b)(3)(i) for the checks that access a credit card account. However, a card issuer may not include in the table information regarding additional terms that are not required disclosures for checks that access a credit card account pursuant to §1026.9(b)(3).

#### Paragraph 9(b)(3)(i)(D)

1. *Grace period.* A creditor may not disclose under §1026.9(b)(3)(i)(D) the limitations on the imposition of finance charges as a result of a loss of a grace period in §1026.54, or the impact of payment allocation on whether interest is charged on transactions as a result of a loss of a grace period. Some creditors may offer a grace period on credit extended by the use of an access check under which interest will not be charged on the check transactions if the consumer pays the outstanding balance shown on a periodic statement in full by the due date shown on that statement for one or more billing cycles. In these circumstances, §1026.9(b)(3)(i)(D) requires that the creditor disclose the grace period using the following language, or substantially similar language, as applicable: “Your due date is [at least] \_\_\_\_ days after the close of each billing cycle. We will not charge you any interest on check transactions if you pay your entire balance by the due date each month.” However, other creditors may offer a grace period on check transactions under which interest may be charged on check transactions even if the consumer pays the outstanding balance shown on a

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

periodic statement in full by the due date shown on that statement each billing cycle. In these circumstances, §1026.9(b)(3)(i)(D) requires the creditor to amend the above disclosure language to describe accurately the conditions on the applicability of the grace period. Creditors may use the following language to describe that no grace period on check transactions is offered, as applicable: “We will begin charging interest on these checks on the transaction date.”

### 9(c) Change in Terms

#### 9(c)(1) Rules Affecting Home-Equity Plans

1. *Changes initially disclosed.* No notice of a change in terms need be given if the specific change is set forth initially, such as: rate increases under a properly disclosed variable rate plan, a rate increase that occurs when an employee has been under a preferential rate agreement and terminates employment, or an increase that occurs when the consumer has been under an agreement to maintain a certain balance in a savings account in order to keep a particular rate and the account balance falls below the specified minimum. The rules in §1026.40(f) relating to home-equity plans limit the ability of a creditor to change the terms of such plans.

2. *State law issues.* Examples of issues not addressed by §1026.9(c) because they are controlled by state or other applicable law include:

i. The types of changes a creditor may make. (But see §1026.40(f).)

ii. How changed terms affect existing balances, such as when a periodic rate is changed and the consumer does not pay off the entire existing balance before the new rate takes effect.

3. *Change in billing cycle.* Whenever the creditor changes the consumer's billing cycle, it must give a change-in-terms notice if the change either affects any of the terms required to be disclosed under §1026.6(a) or increases the minimum payment, unless an exception under §1026.9(c)(1)(ii) applies; for example, the creditor must give advance notice if the creditor initially disclosed a 25-day grace period on purchases and the consumer will have fewer days during the billing cycle change.

4. *Changing index for calculating a variable rate from LIBOR to the Board-selected benchmark replacement for consumer loans in specified circumstances.* If a creditor is replacing a LIBOR index with the Board-selected benchmark replacement for consumer loans to replace the 1-month, 3-month, 6-month, or 12-month U.S. Dollar LIBOR index, the creditor is not changing the margin used to calculate the variable rate as a result of the replacement, and a periodic rate or the corresponding annual percentage rate based on the replacement index is unknown to the creditor at the time the change-in-terms no-

tice is provided because the Board-selected benchmark replacement for consumer loans has not been published at the time the creditor provides the change-in-terms notice but will be published by the time the replacement of the index takes effect on the account, the creditor may comply with any requirement to disclose the amount of the new rate (as calculated using the new index), or a change in the periodic rate or the corresponding annual percentage rate (as calculated using the replacement index), based on the best information reasonably available, clearly stating that the disclosure is an estimate. For example, in this situation, the creditor may state that: (1) information about the rate is not yet available but that the creditor estimates that, at the time the index is replaced, the rate will be substantially similar to what it would be if the index did not have to be replaced; and (2) the rate will vary with the market based on a SOFR index. See §1026.2(a)(28) for the definition of the *Board-selected benchmark replacement for consumer loans*.

#### 9(c)(1)(i) Written Notice Required

1. *Affected consumers.* Change-in-terms notices need only go to those consumers who may be affected by the change. For example, a change in the periodic rate for check overdraft credit need not be disclosed to consumers who do not have that feature on their accounts.

2. *Timing—effective date of change.* The rule that the notice of the change in terms be provided at least 15 days before the change takes effect permits mid-cycle changes when there is clearly no retroactive effect, such as the imposition of a transaction fee. Any change in the balance computation method, in contrast, would need to be disclosed at least 15 days prior to the billing cycle in which the change is to be implemented.

3. *Timing—advance notice not required.* Advance notice of 15 days is not necessary—that is, a notice of change in terms is required, but it may be mailed or delivered as late as the effective date of the change—in two circumstances:

i. If there is an increased periodic rate or any other finance charge attributable to the consumer's delinquency or default.

ii. If the consumer agrees to the particular change. This provision is intended for use in the unusual instance when a consumer substitutes collateral or when the creditor can advance additional credit only if a change relatively unique to that consumer is made, such as the consumer's providing additional security or paying an increased minimum payment amount. Therefore, the following are not “agreements” between the consumer and the creditor for purposes of

**Pt. 1026, Supp. I**

§ 1026.9(c)(1)(i): The consumer's general acceptance of the creditor's contract reservation of the right to change terms; the consumer's use of the account (which might imply acceptance of its terms under state law); and the consumer's acceptance of a unilateral term change that is not particular to that consumer, but rather is of general applicability to consumers with that type of account.

4. *Form of change-in-terms notice.* A complete new set of the initial disclosures containing the changed term complies with § 1026.9(c)(1)(i) if the change is highlighted in some way on the disclosure statement, or if the disclosure statement is accompanied by a letter or some other insert that indicates or draws attention to the term change.

5. *Security interest change—form of notice.* A copy of the security agreement that describes the collateral securing the consumer's account may be used as the notice, when the term change is the addition of a security interest or the addition or substitution of collateral.

6. *Changes to home-equity plans entered into on or after November 7, 1989.* Section 1026.9(c)(1) applies when, by written agreement under § 1026.40(f)(3)(iii), a creditor changes the terms of a home-equity plan—entered into on or after November 7, 1989—at or before its scheduled expiration, for example, by renewing a plan on terms different from those of the original plan. In disclosing the change:

i. If the index is changed, the maximum annual percentage rate is increased (to the limited extent permitted by § 1026.30), or a variable-rate feature is added to a fixed-rate plan, the creditor must include the disclosures required by § 1026.40(d)(12)(x) and (d)(12)(xi), unless these disclosures are unchanged from those given earlier.

ii. If the minimum payment requirement is changed, the creditor must include the disclosures required by § 1026.40(d)(5)(iii) (and, in variable-rate plans, the disclosures required by § 1026.40(d)(12)(x) and (d)(12)(xi)) unless the disclosures given earlier contained representative examples covering the new minimum payment requirement. (See the commentary to § 1026.40(d)(5)(iii), (d)(12)(x) and (d)(12)(xi) for a discussion of representative examples.)

iii. When the terms are changed pursuant to a written agreement as described in § 1026.40(f)(3)(iii), the advance-notice requirement does not apply.

**9(c)(1)(ii) Notice Not Required**

1. *Changes not requiring notice.* The following are examples of changes that do not require a change-in-terms notice:

- i. A change in the consumer's credit limit.
- ii. A change in the name of the credit card or credit card plan.

**12 CFR Ch. X (1-1-24 Edition)**

iii. The substitution of one insurer for another.

iv. A termination or suspension of credit privileges. (But see § 1026.40(f).)

v. Changes arising merely by operation of law; for example, if the creditor's security interest in a consumer's car automatically extends to the proceeds when the consumer sells the car.

2. *Skip features.* If a credit program allows consumers to skip or reduce one or more payments during the year, or involves temporary reductions in finance charges, no notice of the change in terms is required either prior to the reduction or upon resumption of the higher rates or payments if these features are explained on the initial disclosure statement (including an explanation of the terms upon resumption). For example, a merchant may allow consumers to skip the December payment to encourage holiday shopping, or a teachers' credit union may not require payments during summer vacation. Otherwise, the creditor must give notice prior to resuming the original schedule or rate, even though no notice is required prior to the reduction. The change-in-terms notice may be combined with the notice offering the reduction. For example, the periodic statement reflecting the reduction or skip feature may also be used to notify the consumer of the resumption of the original schedule or rate, either by stating explicitly when the higher payment or charges resume, or by indicating the duration of the skip option. Language such as "You may skip your October payment," or "We will waive your finance charges for January," may serve as the change-in-terms notice.

3. *Replacing LIBOR.* The exception in § 1026.9(c)(1)(ii) under which a creditor is not required to provide a change-in-terms notice under § 1026.9(c)(1) when the change involves a reduction of any component of a finance or other charge does not apply on or after October 1, 2022, to margin reductions when a LIBOR index is replaced, as permitted by § 1026.40(f)(3)(ii)(A) or (B). For change-in-terms notices provided under § 1026.9(c)(1) on or after October 1, 2022, covering changes permitted by § 1026.40(f)(3)(ii)(A) or (B), a creditor must provide a change-in-terms notice under § 1026.9(c)(1) disclosing the replacement index for a LIBOR index and any adjusted margin that is permitted under § 1026.40(f)(3)(ii)(A) or (B), even if the margin is reduced. From April 1, 2022, through September 30, 2022, a creditor has the option of disclosing a reduced margin in the change-in-terms notice that discloses the replacement index for a LIBOR index as permitted by § 1026.40(f)(3)(ii)(A) or (B).

**9(c)(1)(iii) Notice to Restrict Credit**

1. *Written request for reinstatement.* If a creditor requires the request for reinstatement of

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

credit privileges to be in writing, the notice under §1026.9(c)(1)(ii) must state that fact.

2. *Notice not required.* A creditor need not provide a notice under this paragraph if, pursuant to the commentary to §1026.40(f)(2), a creditor freezes a line or reduces a credit line rather than terminating a plan and accelerating the balance.

### 9(c)(2) Rules Affecting Open-End (Not Home-Secured) Plans

1. *Changes initially disclosed.* Except as provided in §1026.9(g)(1), no notice of a change in terms need be given if the specific change is set forth initially consistent with any applicable requirements, such as rate or fee increases upon expiration of a specific period of time that were disclosed in accordance with §1026.9(c)(2)(v)(B) or rate increases under a properly disclosed variable-rate plan in accordance with §1026.9(c)(2)(v)(C). In contrast, notice must be given if the contract allows the creditor to increase a rate or fee at its discretion.

2. *State law issues.* Some issues are not addressed by §1026.9(c)(2) because they are controlled by state or other applicable laws. These issues include the types of changes a creditor may make, to the extent otherwise permitted by this part.

3. *Change in billing cycle.* Whenever the creditor changes the consumer's billing cycle, it must give a change-in-terms notice if the change affects any of the terms described in §1026.9(c)(2)(i), unless an exception under §1026.9(c)(2)(v) applies; for example, the creditor must give advance notice if the creditor initially disclosed a 28-day grace period on purchases and the consumer will have fewer days during the billing cycle change. *See also* §1026.7(b)(11)(i)(A) regarding the general requirement that the payment due date for a credit card account under an open-end (not home-secured) consumer credit plan must be the same day each month.

4. *Relationship to §1026.9(b).* If a creditor adds a feature to the account on the type of terms otherwise required to be disclosed under §1026.6, the creditor must satisfy: The requirement to provide the finance charge disclosures for the added feature under §1026.9(b); and any applicable requirement to provide a change-in-terms notice under §1026.9(c), including any advance notice that must be provided. For example, if a creditor adds a balance transfer feature to an account more than 30 days after account-opening disclosures are provided, it must give the finance charge disclosures for the balance transfer feature under §1026.9(b) as well as comply with the change-in-terms notice requirements under §1026.9(c), including providing notice of the change at least 45 days prior to the effective date of the change. Similarly, if a creditor makes a balance transfer offer on finance charge terms that are higher than those previously disclosed

for balance transfers, it would also generally be required to provide a change-in-terms notice at least 45 days in advance of the effective date of the change. A creditor may provide a single notice under §1026.9(c) to satisfy the notice requirements of both paragraphs (b) and (c) of §1026.9. For checks that access a credit card account subject to the disclosure requirements in §1026.9(b)(3), a creditor is not subject to the notice requirements under §1026.9(c) even if the applicable rate or fee is higher than those previously disclosed for such checks. Thus, for example, the creditor need not wait 45 days before applying the new rate or fee for transactions made using such checks, but the creditor must make the required disclosures on or with the checks in accordance with §1026.9(b)(3).

### 9(c)(2)(i) Changes Where Written Advance Notice is Required

1. *Affected consumers.* Change-in-terms notices need only go to those consumers who may be affected by the change. For example, a change in the periodic rate for check overdraft credit need not be disclosed to consumers who do not have that feature on their accounts. If a single credit account involves multiple consumers that may be affected by the change, the creditor should refer to §1026.5(d) to determine the number of notices that must be given.

2. *Timing—effective date of change.* The rule that the notice of the change in terms be provided at least 45 days before the change takes effect permits mid-cycle changes when there is clearly no retroactive effect, such as the imposition of a transaction fee. Any change in the balance computation method, in contrast, would need to be disclosed at least 45 days prior to the billing cycle in which the change is to be implemented.

3. *Changes agreed to by the consumer.* See also comment 5(b)(1)(i)-6.

4. *Form of change-in-terms notice.* Except if §1026.9(c)(2)(iv) applies, a complete new set of the initial disclosures containing the changed term complies with §1026.9(c)(2)(i) if the change is highlighted on the disclosure statement, or if the disclosure statement is accompanied by a letter or some other insert that indicates or draws attention to the term being changed.

5. *Security interest change—form of notice.* A creditor must provide a description of any security interest it is acquiring under §1026.9(c)(2)(iv). A copy of the security agreement that describes the collateral securing the consumer's account may also be used as the notice, when the term change is the addition of a security interest or the addition or substitution of collateral.

6. *Examples.* See comment 55(a)-1 and 55(b)-3 for examples of how a card issuer that is

**Pt. 1026, Supp. I**

subject to § 1026.55 may comply with the timing requirements for notices required by § 1026.9(c)(2)(i).

**9(c)(2)(iii) Charges not Covered by § 1026.6(b)(1) and (b)(2)**

1. *Applicability.* Generally, if a creditor increases any component of a charge, or introduces a new charge, that is imposed as part of the plan under § 1026.6(b)(3) but is not required to be disclosed as part of the account-opening summary table under § 1026.6(b)(1) and (b)(2), the creditor must either, at its option (i) provide at least 45 days' written advance notice before the change becomes effective to comply with the requirements of § 1026.9(c)(2)(i), or (ii) provide notice orally or in writing, or electronically if the consumer requests the service electronically, of the amount of the charge to an affected consumer before the consumer agrees to or becomes obligated to pay the charge, at a time and in a manner that a consumer would be likely to notice the disclosure. (See the commentary under § 1026.5(a)(1)(iii) regarding disclosure of such changes in electronic form.) For example, a fee for expedited delivery of a credit card is a charge imposed as part of the plan under § 1026.6(b)(3) but is not required to be disclosed in the account-opening summary table under § 1026.6(b)(1) and (b)(2). If a creditor changes the amount of that expedited delivery fee, the creditor may provide written advance notice of the change to affected consumers at least 45 days before the change becomes effective. Alternatively, the creditor may provide oral or written notice, or electronic notice if the consumer requests the service electronically, of the amount of the charge to an affected consumer before the consumer agrees to or becomes obligated to pay the charge, at a time and in a manner that the consumer would be likely to notice the disclosure. (See comment 5(b)(1)(ii)-1 for examples of disclosures given at a time and in a manner that the consumer would be likely to notice them.)

**9(c)(2)(iv) Disclosure Requirements**

1. *Changing margin for calculating a variable rate.* If a creditor is changing a margin used to calculate a variable rate, the creditor must disclose the amount of the new rate (as calculated using the new margin) in the table described in § 1026.9(c)(2)(iv), and include a reminder that the rate is a variable rate. For example, if a creditor is changing the margin for a variable rate that uses the prime rate as an index, the creditor must disclose in the table the new rate (as calculated using the new margin) and indicate that the rate varies with the market based on the prime rate.

2. *Changing index for calculating a variable rate.* i. *In general.* If a creditor is changing the index used to calculate a variable rate,

**12 CFR Ch. X (1-1-24 Edition)**

the creditor must disclose the amount of the new rate (as calculated using the new index) and indicate that the rate varies and how the rate is determined, as explained in § 1026.6(b)(2)(i)(A). For example, if a creditor is changing from using a LIBOR index to using a prime index in calculating a variable rate, the creditor would disclose in the table the new rate (using the new index) and indicate that the rate varies with the market based on a prime index.

ii. *Changing index for calculating a variable rate from LIBOR to the Board-selected benchmark replacement for consumer loans in specified circumstances.* If a creditor is replacing a LIBOR index with the Board-selected benchmark replacement for consumer loans to replace the 1-month, 3-month, 6-month, or 12-month U.S. Dollar LIBOR index, the creditor is not changing the margin used to calculate the variable rate as a result of the replacement, and a periodic rate or the corresponding annual percentage rate based on the replacement index is unknown to the creditor at the time the change-in-terms notice is provided because the Board-selected benchmark replacement for consumer loans has not been published at the time the creditor provides the change-in-terms notice, but will be published by the time the replacement of the index takes effect on the account, the creditor may comply with any requirement to disclose the amount of the new rate (as calculated using the new index), or a change in the periodic rate or the corresponding annual percentage rate (as calculated using the replacement index), based on the best information reasonably available, clearly stating that the disclosure is an estimate. For example, in this situation, the creditor may state that: (1) information about the rate is not yet available but that the creditor estimates that, at the time the index is replaced, the rate will be substantially similar to what it would be if the index did not have to be replaced; and (2) the rate will vary with the market based on a SOFR index. See § 1026.2(a)(28) for the definition of the *Board-selected benchmark replacement for consumer loans*.

3. *Changing from a variable rate to a non-variable rate.* If a creditor is changing a rate applicable to a consumer's account from a variable rate to a non-variable rate, the creditor generally must provide a notice as otherwise required under § 1026.9(c) even if the variable rate at the time of the change is higher than the non-variable rate. However, a creditor is not required to provide a notice under § 1026.9(c) if the creditor provides the disclosures required by § 1026.9(c)(2)(v)(B) or (c)(2)(v)(D) in connection with changing a variable rate to a lower nonvariable rate. Similarly, a creditor is not required to provide a notice under § 1026.9(c) when changing a variable rate to a lower non-variable rate in order to comply with 50 U.S.C. app. 527 or

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

a similar Federal or state statute or regulation. Finally, a creditor is not required to provide a notice under §1026.9(c) when changing a variable rate to a lower non-variable rate in order to comply with §1026.55(b)(4).

4. *Changing from a non-variable rate to a variable rate.* If a creditor is changing a rate applicable to a consumer's account from a non-variable rate to a variable rate, the creditor generally must provide a notice as otherwise required under §1026.9(c) even if the non-variable rate is higher than the variable rate at the time of the change. However, a creditor is not required to provide a notice under §1026.9(c) if the creditor provides the disclosures required by §1026.9(c)(2)(v)(B) or (c)(2)(v)(D) in connection with changing a non-variable rate to a lower variable rate. Similarly, a creditor is not required to provide a notice under §1026.9(c) when changing a non-variable rate to a lower variable rate in order to comply with 50 U.S.C. app. 527 or a similar Federal or state statute or regulation. Finally, a creditor is not required to provide a notice under §1026.9(c) when changing a non-variable rate to a lower variable rate in order to comply with §1026.55(b)(4). See comment 55(b)(2)-4 regarding the limitations in §1026.55(b)(2) on changing the rate that applies to a protected balance from a non-variable rate to a variable rate.

5. *Changes in the penalty rate, the triggers for the penalty rate, or how long the penalty rate applies.* If a creditor is changing the amount of the penalty rate, the creditor must also redisclose the triggers for the penalty rate and the information about how long the penalty rate applies even if those terms are not changing. Likewise, if a creditor is changing the triggers for the penalty rate, the creditor must redisclose the amount of the penalty rate and information about how long the penalty rate applies. If a creditor is changing how long the penalty rate applies, the creditor must redisclose the amount of the penalty rate and the triggers for the penalty rate, even if they are not changing.

6. *Changes in fees.* If a creditor is changing part of how a fee that is disclosed in a tabular format under §1026.6(b)(1) and (2) is determined, the creditor must redisclose all relevant information related to that fee regardless of whether this other information is changing. For example, if a creditor currently charges a cash advance fee of "Either \$5 or 3% of the transaction amount, whichever is greater (Max: \$100)," and the creditor is only changing the minimum dollar amount from \$5 to \$10, the issuer must redisclose the other information related to how the fee is determined. For example, the creditor in this example would disclose the following: "Either \$10 or 3% of the transaction amount, whichever is greater (Max: \$100)."

7. *Combining a notice described in §1026.9(c)(2)(iv) with a notice described in §1026.9(g)(3).* If a creditor is required to pro-

vide a notice described in §1026.9(c)(2)(iv) and a notice described in §1026.9(g)(3) to a consumer, the creditor may combine the two notices. This would occur if penalty pricing has been triggered, and other terms are changing on the consumer's account at the same time.

8. *Content.* Sample G-20 contains an example of how to comply with the requirements in §1026.9(c)(2)(iv) when a variable rate is being changed to a non-variable rate on a credit card account. The sample explains when the new rate will apply to new transactions and to which balances the current rate will continue to apply. Sample G-21 contains an example of how to comply with the requirements in §1026.9(c)(2)(iv) when the late payment fee on a credit card account is being increased, and the returned payment fee is also being increased. The sample discloses the consumer's right to reject the changes in accordance with §1026.9(h).

9. *Clear and conspicuous standard.* See comment 5(a)(1)-1 for the clear and conspicuous standard applicable to disclosures required under §1026.9(c)(2)(iv)(A)(1).

10. *Terminology.* See §1026.5(a)(2) for terminology requirements applicable to disclosures required under §1026.9(c)(2)(iv)(A)(1).

11. *Reasons for increase.* i. *In general.* Section 1026.9(c)(2)(iv)(A)(8) requires card issuers to disclose the principal reason(s) for increasing an annual percentage rate applicable to a credit card account under an open-end (not home-secured) consumer credit plan. The regulation does not mandate a minimum number of reasons that must be disclosed. However, the specific reasons disclosed under §1026.9(c)(2)(iv)(A)(8) are required to relate to and accurately describe the principal factors actually considered by the card issuer in increasing the rate. A card issuer may describe the reasons for the increase in general terms. For example, the notice of a rate increase triggered by a decrease of 100 points in a consumer's credit score may state that the increase is due to "a decline in your creditworthiness" or "a decline in your credit score." Similarly, a notice of a rate increase triggered by a 10% increase in the card issuer's cost of funds may be disclosed as "a change in market conditions." In some circumstances, it may be appropriate for a card issuer to combine the disclosure of several reasons in one statement. However, §1026.9(c)(2)(iv)(A)(8) requires that the notice specifically disclose any violation of the terms of the account on which the rate is being increased, such as a late payment or a returned payment, if such violation of the account terms is one of the four principal reasons for the rate increase.

ii. *Example.* Assume that a consumer made a late payment on the credit card account on which the rate increase is being imposed, made a late payment on a credit card account with another card issuer, and the consumer's credit score decreased, in part due to

such late payments. The card issuer may disclose the reasons for the rate increase as a decline in the consumer's credit score and the consumer's late payment on the account subject to the increase. Because the late payment on the credit card account with the other issuer also likely contributed to the decline in the consumer's credit score, it is not required to be separately disclosed. However, the late payment on the credit card account on which the rate increase is being imposed must be specifically disclosed even if that late payment also contributed to the decline in the consumer's credit score.

#### 9(c)(2)(v) Notice not Required

1. *Changes not requiring notice.* The following are examples of changes that do not require a change-in-terms notice:

- i. A change in the consumer's credit limit except as otherwise required by § 1026.9(c)(2)(vi).
- ii. A change in the name of the credit card or credit card plan.
- iii. The substitution of one insurer for another.
- iv. A termination or suspension of credit privileges.
- v. Changes arising merely by operation of law; for example, if the creditor's security interest in a consumer's car automatically extends to the proceeds when the consumer sells the car.

2. *Skip features.* i. *Skipped or reduced payments.* If a credit program allows consumers to skip or reduce one or more payments during the year, no notice of the change in terms is required either prior to the reduction in payments or upon resumption of the higher payments if these features are explained on the account-opening disclosure statement (including an explanation of the terms upon resumption). For example, a merchant may allow consumers to skip the December payment to encourage holiday shopping, or a teacher's credit union may not require payments during summer vacation. Otherwise, the creditor must give notice prior to resuming the original payment schedule, even though no notice is required prior to the reduction. The change-in-terms notice may be combined with the notice offering the reduction. For example, the periodic statement reflecting the skip feature may also be used to notify the consumer of the resumption of the original payment schedule, either by stating explicitly when the higher resumes or by indicating the duration of the skip option. Language such as "You may skip your October payment" may serve as the change-in-terms notice.

ii. *Temporary reductions in interest rates or fees.* If a credit program involves temporary reductions in an interest rate or fee, no notice of the change in terms is required either prior to the reduction or upon resumption of the original rate or fee if these features are

disclosed in advance in accordance with the requirements of § 1026.9(c)(2)(v)(B). Otherwise, the creditor must give notice prior to resuming the original rate or fee, even though no notice is required prior to the reduction. The notice provided prior to resuming the original rate or fee must comply with the timing requirements of § 1026.9(c)(2)(i) and the content and format requirements of § 1026.9(c)(2)(iv)(A), (B) (if applicable), (C) (if applicable), and (D). See comment 55(b)-3 for guidance regarding the application of § 1026.55 in these circumstances.

3. *Changing from a variable rate to a non-variable rate.* See comment 9(c)(2)(iv)-3.

4. *Changing from a non-variable rate to a variable rate.* See comment 9(c)(2)(iv)-4.

5. *Temporary rate or fee reductions offered by telephone.* The timing requirements of § 1026.9(c)(2)(v)(B) are deemed to have been met, and written disclosures required by § 1026.9(c)(2)(v)(B) may be provided as soon as reasonably practicable after the first transaction subject to a rate that will be in effect for a specified period of time (a temporary rate) or the imposition of a fee that will be in effect for a specified period of time (a temporary fee) if:

i. The consumer accepts the offer of the temporary rate or temporary fee by telephone;

ii. The creditor permits the consumer to reject the temporary rate or temporary fee offer and have the rate or rates or fee that previously applied to the consumer's balances reinstated for 45 days after the creditor mails or delivers the written disclosures required by § 1026.9(c)(2)(v)(B), except that the creditor need not permit the consumer to reject a temporary rate or temporary fee offer if the rate or rates or fee that will apply following expiration of the temporary rate do not exceed the rate or rates or fee that applied immediately prior to commencement of the temporary rate or temporary fee; and

iii. The disclosures required by § 1026.9(c)(2)(v)(B) and the consumer's right to reject the temporary rate or temporary fee offer and have the rate or rates or fee that previously applied to the consumer's account reinstated, if applicable, are disclosed to the consumer as part of the temporary rate or temporary fee offer.

6. *First listing.* The disclosures required by § 1026.9(c)(2)(v)(B)(I) are only required to be provided in close proximity and in equal prominence to the first listing of the temporary rate or fee in the disclosure provided to the consumer. For purposes of § 1026.9(c)(2)(v)(B), the first statement of the temporary rate or fee is the most prominent listing on the front side of the first page of the disclosure. If the temporary rate or fee does not appear on the front side of the first page of the disclosure, then the first listing of the temporary rate or fee is the most

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

prominent listing of the temporary rate on the subsequent pages of the disclosure. For advertising requirements for promotional rates, see § 1026.16(g).

7. *Close proximity—point of sale.* Creditors providing the disclosures required by § 1026.9(c)(2)(v)(B) of this section in person in connection with financing the purchase of goods or services may, at the creditor's option, disclose the annual percentage rate or fee that would apply after expiration of the period on a separate page or document from the temporary rate or fee and the length of the period, provided that the disclosure of the annual percentage rate or fee that would apply after the expiration of the period is equally prominent to, and is provided at the same time as, the disclosure of the temporary rate or fee and length of the period.

8. *Disclosure of annual percentage rates.* If a rate disclosed pursuant to § 1026.9(c)(2)(v)(B) or (D) is a variable rate, the creditor must disclose the fact that the rate may vary and how the rate is determined. For example, a creditor could state “After October 1, 2009, your APR will be 14.99%. This APR will vary with the market based on the Prime Rate.”

9. *Deferred interest or similar programs.* If the applicable conditions are met, the exception in § 1026.9(c)(2)(v)(B) applies to deferred interest or similar promotional programs under which the consumer is not obligated to pay interest that accrues on a balance if that balance is paid in full prior to the expiration of a specified period of time. For purposes of this comment and § 1026.9(c)(2)(v)(B), “deferred interest” has the same meaning as in § 1026.16(h)(2) and associated commentary. For such programs, a creditor must disclose pursuant to § 1026.9(c)(2)(v)(B)(I) the length of the deferred interest period and the rate that will apply to the balance subject to the deferred interest program if that balance is not paid in full prior to expiration of the deferred interest period. Examples of language that a creditor may use to make the required disclosures under § 1026.9(c)(2)(v)(B)(I) include:

i. “No interest if paid in full in 6 months. If the balance is not paid in full in 6 months, interest will be imposed from the date of purchase at a rate of 15.99%.”

ii. “No interest if paid in full by December 31, 2010. If the balance is not paid in full by that date, interest will be imposed from the transaction date at a rate of 15%.”

10. *Relationship between §§ 1026.9(c)(2)(v)(B) and 1026.6(b).* A disclosure of the information described in § 1026.9(c)(2)(v)(B)(I) provided in the account-opening table in accordance with § 1026.6(b) complies with the requirements of § 1026.9(c)(2)(v)(B)(2), if the listing of the introductory rate in such tabular disclosure also is the first listing as described in comment 9(c)(2)(v)-6.

11. *Disclosure of the terms of a workout or temporary hardship arrangement.* In order for

the exception in § 1026.9(c)(2)(v)(D) to apply, the disclosure provided to the consumer pursuant to § 1026.9(c)(2)(v)(D)(2) must set forth:

i. The annual percentage rate that will apply to balances subject to the workout or temporary hardship arrangement;

ii. The annual percentage rate that will apply to such balances if the consumer completes or fails to comply with the terms of, the workout or temporary hardship arrangement;

iii. Any reduced fee or charge of a type required to be disclosed under § 1026.6(b)(2)(ii), (iii), (viii), (ix), (xi), or (xii) that will apply to balances subject to the workout or temporary hardship arrangement, as well as the fee or charge that will apply if the consumer completes or fails to comply with the terms of the workout or temporary hardship arrangement;

iv. Any reduced minimum periodic payment that will apply to balances subject to the workout or temporary hardship arrangement, as well as the minimum periodic payment that will apply if the consumer completes or fails to comply with the terms of the workout or temporary hardship arrangement; and

v. If applicable, that the consumer must make timely minimum payments in order to remain eligible for the workout or temporary hardship arrangement.

12. *Index not under creditor's control.* See comment 55(b)(2)-2 for guidance on when an index is deemed to be under a creditor's control.

13. *Temporary rates—relationship to § 1026.59.* i. *General.* Section 1026.59 requires a card issuer to review rate increases imposed due to the revocation of a temporary rate. In some circumstances, § 1026.59 may require an issuer to reinstate a reduced temporary rate based on that review. If, based on a review required by § 1026.59, a creditor reinstates a temporary rate that had been revoked, the card issuer is not required to provide an additional notice to the consumer when the reinstated temporary rate expires, if the card issuer provided the disclosures required by § 1026.9(c)(2)(v)(B) prior to the original commencement of the temporary rate. See § 1026.55 and the associated commentary for guidance on the permissibility and applicability of rate increases.

i. *Example.* A consumer opens a new credit card account under an open-end (not home-secured) consumer credit plan on January 1, 2011. The annual percentage rate applicable to purchases is 18%. The card issuer offers the consumer a 15% rate on purchases made between January 1, 2012 and January 1, 2014. Prior to January 1, 2012, the card issuer discloses, in accordance with § 1026.9(c)(2)(v)(B), that the rate on purchases made during that period will increase to the standard 18% rate on January 1, 2014. In March 2012, the consumer makes a payment that is ten days

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

late. The card issuer, upon providing 45 days' advance notice of the change under §1026.9(g), increases the rate on new purchases to 18% effective as of June 1, 2012. On December 1, 2012, the issuer performs a review of the consumer's account in accordance with §1026.59. Based on that review, the card issuer is required to reduce the rate to the original 15% temporary rate as of January 15, 2013. On January 1, 2014, the card issuer may increase the rate on purchases to 18%, as previously disclosed prior to January 1, 2012, without providing an additional notice to the consumer.

14. *Replacing LIBOR.* The exception in §1026.9(c)(2)(v)(A) under which a creditor is not required to provide a change-in-terms notice under §1026.9(c)(2) when the change involves a reduction of any component of a finance or other charge does not apply on or after October 1, 2022, to margin reductions when a LIBOR index is replaced as permitted by §1026.55(b)(7)(i) or (ii). For change-in-terms notices provided under §1026.9(c)(2) on or after October 1, 2022, covering changes permitted by §1026.55(b)(7)(i) or (ii), a creditor must provide a change-in-terms notice under §1026.9(c)(2) disclosing the replacement index for a LIBOR index and any adjusted margin that is permitted under §1026.55(b)(7)(i) or (ii), even if the margin is reduced. From April 1, 2022, through September 30, 2022, a creditor has the option of disclosing a reduced margin in the change-in-terms notice that discloses the replacement index for a LIBOR index as permitted by §1026.55(b)(7)(i) or (ii).

**9(d) Finance Charge Imposed at Time of Transaction**

1. *Disclosure prior to imposition.* A person imposing a finance charge at the time of honoring a consumer's credit card must disclose the amount of the charge, or an explanation of how the charge will be determined, prior to its imposition. This must be disclosed before the consumer becomes obligated for property or services that may be paid for by use of a credit card. For example, disclosure must be given before the consumer has dinner at a restaurant, stays overnight at a hotel, or makes a deposit guaranteeing the purchase of property or services.

**9(e) Disclosures Upon Renewal of Credit or Charge Card**

1. *Coverage.* This paragraph applies to credit and charge card accounts of the type subject to §1026.60. (See §1026.60(a)(5) and the accompanying commentary for discussion of the types of accounts subject to §1026.60.) The disclosure requirements are triggered when a card issuer imposes any annual or other periodic fee on such an account or if the card issuer has changed or amended any term of a cardholder's account required to be

disclosed under §1026.6(b)(1) and (b)(2) that has not previously been disclosed to the consumer, whether or not the card issuer originally was required to provide the application and solicitation disclosures described in §1026.60.

2. *Form.* The disclosures under this paragraph must be clear and conspicuous, but need not appear in a tabular format or in a prominent location. The disclosures need not be in a form the cardholder can retain.

3. *Terms at renewal.* Renewal notices must reflect the terms actually in effect at the time of renewal. For example, a card issuer that offers a preferential annual percentage rate to employees during their employment must send a renewal notice to employees disclosing the lower rate actually charged to employees (although the card issuer also may show the rate charged to the general public).

4. *Variable rate.* If the card issuer cannot determine the rate that will be in effect if the cardholder chooses to renew a variable-rate account, the card issuer may disclose the rate in effect at the time of mailing or delivery of the renewal notice. Alternatively, the card issuer may use the rate as of a specified date within the last 30 days before the disclosure is provided.

5. *Renewals more frequent than annual.* If a renewal fee is billed more often than annually, the renewal notice should be provided each time the fee is billed. In this instance, the fee need not be disclosed as an annualized amount. Alternatively, the card issuer may provide the notice no less than once every 12 months if the notice explains the amount and frequency of the fee that will be billed during the time period covered by the disclosure, and also discloses the fee as an annualized amount. The notice under this alternative also must state the consequences of a cardholder's decision to terminate the account after the renewal-notice period has expired. For example, if a \$2 fee is billed monthly but the notice is given annually, the notice must inform the cardholder that the monthly charge is \$2, the annualized fee is \$24, and \$2 will be billed to the account each month for the coming year unless the cardholder notifies the card issuer. If the cardholder is obligated to pay an amount equal to the remaining unpaid monthly charges if the cardholder terminates the account during the coming year but after the first month, the notice must disclose the fact.

6. *Terminating credit availability.* Card issuers have some flexibility in determining the procedures for how and when an account may be terminated. However, the card issuer must clearly disclose the time by which the cardholder must act to terminate the account to avoid paying a renewal fee, if applicable. State and other applicable law govern

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

whether the card issuer may impose requirements such as specifying that the cardholder's response be in writing or that the outstanding balance be repaid in full upon termination.

7. *Timing of termination by cardholder.* When a card issuer provides notice under §1026.9(e)(1), a cardholder must be given at least 30 days or one billing cycle, whichever is less, from the date the notice is mailed or delivered to make a decision whether to terminate an account.

8. *Timing of notices.* A renewal notice is deemed to be provided when mailed or delivered. Similarly, notice of termination is deemed to be given when mailed or delivered.

9. *Prompt reversal of renewal fee upon termination.* In a situation where a cardholder has provided timely notice of termination and a renewal fee has been billed to a cardholder's account, the card issuer must reverse or otherwise withdraw the fee promptly. Once a cardholder has terminated an account, no additional action by the cardholder may be required.

10. *Disclosure of changes in terms required to be disclosed pursuant to §1026.6(b)(1) and (b)(2).* Clear and conspicuous disclosure of a changed term on a periodic statement provided to a consumer prior to renewal of the consumer's account constitutes prior disclosure of that term for purposes of §1026.9(e)(1). Card issuers should refer to §1026.9(c)(2) for additional timing, content, and formatting requirements that apply to certain changes in terms under that paragraph.

### 9(e)(2) Notification on Periodic Statements

1. *Combined disclosures.* If a single disclosure is used to comply with both §§1026.9(e) and 1026.7, the periodic statement must comply with the rules in §§1026.60 and 1026.7. For example, a description substantially similar to the heading describing the grace period required by §1026.60(b)(5) must be used and the name of the balance-calculation method must be identified (if listed in §1026.60(g)) to comply with the requirements of §1026.60. A card issuer may include some of the renewal disclosures on a periodic statement and others on a separate document so long as there is some reference indicating that the disclosures relate to one another. All renewal disclosures must be provided to a cardholder at the same time.

2. *Preprinted notices on periodic statements.* A card issuer may preprint the required information on its periodic statements. A card issuer that does so, however, must make clear on the periodic statement when the preprinted renewal disclosures are applicable. For example, the card issuer could include a special notice (not preprinted) at the appropriate time that the renewal fee will be billed in the following billing cycle, or could show the renewal date as a regular

(preprinted) entry on all periodic statements.

### 9(f) Change in Credit Card Account Insurance Provider

1. *Coverage.* This paragraph applies to credit card accounts of the type subject to §1026.60 if credit insurance (typically life, disability, and unemployment insurance) is offered on the outstanding balance of such an account. (Credit card accounts subject to §1026.9(f) are the same as those subject to §1026.9(e); see comment 9(e)-1.) Charge card accounts are not covered by this paragraph. In addition, the disclosure requirements of this paragraph apply only where the card issuer initiates the change in insurance provider. For example, if the card issuer's current insurance provider is merged into or acquired by another company, these disclosures would not be required. Disclosures also need not be given in cases where card issuers pay for credit insurance themselves and do not separately charge the cardholder.

2. *No increase in rate or decrease in coverage.* The requirement to provide the disclosure arises when the card issuer changes the provider of insurance, even if there will be no increase in the premium rate charged to the consumer and no decrease in coverage under the insurance policy.

3. *Form of notice.* If a substantial decrease in coverage will result from the change in provider, the card issuer either must explain the decrease or refer to an accompanying copy of the policy or group certificate for details of the new terms of coverage. (See the commentary to AppendixG-13 to part 1026.)

4. *Discontinuation of insurance.* In addition to stating that the cardholder may cancel the insurance, the card issuer may explain the effect the cancellation would have on the consumer's credit card plan.

5. *Mailing by third party.* Although the card issuer is responsible for the disclosures, the insurance provider or another third party may furnish the disclosures on the card issuer's behalf.

### 9(f)(3) Substantial Decrease in Coverage

1. *Determination.* Whether a substantial decrease in coverage will result from the change in provider is determined by the two-part test in §1026.9(f)(3): First, whether the decrease is in a significant term of coverage; and second, whether the decrease might reasonably be expected to affect a cardholder's decision to continue the insurance. If both conditions are met, the decrease must be disclosed in the notice.

### 9(g) Increase in Rates Due to Delinquency or Default or as a Penalty

1. *Relationship between §1026.9(c) and (g) and §1026.55—examples.* Card issuers subject to §1026.55 are prohibited from increasing the

## Pt. 1026, Supp. I

annual percentage rate for a category of transactions on any consumer credit card account unless specifically permitted by one of the exceptions in §1026.55(b). See comments 55(a)-1 and 55(b)-3 and the commentary to §1026.55(b)(4) for examples that illustrate the relationship between the notice requirements of §1026.9(c) and (g) and §1026.55.

2. *Affected consumers.* If a single credit account involves multiple consumers that may be affected by the change, the creditor should refer to §1026.5(d) to determine the number of notices that must be given.

3. *Combining a notice described in §1026.9(g)(3) with a notice described in §1026.9(c)(2)(iv).* If a creditor is required to provide notices pursuant to both §1026.9(c)(2)(iv) and (g)(3) to a consumer, the creditor may combine the two notices. This would occur when penalty pricing has been triggered, and other terms are changing on the consumer's account at the same time.

4. *Content.* Sample G-22 contains an example of how to comply with the requirements in §1026.9(g)(3)(i) when the rate on a consumer's credit card account is being increased to a penalty rate as described in §1026.9(g)(1)(ii), based on a late payment that is not more than 60 days late. Sample G-23 contains an example of how to comply with the requirements in §1026.9(g)(3)(i) when the rate increase is triggered by a delinquency of more than 60 days.

5. *Clear and conspicuous standard.* See comment 5(a)(1)-1 for the clear and conspicuous standard applicable to disclosures required under §1026.9(g).

6. *Terminology.* See §1026.5(a)(2) for terminology requirements applicable to disclosures required under §1026.9(g).

7. *Reasons for increase.* See comment 9(c)(2)(iv)-11 for guidance on disclosure of the reasons for a rate increase for a credit card account under an open-end (not home-secured) consumer credit plan.

### 9(g)(4) Exception for Decrease in Credit Limit

1. The following illustrates the requirements of §1026.9(g)(4). Assume that a creditor decreased the credit limit applicable to a consumer's account and sent a notice pursuant to §1026.9(g)(4) on January 1, stating among other things that the penalty rate would apply if the consumer's balance exceeded the new credit limit as of February 16. If the consumer's balance exceeded the credit limit on February 16, the creditor could impose the penalty rate on that date. However, a creditor could not apply the penalty rate if the consumer's balance did not exceed the new credit limit on February 16, even if the consumer's balance had exceeded the new credit limit on several dates between January 1 and February 15. If the consumer's balance did not exceed the new credit limit on February 16 but the consumer

## 12 CFR Ch. X (1-1-24 Edition)

conducted a transaction on February 17 that caused the balance to exceed the new credit limit, the general rule in §1026.9(g)(1)(ii) would apply and the creditor would be required to give an additional 45 days' notice prior to imposition of the penalty rate (but under these circumstances the consumer would have no ability to cure the over-the-limit balance in order to avoid penalty pricing).

### 9(h) Consumer Rejection of Certain Significant Changes in Terms

1. *Circumstances in which §1026.9(h) does not apply.* Section 1026.9(h) applies when §1026.9(c)(2)(iv)(B) requires disclosure of the consumer's right to reject a significant change to an account term. Thus, for example, §1026.9(h) does not apply to changes to the terms of home equity plans subject to the requirements of §1026.40 that are accessible by a credit or charge card because §1026.9(c)(2) does not apply to such plans. Similarly, §1026.9(h) does not apply in the following circumstances because §1026.9(c)(2)(iv)(B) does not require disclosure of the right to reject in those circumstances: (i) An increase in the required minimum periodic payment; (ii) a change in an annual percentage rate applicable to a consumer's account (such as changing the margin or index for calculating a variable rate, changing from a variable rate to a non-variable rate, or changing from a non-variable rate to a variable rate); (iii) a change in the balance computation method necessary to comply with §1026.54; and (iv) when the change results from the creditor not receiving the consumer's required minimum periodic payment within 60 days after the due date for that payment.

### 9(h)(1) Right To Reject

1. *Reasonable requirements for submission of rejections.* A creditor may establish reasonable requirements for the submission of rejections pursuant to §1026.9(h)(1). For example:

i. It would be reasonable for a creditor to require that rejections be made by the primary account holder and that the consumer identify the account number.

ii. It would be reasonable for a creditor to require that rejections be made only using the toll-free telephone number disclosed pursuant to §1026.9(c). It would also be reasonable for a creditor to designate additional channels for the submission of rejections (such as an address for rejections submitted by mail) so long as the creditor does not require that rejections be submitted through such additional channels.

iii. It would be reasonable for a creditor to require that rejections be received before the effective date disclosed pursuant to §1026.9(c) and to treat the account as not subject to

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

§ 1026.9(h) if a rejection is received on or after that date. It would not, however, be reasonable to require that rejections be submitted earlier than the day before the effective date. If a creditor is unable to process all rejections received before the effective date, the creditor may delay implementation of the change in terms until all rejections have been processed. In the alternative, the creditor could implement the change on the effective date and then, on any account for which a timely rejection was received, reverse the change and remove or credit any interest charges or fees imposed as a result of the change. For example, if the effective date for a change in terms is June 15 and the creditor cannot process all rejections received by telephone on June 14 until June 16, the creditor may delay imposition of the change until June 17. Alternatively, the creditor could implement the change for all affected accounts on June 15 and then, once all rejections have been processed, return any account for which a timely rejection was received to the prior terms and ensure that the account is not assessed any additional interest or fees as a result of the change or that the account is credited for such interest or fees.

2. *Use of account following provision of notice.* A consumer does not waive or forfeit the right to reject a significant change in terms by using the account for transactions prior to the effective date of the change. Similarly, a consumer does not revoke a rejection by using the account for transactions after the rejection is received.

### Paragraph 9(h)(2)(ii)

1. *Termination or suspension of credit availability.* Section 1026.9(h)(2)(ii) does not prohibit a creditor from terminating or suspending credit availability as a result of the consumer's rejection of a significant change in terms.

2. *Solely as a result of rejection.* A creditor is prohibited from imposing a fee or charge or treating an account as in default solely as a result of the consumer's rejection of a significant change in terms. For example, if credit availability is terminated or suspended as a result of the consumer's rejection of a significant change in terms, a creditor is prohibited from imposing a periodic fee that was not charged before the consumer rejected the change (such as a closed account fee). See also comment 55(d)-1. However, regardless of whether credit availability is terminated or suspended as a result of the consumer's rejection, a creditor is not prohibited from continuing to charge a periodic fee that was charged before the rejection. Similarly, a creditor that charged a fee for late payment before a change was rejected is not prohibited from charging that fee after rejection of the change.

### Paragraph 9(h)(2)(iii)

1. *Relevant date for repayment methods.* Once a consumer has rejected a significant change in terms, § 1026.9(h)(2)(iii) prohibits the creditor from requiring repayment of the balance on the account using a method that is less beneficial to the consumer than one of the methods listed in § 1026.55(c)(2). When applying the methods listed in § 1026.55(c)(2) pursuant to § 1026.9(h)(2)(iii), a creditor may utilize the date on which the creditor was notified of the rejection or a later date (such as the date on which the change would have gone into effect but for the rejection). For example, assume that on April 16 a creditor provides a notice pursuant to § 1026.9(c) informing the consumer that the monthly maintenance fee for the account will increase effective June 1. The notice also states that the consumer may reject the increase by calling a specified toll-free telephone number before June 1 but that, if the consumer does so, credit availability for the account will be terminated. On May 5, the consumer calls the toll-free number and exercises the right to reject. If the creditor chooses to establish a five-year amortization period for the balance on the account consistent with § 1026.55(c)(2)(ii), that period may begin no earlier than the date on which the creditor was notified of the rejection (May 5). However, the creditor may also begin the amortization period on the date on which the change would have gone into effect but for the rejection (June 1).

2. *Balance on the account.* i. *In general.* When applying the methods listed in § 1026.55(c)(2) pursuant to § 1026.9(h)(2)(iii), the provisions in § 1026.55(c)(2) and the guidance in the commentary to § 1026.55(c)(2) regarding protected balances also apply to a balance on the account subject to § 1026.9(h)(2)(iii). If a creditor terminates or suspends credit availability based on a consumer's rejection of a significant change in terms, the balance on the account that is subject to § 1026.9(h)(2)(iii) is the balance at the end of the day on which credit availability is terminated or suspended. However, if a creditor does not terminate or suspend credit availability based on the consumer's rejection, the balance on the account subject to § 1026.9(h)(2)(iii) is the balance at the end of the day on which the creditor was notified of the rejection or, at the creditor's option, a later date.

ii. *Example.* Assume that on June 16 a creditor provides a notice pursuant to § 1026.9(c) informing the consumer that the annual fee for the account will increase effective August 1. The notice also states that the consumer may reject the increase by calling a specified toll-free telephone number before August 1 but that, if the consumer does so, credit availability for the account will be terminated. On July 20, the account has a

## Pt. 1026, Supp. I

purchase balance of \$1,000 and the consumer calls the toll-free number and exercises the right to reject. On July 22, a \$200 purchase is charged to the account. If the creditor terminates credit availability on July 25 as a result of the rejection, the balance subject to the repayment limitations in § 1026.9(h)(2)(iii) is the \$1,200 purchase balance at the end of the day on July 25. However, if the creditor does not terminate credit availability as a result of the rejection, the balance subject to the repayment limitations in § 1026.9(h)(2)(iii) is the \$1,000 purchase balance at the end of the day on the date the creditor was notified of the rejection (July 20), although the creditor may, at its option, treat the \$200 purchase as part of the balance subject to § 1026.9(h)(2)(iii).

### 9(h)(3) Exception

1. *Examples.* Section 1026.9(h)(3) provides that § 1026.9(h) does not apply when the creditor has not received the consumer's required minimum periodic payment within 60 days after the due date for that payment. The following examples illustrate the application of this exception:

i. *Account becomes more than 60 days delinquent before notice provided.* Assume that a credit card account is opened on January 1 of year one and that the payment due date for the account is the fifteenth day of the month. On June 20 of year two, the creditor has not received the required minimum periodic payments due on April 15, May 15, and June 15. On June 20, the creditor provides a notice pursuant to § 1026.9(c) informing the consumer that a monthly maintenance fee of \$10 will be charged beginning on August 4. However, § 1026.9(c)(2)(iv)(B) does not require the creditor to notify the consumer of the right to reject because the creditor has not received the April 15 minimum payment within 60 days after the due date. Furthermore, the exception in § 1026.9(h)(3) applies and the consumer may not reject the fee.

ii. *Account becomes more than 60 days delinquent after rejection.* Assume that a credit card account is opened on January 1 of year one and that the payment due date for the account is the fifteenth day of the month. On April 20 of year two, the creditor has not received the required minimum periodic payment due on April 15. On April 20, the creditor provides a notice pursuant to § 1026.9(c) informing the consumer that an annual fee of \$100 will be charged beginning on June 4. The notice further states that the consumer may reject the fee by calling a specified toll-free telephone number before June 4 but that, if the consumer does so, credit availability for the account will be terminated. On May 5, the consumer calls the toll-free telephone number and rejects the fee. Section 1026.9(h)(2)(i) prohibits the creditor from charging the \$100 fee to the account. If, how-

## 12 CFR Ch. X (1-1-24 Edition)

ever, the creditor does not receive the minimum payments due on April 15 and May 15 by June 15, § 1026.9(h)(3) permits the creditor to charge the \$100 fee. The creditor must provide a second notice of the fee pursuant to § 1026.9(c), but § 1026.9(c)(2)(iv)(B) does not require the creditor to disclose the right to reject and § 1026.9(h)(3) does not allow the consumer to reject the fee. Similarly, the restrictions in § 1026.9(h)(2)(ii) and (iii) no longer apply.

### Section 1026.10—Payments

#### 10(a) General Rule

1. *Crediting date.* Section 1026.10(a) does not require the creditor to post the payment to the consumer's account on a particular date; the creditor is only required to credit the payment as of the date of receipt.

2. *Date of receipt.* The "date of receipt" is the date that the payment instrument or other means of completing the payment reaches the creditor. For example:

i. Payment by check is received when the creditor gets it, not when the funds are collected.

ii. In a payroll deduction plan in which funds are deposited to an asset account held by the creditor, and from which payments are made periodically to an open-end credit account, payment is received on the date when it is debited to the asset account (rather than on the date of the deposit), provided the payroll deduction method is voluntary and the consumer retains use of the funds until the contractual payment date. Section 1026.12(d)(3)(ii) defines "periodically" to mean no more frequently than once per calendar month for payments made periodically from a deposit account, including a prepaid account, held by a card issuer to pay credit card debt in a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in § 1026.61 held by the card issuer. In a payroll deduction plan in which funds are deposited to a prepaid account held by the card issuer, and from which payments are made on a monthly basis to a covered separate credit feature accessible by a hybrid prepaid-credit card that is held by the card issuer, payment is received on the date when it is debited to the prepaid account (rather than on the date of the deposit), provided the payroll deduction method is voluntary and the consumer retains use of the funds until the contractual payment date.

iii. If the consumer elects to have payment made by a third party payor such as a financial institution, through a preauthorized payment or telephone bill-payment arrangement, payment is received when the creditor gets the third party payor's check or other transfer medium, such as an electronic fund transfer, as long as the payment meets the creditor's requirements as specified under § 1026.10(b).

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

iv. Payment made via the creditor's Web site is received on the date on which the consumer authorizes the creditor to effect the payment, even if the consumer gives the instruction authorizing that payment in advance of the date on which the creditor is authorized to effect the payment. If the consumer authorizes the creditor to effect the payment immediately, but the consumer's instruction is received after 5 p.m. or any later cut-off time specified by the creditor, the date on which the consumer authorizes the creditor to effect the payment is deemed to be the next business day.

### 10(b) Specific Requirements for Payments

1. *Payment by electronic fund transfer.* A creditor may be prohibited from specifying payment by preauthorized electronic fund transfer. See section 913 of the Electronic Fund Transfer Act and Regulation E, 12 CFR 1005.10(e).

2. *Payment methods promoted by creditor.* If a creditor promotes a specific payment method, any payments made via that method (prior to any cut-off time specified by the creditor, to the extent permitted by § 1026.10(b)(2)) are generally conforming payments for purposes of § 1026.10(b). For example:

i. If a creditor promotes electronic payment via its Web site (such as by disclosing on the Web site itself that payments may be made via the Web site), any payments made via the creditor's Web site prior to the creditor's specified cut-off time, if any, would generally be conforming payments for purposes of § 1026.10(b).

ii. If a creditor promotes payment by telephone (for example, by including the option to pay by telephone in a menu of options provided to consumers at a toll-free number disclosed on its periodic statement), payments made by telephone would generally be conforming payments for purposes of § 1026.10(b).

iii. If a creditor promotes in-person payments, for example by stating in an advertisement that payments may be made in person at its branch locations, such in-person payments made at a branch or office of the creditor generally would be conforming payments for purposes of § 1026.10(b).

iv. If a creditor promotes that payments may be made through an unaffiliated third party, such as by disclosing the Web site address of that third party on the periodic statement, payments made via that third party's Web site generally would be conforming payments for purposes of § 1026.10(b). In contrast, if a customer service representative of the creditor confirms to a consumer that payments may be made via an unaffiliated third party, but the creditor does not otherwise promote that method of payment, § 1026.10(b) permits the creditor to treat payments made via such third party as noncon-

forming payments in accordance with § 1026.10(b)(4).

3. *Acceptance of nonconforming payments.* If the creditor accepts a nonconforming payment (for example, payment mailed to a branch office, when the creditor had specified that payment be sent to a different location), finance charges may accrue for the period between receipt and crediting of payments.

4. *Implied guidelines for payments.* In the absence of specified requirements for making payments (see § 1026.10(b)):

i. Payments may be made at any location where the creditor conducts business.

ii. Payments may be made any time during the creditor's normal business hours.

iii. Payment may be by cash, money order, draft, or other similar instrument in properly negotiable form, or by electronic fund transfer if the creditor and consumer have so agreed.

5. *Payments made at point of sale.* If a card issuer that is a financial institution issues a credit card under an open-end (not home-secured) consumer credit plan that can be used only for transactions with a particular merchant or merchants or a credit card that is cobranded with the name of a particular merchant or merchants, and a consumer is able to make a payment on that credit card account at a retail location maintained by such a merchant, that retail location is not considered to be a branch or office of the card issuer for purposes of § 1026.10(b)(3).

6. *In-person payments on credit card accounts.* For purposes of § 1026.10(b)(3), payments made in person at a branch or office of a financial institution include payments made with the direct assistance of, or to, a branch or office employee, for example a teller at a bank branch. A payment made at the bank branch without the direct assistance of a branch or office employee, for example a payment placed in a branch or office mail slot, is not a payment made in person for purposes of § 1026.10(b)(3).

7. *In-person payments at affiliate of card issuer.* If an affiliate of a card issuer that is a financial institution shares a name with the card issuer, such as "ABC," and accepts in-person payments on the card issuer's credit card accounts, those payments are subject to the requirements of § 1026.10(b)(3).

### 10(d) Crediting of Payments When Creditor Does Not Receive or Accept Payments on Due Date

1. *Example.* A day on which the creditor does not receive or accept payments by mail may occur, for example, if the U.S. Postal Service does not deliver mail on that date.

2. *Treating a payment as late for any purpose.* See comment 5(b)(2)(ii)-2 for guidance on treating a payment as late for any purpose. When an account is not eligible for a grace period, imposing a finance charge due to a

## Pt. 1026, Supp. I

periodic interest rate does not constitute treating a payment as late.

### 10(e) Limitations on Fees Related to Method of Payment

1. *Separate fee to allow consumers to make a payment.* For purposes of §1026.10(e), the term “separate fee” means a fee imposed on a consumer for making a payment to the consumer’s account. A fee or other charge imposed if payment is made after the due date, such as a late fee or finance charge, is not a separate fee to allow consumers to make a payment for purposes of §1026.10(e).

2. *Expedited.* For purposes of §1026.10(e), the term “expedited” means crediting a payment the same day or, if the payment is received after any cut-off time established by the creditor, the next business day.

3. *Service by a customer service representative.* Service by a customer service representative of a creditor means any payment made to the consumer’s account with the assistance of a live representative or agent of the creditor, including those made in person, on the telephone, or by electronic means. A customer service representative does not include automated means of making payment that do not involve a live representative or agent of the creditor, such as a voice response unit or interactive voice response system. Service by a customer service representative includes any payment transaction which involves the assistance of a live representative or agent of the creditor, even if an automated system is required for a portion of the transaction.

4. *Creditor.* For purposes of §1026.10(e), the term “creditor” includes a third party that collects, receives, or processes payments on behalf of a creditor. For example:

i. Assume that a creditor uses a service provider to receive, collect, or process on the creditor’s behalf payments made through the creditor’s Web site or made through an automated telephone payment service. In these circumstances, the service provider would be considered a creditor for purposes of paragraph (e).

ii. Assume that a consumer pays a fee to a money transfer or payment service in order to transmit a payment to the creditor on the consumer’s behalf. In these circumstances, the money transfer or payment service would not be considered a creditor for purposes of paragraph (e).

iii. Assume that a consumer has a checking account at a depository institution. The consumer makes a payment to the creditor from the checking account using a bill payment service provided by the depository institution. In these circumstances, the depository institution would not be considered a creditor for purposes of paragraph (e).

## 12 CFR Ch. X (1-1-24 Edition)

### 10(f) Changes by Card Issuer

1. *Address for receiving payment.* For purposes of §1026.10(f), “address for receiving payment” means a mailing address for receiving payment, such as a post office box, or the address of a branch or office at which payments on credit card accounts are accepted.

2. *Materiality.* For purposes of §1026.10(f), a “material change” means any change in the address for receiving payment or procedures for handling cardholder payments which causes a material delay in the crediting of a payment. “Material delay” means any delay in crediting payment to a consumer’s account which would result in a late payment and the imposition of a late fee or finance charge. A delay in crediting a payment which does not result in a late fee or finance charge would be immaterial.

3. *Safe harbor.* i. *General.* A card issuer may elect not to impose a late fee or finance charge on a consumer’s account for the 60-day period following a change in address for receiving payment or procedures for handling cardholder payments which could reasonably be expected to cause a material delay in crediting of a payment to the consumer’s account. For purposes of §1026.10(f), a late fee or finance charge is not imposed if the fee or charge is waived or removed, or an amount equal to the fee or charge is credited to the account.

ii. *Retail location.* For a material change in the address of a retail location or procedures for handling cardholder payments at a retail location, a card issuer may impose a late fee or finance charge on a consumer’s account for a late payment during the 60-day period following the date on which the change took effect. However, if a card issuer is notified by a consumer no later than 60 days after the card issuer transmitted the first periodic statement that reflects the late fee or finance charge for a late payment that the late payment was caused by such change, the card issuer must waive or remove any late fee or finance charge, or credit an amount equal to any late fee or finance charge, imposed on the account during the 60-day period following the date on which the change took effect.

4. *Examples.* i. A card issuer changes the mailing address for receiving payments by mail from a five-digit postal zip code to a nine-digit postal zip code. A consumer mails a payment using the five-digit postal zip code. The change in mailing address is immaterial and it does not cause a delay. Therefore, a card issuer may impose a late fee or finance charge for a late payment on the account.

ii. A card issuer changes the mailing address for receiving payments by mail from one post office box number to another post

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

office box number. For a 60-day period following the change, the card issuer continues to use both post office box numbers for the collection of payments received by mail. The change in mailing address would not cause a material delay in crediting a payment because payments would be received and credited at both addresses. Therefore, a card issuer may impose a late fee or finance charge for a late payment on the account during the 60-day period following the date on which the change took effect.

iii. Same facts as paragraph ii above, except the prior post office box number is no longer valid and mail sent to that address during the 60-day period following the change would be returned to sender. The change in mailing address is material and the change could cause a material delay in the crediting of a payment because a payment sent to the old address could be delayed past the due date. If, as a result, a consumer makes a late payment on the account during the 60-day period following the date on which the change took effect, a card issuer may not impose any late fee or finance charge for the late payment.

iv. A card issuer permanently closes a local branch office at which payments are accepted on credit card accounts. The permanent closing of the local branch office is a material change in address for receiving payment. Relying on the safe harbor, the card issuer elects not to impose a late fee or finance charge for the 60-day period following the local branch closing for late payments on consumer accounts which the issuer reasonably determines are associated with the local branch and which could reasonably be expected to have been caused by the branch closing.

v. A consumer has elected to make payments automatically to a credit card account, such as through a payroll deduction plan or a third party payor's preauthorized payment arrangement. A card issuer changes the procedures for handling such payments and as a result, a payment is delayed and not credited to the consumer's account before the due date. In these circumstances, a card issuer may not impose any late fee or finance charge during the 60-day period following the date on which the change took effect for a late payment on the account.

vi. A card issuer no longer accepts payments in person at a retail location as a conforming method of payment, which is a material change in the procedures for handling cardholder payment. In the 60-day period following the date on which the change took effect, a consumer attempts to make a payment in person at a retail location of a card issuer. As a result, the consumer makes a late payment and the issuer charges a late fee on the consumer's account. The consumer notifies the card issuer of the late fee for the late payment which was caused by

the material change. In order to comply with § 1026.10(f), the card issuer must waive or remove the late fee or finance charge, or credit the consumer's account in an amount equal to the late fee or finance charge.

5. *Finance charge due to periodic interest rate.* When an account is not eligible for a grace period, imposing a finance charge due to a periodic interest rate does not constitute imposition of a finance charge for a late payment for purposes of § 1026.10(f).

### Section 1026.11—Treatment of Credit Balances; Account Termination

#### 11(a) Credit Balances

1. *Timing of refund.* The creditor may also fulfill its obligations under § 1026.11 by:

- i. Refunding any credit balance to the consumer immediately.
- ii. Refunding any credit balance prior to receiving a written request (under § 1026.11(a)(2)) from the consumer.

iii. Refunding any credit balance upon the consumer's oral or electronic request.

iv. Making a good faith effort to refund any credit balance before 6 months have passed. If that attempt is unsuccessful, the creditor need not try again to refund the credit balance at the end of the 6-month period.

2. *Amount of refund.* The phrases *any part of the remaining credit balance* in § 1026.11(a)(2) and *any part of the credit balance remaining in the account* in § 1026.11(a)(3) mean the amount of the credit balance at the time the creditor is required to make the refund. The creditor may take into consideration intervening purchases or other debits to the consumer's account (including those that have not yet been reflected on a periodic statement) that decrease or eliminate the credit balance.

#### Paragraph 11(a)(2)

1. *Written requests—standing orders.* The creditor is not required to honor standing orders requesting refunds of any credit balance that may be created on the consumer's account.

#### Paragraph 11(a)(3)

1. *Good faith effort to refund.* The creditor must take positive steps to return any credit balance that has remained in the account for over 6 months. This includes, if necessary, attempts to trace the consumer through the consumer's last known address or telephone number, or both.

2. *Good faith effort unsuccessful.* Section 1026.11 imposes no further duties on the creditor if a good faith effort to return the balance is unsuccessful. The ultimate disposition of the credit balance (or any credit balance of \$1 or less) is to be determined under other applicable law.

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)****11(b) Account Termination****Paragraph 11(b)(1)**

1. *Expiration date.* The credit agreement determines whether or not an open-end plan has a stated expiration (maturity) date. Creditors that offer accounts with no stated expiration date are prohibited from terminating those accounts solely because a consumer does not incur a finance charge, even if credit cards or other access devices associated with the account expire after a stated period. Creditors may still terminate such accounts for inactivity consistent with §1026.11(b)(2).

**11(c) Timely Settlement of Estate Debts**

1. *Administrator of an estate.* For purposes of §1026.11(c), the term “administrator” means an administrator, executor, or any personal representative of an estate who is authorized to act on behalf of the estate.

2. *Examples.* The following are examples of reasonable procedures that satisfy this rule:

i. A card issuer may decline future transactions and terminate the account upon receiving reasonable notice of the consumer's death.

ii. A card issuer may credit the account for fees and charges imposed after the date of receiving reasonable notice of the consumer's death.

iii. A card issuer may waive the estate's liability for all charges made to the account after receiving reasonable notice of the consumer's death.

iv. A card issuer may authorize an agent to handle matters in accordance with the requirements of this rule.

v. A card issuer may require administrators of an estate to provide documentation indicating authority to act on behalf of the estate.

vi. A card issuer may establish or designate a department, business unit, or communication channel for administrators, such as a specific mailing address or toll-free number, to handle matters in accordance with the requirements of this rule.

vii. A card issuer may direct administrators, who call a general customer service toll-free number or who send correspondence by mail to an address for general correspondence, to an appropriate customer service representative, department, business unit, or communication channel to handle matters in accordance with the requirements of this rule.

2. *Request by an administrator of an estate.* A card issuer may receive a request for the amount of the balance on a deceased consumer's account in writing or by telephone call from the administrator of an estate. If a request is made in writing, such as by mail, the request is received on the date the card issuer receives the correspondence.

3. *Timely statement of balance.* A card issuer must disclose the balance on a deceased consumer's account, upon request by the administrator of the decedent's estate. A card issuer may provide the amount, if any, by a written statement or by telephone. This does not preclude a card issuer from providing the balance amount to appropriate persons, other than the administrator, such as the spouse or a relative of the decedent, who indicate that they may pay any balance. This provision does not relieve card issuers of the requirements to provide a periodic statement, under §1026.5(b)(2). A periodic statement, under §1026.5(b)(2), may satisfy the requirements of §1026.11(c)(2), if provided within 30 days of receiving a request by an administrator of the estate.

4. *Imposition of fees and interest charges.* Section 1026.11(c)(3) does not prohibit a card issuer from imposing fees and finance charges due to a periodic interest rate based on balances for days that precede the date on which the card issuer receives a request pursuant to §1026.11(c)(2). For example, if the last day of the billing cycle is June 30 and the card issuer receives a request pursuant to §1026.11(c)(2) on June 25, the card issuer may charge interest that accrued prior to June 25.

5. *Example.* A card issuer receives a request from an administrator for the amount of the balance on a deceased consumer's account on March 1. The card issuer discloses to the administrator on March 25 that the balance is \$1,000. If the card issuer receives payment in full of the \$1,000 on April 24, the card issuer must waive or rebate any additional interest that accrued on the \$1,000 balance between March 25 and April 24. If the card issuer receives a payment of \$1,000 on April 25, the card issuer is not required to waive or rebate interest charges on the \$1,000 balance in respect of the period between March 25 and April 25. If the card issuer receives a partial payment of \$500 on April 24, the card issuer is not required to waive or rebate interest charges on the \$1,000 balance in respect of the period between March 25 and April 25.

6. *Application to joint accounts.* A card issuer may impose fees and charges on an account of a deceased consumer if a joint accountholder remains on the account. If only an authorized user remains on the account of a deceased consumer, however, then a card issuer may not impose fees and charges.

**Section 1026.12—Special Credit Card Provisions**

1. *Scope.* Sections 1026.12(a) and (b) deal with the issuance and liability rules for credit cards, whether the card is intended for consumer, business, or any other purposes. Sections 1026.12(a) and (b) are exceptions to the general rule that the regulation applies only to consumer credit. (See §§1026.1 and 1026.3.)

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

2. *Definition of “accepted credit card”.* For purposes of this section, “accepted credit card” means any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with §1026.12(a) becomes an accepted credit card when received by the cardholder.

### 12(a) Issuance of Credit Cards

#### Paragraph 12(a)(1)

1. *Explicit request.* A request or application for a card must be explicit. For example, a request for an overdraft plan tied to a checking account does not constitute an application for a credit card with overdraft checking features.

2. *Addition of credit features.* If the consumer has a non-credit card, including a prepaid card, the addition of a credit feature or plan to the card that would make the card into a credit card under §1026.2(a)(15)(i) constitutes issuance of a credit card. For example, the following constitute issuance of a credit card:

i. Granting overdraft privileges on a checking account when the consumer already has a check guarantee card; or

ii. Allowing a prepaid card to access a covered separate credit feature that would make the card into a hybrid prepaid-credit card as defined in §1026.61 with respect to the covered separate credit feature.

3. *Variance of card from request.* The request or application need not correspond exactly to the card that is issued. For example:

i. The name of the card requested may be different when issued.

ii. The card may have features in addition to those reflected in the request or application.

4. *Permissible form of request.* The request or application may be oral (in response to a telephone solicitation by a card issuer, for example) or written.

5. *Time of issuance.* A credit card may be issued in response to a request made before any cards are ready for issuance (for example, if a new program is established), even if there is some delay in issuance.

6. *Persons to whom cards may be issued.* A card issuer may issue a credit card to the person who requests it, and to anyone else for whom that person requests a card and who will be an authorized user on the requester's account. In other words, cards may be sent to consumer A on A's request, and also (on A's request) to consumers B and C, who will be authorized users on A's account. In these circumstances, the following rules apply:

i. The additional cards may be imprinted in either A's name or in the names of B and C.

ii. No liability for unauthorized use (by persons other than B and C), not even the \$50, may be imposed on B or C since they are merely users and not cardholders as that term is defined in §1026.2 and used in §1026.12(b); of course, liability of up to \$50 for unauthorized use of B's and C's cards may be imposed on A.

iii. Whether B and C may be held liable for their own use, or on the account generally, is a matter of state or other applicable law.

7. *Issuance of non-credit cards.* i. *Issuance of non-credit cards other than prepaid cards.* A. Under §1026.12(a)(1), a credit card cannot be issued except in response to a request or an application. (See comment 2(a)(15)-2 for examples of cards or devices that are and are not credit cards.) A non-credit card other than a prepaid card may be sent on an unsolicited basis by an issuer that does not propose to connect the card to any credit plan; a credit feature may be added to a previously issued non-credit card other than a prepaid card only upon the consumer's specific request.

B. *Examples.* A purchase-price discount card may be sent on an unsolicited basis by an issuer that does not propose to connect the card to any credit plan. An issuer demonstrates that it proposes to connect the card to a credit plan by, for example, including promotional materials about credit features or account agreements and disclosures required by §1026.6. The issuer will violate the rule against unsolicited issuance if, for example, at the time the card is sent a credit plan can be accessed by the card or the recipient of the unsolicited card has been preapproved for credit that the recipient can access by contacting the issuer and activating the card.

ii. *Issuance of a prepaid card.* Section 1026.12(a)(1) does not apply to the issuance of a prepaid card where an issuer does not connect the card to any covered separate credit feature that would make the prepaid card into a hybrid prepaid-credit card as defined in §1026.61 at the time the card is issued and only opens a covered separate credit feature, or provides an application or solicitation to open a covered separate credit feature, or allows an existing credit feature to become a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in §1026.61 in compliance with §1026.61(c). A covered separate credit feature may be added to a previously issued prepaid card only upon the consumer's application or specific request and only in compliance with §1026.61(c). An issuer does not connect a prepaid card to a covered separate credit feature that would make the card into a credit card simply by providing the disclosures required by Regulation E, 12 CFR 1005.18(b)(2)(x), (b)(4)(iv), and (vii), with the prepaid card. See §1026.12(a)(2) and related commentary

**Pt. 1026, Supp. I**

for when a hybrid prepaid-credit card as defined in §1026.61 may be issued as a replacement or substitution for another hybrid prepaid-credit card. See also Regulation E, 12 CFR 1005.5 and 1005.18(a), and related commentary, governing issuance of access devices under Regulation E.

8. *Unsolicited issuance of PINs.* A card issuer may issue personal identification numbers (PINs) to existing credit cardholders without a specific request from the cardholders, provided the PINs cannot be used alone to obtain credit. For example, the PINs may be necessary if consumers wish to use their existing credit cards at automated teller machines or at merchant locations with point of sale terminals that require PINs.

Paragraph 12(a)(2)

1. *Renewal.* Renewal generally contemplates the regular replacement of existing cards because of, for example, security reasons or new technology or systems. It also includes the re-issuance of cards that have been suspended temporarily, but does not include the opening of a new account after a previous account was closed.

2. *Substitution—examples.* Substitution encompasses the replacement of one card with another because the underlying account relationship has changed in some way—such as when the card issuer has:

- i. Changed its name.
- ii. Changed the name of the card.
- iii. Changed the credit or other features available on the account. For example, the original card could be used to make purchases and obtain cash advances at teller windows. The substitute card might be usable, in addition, for obtaining cash advances through automated teller machines. (If the substitute card constitutes an access device, as defined in Regulation E, then the Regulation E issuance rules would have to be followed.) The substitution of one card with another on an unsolicited basis is not permissible, however, where in conjunction with the substitution an additional credit card account is opened and the consumer is able to make new purchases or advances under both the original and the new account with the new card. For example, if a retail card issuer replaces its credit card with a combined retailer/bank card, each of the creditors maintains a separate account, and both accounts can be accessed for new transactions by use of the new credit card, the card cannot be provided to a consumer without solicitation.

iv. Substituted a card user's name on the substitute card for the cardholder's name appearing on the original card.

v. Changed the merchant base, provided that the new card is honored by at least one of the persons that honored the original card. However, unless the change in the merchant base is the addition of an affiliate of the existing merchant base, the substitution

**12 CFR Ch. X (1-1-24 Edition)**

of a new card for another on an unsolicited basis is not permissible where the account is inactive. A credit card cannot be issued in these circumstances without a request or application. For purposes of §1026.12(a), an account is inactive if no credit has been extended and if the account has no outstanding balance for the prior 24 months. (See §1026.11(b)(2).)

3. *Substitution—successor card issuer.* Substitution also occurs when a successor card issuer replaces the original card issuer (for example, when a new card issuer purchases the accounts of the original issuer and issues its own card to replace the original one). A permissible substitution exists even if the original issuer retains the existing receivables and the new card issuer acquires the right only to future receivables, provided use of the original card is cut off when use of the new card becomes possible.

4. *Substitution—non-credit-card plan.* A credit card that replaces a retailer's open-end credit plan not involving a credit card is not considered a substitute for the retailer's plan—even if the consumer used the retailer's plan. A credit card cannot be issued in these circumstances without a request or application.

5. *One-for-one rule.* An accepted card may be replaced by no more than one renewal or substitute card. For example, the card issuer may not replace a credit card permitting purchases and cash advances with two cards, one for the purchases and another for the cash advances.

6. *One-for-one rule—exceptions.* The regulation does not prohibit the card issuer from:  
i. Replacing a single card that is both a debit card and a credit card with a credit card and a separate debit card with only debit functions (or debit functions plus an associated overdraft capability), since the latter card could be issued on an unsolicited basis under Regulation E.

ii. Replacing a single card that is both a prepaid card and a credit card with a credit card and a separate prepaid card where the latter card is not a hybrid prepaid-credit card as defined in §1026.61.

iii. Replacing an accepted card with more than one renewal or substitute card, provided that:

A. No replacement card accesses any account not accessed by the accepted card;

B. For terms and conditions required to be disclosed under §1026.6, all replacement cards are issued subject to the same terms and conditions, except that a creditor may vary terms for which no change in terms notice is required under §1026.9(c); and

C. Under the account's terms the consumer's total liability for unauthorized use with respect to the account does not increase.

7. *Methods of terminating replaced card.* The card issuer need not physically retrieve the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

original card, provided the old card is voided in some way, for example:

i. The issuer includes with the new card a notification that the existing card is no longer valid and should be destroyed immediately.

ii. The original card contained an expiration date.

iii. The card issuer, in order to preclude use of the card, reprograms computers or issues instructions to authorization centers.

8. *Incomplete replacement.* If a consumer has duplicate credit cards on the same account (Card A—one type of bank credit card, for example), the card issuer may not replace the duplicate cards with one Card A and one Card B (Card B—another type of bank credit card) unless the consumer requests Card B.

9. *Multiple entities.* Where multiple entities share responsibilities with respect to a credit card issued by one of them, the entity that issued the card may replace it on an unsolicited basis, if that entity terminates the original card by voiding it in some way, as described in comment 12(a)(2)-7. The other entity or entities may not issue a card on an unsolicited basis in these circumstances.

### 12(b) Liability of Cardholder for Unauthorized Use

1. *Meaning of cardholder.* For purposes of this provision, cardholder includes any person (including organizations) to whom a credit card is issued for any purpose, including business. When a corporation is the cardholder, required disclosures should be provided to the corporation (as opposed to an employee user).

2. *Imposing liability.* A card issuer is not required to impose liability on a cardholder for the unauthorized use of a credit card; if the card issuer does not seek to impose liability, the issuer need not conduct any investigation of the cardholder's claim.

3. *Reasonable investigation.* If a card issuer seeks to impose liability when a claim of unauthorized use is made by a cardholder, the card issuer must conduct a reasonable investigation of the claim. In conducting its investigation, the card issuer may reasonably request the cardholder's cooperation. The card issuer may not automatically deny a claim based solely on the cardholder's failure or refusal to comply with a particular request, including providing an affidavit or filing a police report; however, if the card issuer otherwise has no knowledge of facts confirming the unauthorized use, the lack of information resulting from the cardholder's failure or refusal to comply with a particular request may lead the card issuer reasonably to terminate the investigation. The procedures involved in investigating claims may differ, but actions such as the following represent steps that a card issuer may take, as appropriate, in conducting a reasonable investigation:

i. Reviewing the types or amounts of purchases made in relation to the cardholder's previous purchasing pattern.

ii. Reviewing where the purchases were delivered in relation to the cardholder's residence or place of business.

iii. Reviewing where the purchases were made in relation to where the cardholder resides or has normally shopped.

iv. Comparing any signature on credit slips for the purchases to the signature of the cardholder or an authorized user in the card issuer's records, including other credit slips.

v. Requesting documentation to assist in the verification of the claim.

vi. Requiring a written, signed statement from the cardholder or authorized user. For example, the creditor may include a signature line on a billing rights form that the cardholder may send in to provide notice of the claim. However, a creditor may not require the cardholder to provide an affidavit or signed statement under penalty of perjury as part of a reasonable investigation.

vii. Requesting a copy of a police report, if one was filed.

viii. Requesting information regarding the cardholder's knowledge of the person who allegedly used the card or of that person's authority to do so.

4. *Checks that access a credit card account.* The liability provisions for unauthorized use under §1026.12(b)(1) only apply to transactions involving the use of a credit card, and not if an unauthorized transaction is made using a check accessing the credit card account. However, the billing error provisions in §1026.13 apply to both of these types of transactions.

### 12(b)(1)(ii) Limitation on Amount

1. *Meaning of authority.* Section 1026.12(b)(1)(i) defines unauthorized use in terms of whether the user has actual, implied, or apparent authority. Whether such authority exists must be determined under state or other applicable law.

2. *Liability limits—dollar amounts.* As a general rule, the cardholder's liability for a series of unauthorized uses cannot exceed either \$50 or the value obtained through the unauthorized use before the card issuer is notified, whichever is less.

3. *Implied or apparent authority.* If a cardholder furnishes a credit card and grants authority to make credit transactions to a person (such as a family member or coworker) who exceeds the authority given, the cardholder is liable for the transaction(s) unless the cardholder has notified the creditor that use of the credit card by that person is no longer authorized.

4. *Credit card obtained through robbery or fraud.* An unauthorized use includes, but is not limited to, a transaction initiated by a person who has obtained the credit card from

## Pt. 1026, Supp. I

the consumer, or otherwise initiated the transaction, through fraud or robbery.

### 12(b)(2) Conditions of Liability

1. *Issuer's option not to comply.* A card issuer that chooses not to impose any liability on cardholders for unauthorized use need not comply with the disclosure and identification requirements discussed in §1026.12(b)(2).

#### Paragraph 12(b)(2)(ii)

1. *Disclosure of liability and means of notifying issuer.* The disclosures referred to in §1026.12(b)(2)(ii) may be given, for example, with the initial disclosures under §1026.6, on the credit card itself, or on periodic statements. They may be given at any time preceding the unauthorized use of the card.

2. *Meaning of "adequate notice."* For purposes of this provision, "adequate notice" means a printed notice to a cardholder that sets forth clearly the pertinent facts so that the cardholder may reasonably be expected to have noticed it and understood its meaning. The notice may be given by any means reasonably assuring receipt by the cardholder.

#### Paragraph 12(b)(2)(iii)

1. *Means of identifying cardholder or user.* To fulfill the condition set forth in §1026.12(b)(2)(iii), the issuer must provide some method whereby the cardholder or the authorized user can be identified. This could include, for example, a signature, photograph, or fingerprint on the card or other biometric means, or electronic or mechanical confirmation.

2. *Identification by magnetic strip.* Unless a magnetic strip (or similar device not readable without physical aids) must be used in conjunction with a secret code or the like, it would not constitute sufficient means of identification. Sufficient identification also does not exist if a "pool" or group card, issued to a corporation and signed by a corporate agent who will not be a user of the card, is intended to be used by another employee for whom no means of identification is provided.

3. *Transactions not involving card.* The cardholder may not be held liable under §1026.12(b) when the card itself (or some other sufficient means of identification of the cardholder) is not presented. Since the issuer has not provided a means to identify the user under these circumstances, the issuer has not fulfilled one of the conditions for imposing liability. For example, when merchandise is ordered by telephone or the Internet by a person without authority to do so, using a credit card account number by itself or with other information that appears on the card (for example, the card expiration date and a 3- or 4-digit cardholder identifica-

## 12 CFR Ch. X (1-1-24 Edition)

tion number), no liability may be imposed on the cardholder.

### 12(b)(3) Notification to Card Issuer

1. *How notice must be provided.* Notice given in a normal business manner—for example, by mail, telephone, or personal visit—is effective even though it is not given to, or does not reach, some particular person within the issuer's organization. Notice also may be effective even though it is not given at the address or phone number disclosed by the card issuer under §1026.12(b)(2)(ii).

2. *Who must provide notice.* Notice of loss, theft, or possible unauthorized use need not be initiated by the cardholder. Notice is sufficient so long as it gives the "pertinent information" which would include the name or card number of the cardholder and an indication that unauthorized use has or may have occurred.

3. *Relationship to §1026.13.* The liability protections afforded to cardholders in §1026.12 do not depend upon the cardholder's following the error resolution procedures in §1026.13. For example, the written notification and time limit requirements of §1026.13 do not affect the §1026.12 protections. (See also comment 12(b)-4.)

### 12(b)(5) Business Use of Credit Cards

1. *Agreement for higher liability for business use cards.* The card issuer may not rely on §1026.12(b)(5) if the business is clearly not in a position to provide 10 or more cards to employees (for example, if the business has only 3 employees). On the other hand, the issuer need not monitor the personnel practices of the business to make sure that it has at least 10 employees at all times.

2. *Unauthorized use by employee.* The protection afforded to an employee against liability for unauthorized use in excess of the limits set in §1026.12(b) applies only to unauthorized use by someone other than the employee. If the employee uses the card in an unauthorized manner, the regulation sets no restriction on the employee's potential liability for such use.

### 12(c) Right of Cardholder To Assert Claims or Defenses Against Card Issuer

1. *Relationship to §1026.13.* The §1026.12(c) credit card "holder in due course" provision deals with the consumer's right to assert against the card issuer a claim or defense concerning property or services purchased with a credit card, if the merchant has been unwilling to resolve the dispute. Even though certain merchandise disputes, such as non-delivery of goods, may also constitute "billing errors" under §1026.13, that section operates independently of §1026.12(c). The cardholder whose asserted billing error involves undelivered goods may institute the error resolution procedures of §1026.13; but

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

whether or not the cardholder has done so, the cardholder may assert claims or defenses under §1026.12(c). Conversely, the consumer may pay a disputed balance and thus have no further right to assert claims and defenses, but still may assert a billing error if notice of that billing error is given in the proper time and manner. An assertion that a particular transaction resulted from unauthorized use of the card could also be both a “defense” and a billing error.

2. *Claims and defenses assertible.* Section 1026.12(c) merely preserves the consumer’s right to assert against the card issuer any claims or defenses that can be asserted against the merchant. It does not determine what claims or defenses are valid as to the merchant; this determination must be made under state or other applicable law.

3. *Transactions excluded.* Section 1026.12(c) does not apply to the use of a check guarantee card or a debit card in connection with an overdraft credit plan, or to a check guarantee card used in connection with cash-advance checks.

4. *Method of calculating the amount of credit outstanding.* The amount of the claim or defense that the cardholder may assert shall not exceed the amount of credit outstanding for the disputed transaction at the time the cardholder first notifies the card issuer or the person honoring the credit card of the existence of the claim or defense. However, when a consumer has asserted a claim or defense against a creditor pursuant to §1026.12(c), the creditor must apply any payment or other credit in a manner that avoids or minimizes any reduction in the amount subject to that claim or defense. Accordingly, to determine the amount of credit outstanding for purposes of this section, payments and other credits must be applied first to amounts other than the disputed transaction.

i. For examples of how to comply with §§1026.12 and 1026.53 for credit card accounts under an open-end (not home-secured) consumer credit plan, see comment 53-3.

ii. For other types of credit card accounts, creditors may, at their option, apply payments consistent with §1026.53 and comment 53-3. In the alternative, payments and other credits may be applied to: Late charges in the order of entry to the account; then to finance charges in the order of entry to the account; and then to any debits other than the transaction subject to the claim or defense in the order of entry to the account. In these circumstances, if more than one item is included in a single extension of credit, credits are to be distributed pro rata according to prices and applicable taxes.

5. *Prepaid cards.* i. Section 1026.12(c) applies to property or services purchased with the hybrid prepaid-credit card that accesses a covered separate credit feature as defined in §1026.61. The following examples illustrate

when a hybrid prepaid-credit card is used to purchase property or services:

A. A consumer uses a hybrid prepaid-credit card as defined in §1026.61 to make a purchase to obtain goods or services from a merchant and credit is drawn directly from a covered separate credit feature accessed by the hybrid prepaid-credit card without transferring funds into the asset feature of the prepaid account to cover the amount of the purchase. For example, assume that the consumer has \$10 of funds in the asset feature of the prepaid account and initiates a transaction with a merchant to obtain goods or services with the hybrid prepaid-credit card for \$25. In this case, \$10 is debited from the asset feature and \$15 of credit is drawn directly from the covered separate credit feature accessed by the hybrid prepaid-credit card without any transfer of funds into the asset feature of the prepaid account to cover the amount of the purchase. In this case, the consumer is using credit accessed by the hybrid prepaid-credit card to purchase property or services where credit is drawn directly from the covered separate credit feature accessed by the hybrid prepaid-credit card to cover the amount of the purchase.

B. A consumer uses a hybrid prepaid-credit card as defined in §1026.61 to make a purchase to obtain goods or services from a merchant and credit is transferred from a covered separate credit feature accessed by the hybrid prepaid-credit card into the asset feature of the prepaid account to cover the amount of the purchase. For example, assume the same facts as above, except that the \$15 will be transferred from a covered separate credit feature to the asset feature, and a transaction of \$25 is debited from the asset feature of the prepaid account. In this case, the consumer is using credit accessed by the hybrid prepaid-credit card to purchase property or services because credit is transferred to the asset feature of the prepaid account to cover the amount of a purchase made with the card. This is true even though the \$15 credit transaction is treated as “nonsale credit” under §1026.8(b). See comments 8(a)-9.ii and 8(b)-1.vi.

ii. For a transaction at point of sale where a hybrid prepaid-credit card is used to obtain goods or services from a merchant and the transaction is partially paid with funds from the asset feature of the prepaid account, and partially paid with credit from the covered separate credit feature, the amount of the purchase transaction that is funded by credit generally would be subject to the requirements of §1026.12(c). The amount of the transaction funded from the prepaid account would not be subject to the requirements of §1026.12(c).

### 12(c)(1) General Rule

1. *Situations excluded and included.* The consumer may assert claims or defenses only

when the goods or services are “purchased with the credit card.” This would include when the goods or services are purchased by a consumer using a hybrid prepaid-credit card to access a covered separate credit feature as defined in §1026.61. This could include mail, the Internet or telephone orders, if the purchase is charged to the credit card account. But it would exclude:

i. Use of a credit card to obtain a cash advance, even if the consumer then uses the money to purchase goods or services. Such a transaction would not involve “property or services purchased with the credit card.”

ii. The purchase of goods or services by use of a check accessing an overdraft account and a credit card used solely for identification of the consumer. (On the other hand, if the credit card is used to make partial payment for the purchase and not merely for identification, the right to assert claims or defenses would apply to credit extended via the credit card, although not to credit extended by the overdraft line other than a covered separate credit feature accessible by a hybrid prepaid-credit card.)

iii. Purchases made by use of a check guarantee card in conjunction with a cash advance check (or by cash advance checks alone). (See comment 12(c)-3.) A cash advance check is a check that, when written, does not draw on an asset account; instead, it is charged entirely to an open-end credit account.

iv. Purchases effected by use of either a check guarantee card or a debit card when used to draw on overdraft credit plans. (See comment 12(c)-3.) The debit card exemption applies whether the card accesses an asset account via point of sale terminals, automated teller machines, or in any other way, and whether the card qualifies as an “access device” under Regulation E or is only a paper based debit card. If a card serves both as an ordinary credit card and also as check guarantee or debit card, a transaction will be subject to this rule on asserting claims and defenses when used as an ordinary credit card, but not when used as a check guarantee or debit card.

#### 12(c)(2) Adverse Credit Reports Prohibited

1. *Scope of prohibition.* Although an amount in dispute may not be reported as delinquent until the matter is resolved:

i. That amount may be reported as disputed.

ii. Nothing in this provision prohibits the card issuer from undertaking its normal collection activities for the delinquent and undisputed portion of the account.

2. *Settlement of dispute.* A card issuer may not consider a dispute settled and report an amount disputed as delinquent or begin collection of the disputed amount until it has completed a reasonable investigation of the cardholder’s claim. A reasonable investiga-

tion requires an independent assessment of the cardholder’s claim based on information obtained from both the cardholder and the merchant, if possible. In conducting an investigation, the card issuer may request the cardholder’s reasonable cooperation. The card issuer may not automatically consider a dispute settled if the cardholder fails or refuses to comply with a particular request. However, if the card issuer otherwise has no means of obtaining information necessary to resolve the dispute, the lack of information resulting from the cardholder’s failure or refusal to comply with a particular request may lead the card issuer reasonably to terminate the investigation.

#### 12(c)(3) Limitations

##### Paragraph 12(c)(3)(i)(A)

1. *Resolution with merchant.* The consumer must have tried to resolve the dispute with the merchant. This does not require any special procedures or correspondence between them, and is a matter for factual determination in each case. The consumer is not required to seek satisfaction from the manufacturer of the goods involved. When the merchant is in bankruptcy proceedings, the consumer is not required to file a claim in those proceedings, and may instead file a claim for the property or service purchased with the credit card with the card issuer directly.

##### Paragraph 12(c)(3)(i)(B)

1. *Geographic limitation.* The question of where a transaction occurs (as in the case of mail, Internet, or telephone orders, for example) is to be determined under state or other applicable law.

#### 12(c)(3)(ii) Exclusion

1. *Merchant honoring card.* The exceptions (stated in §1026.12(c)(3)(ii)) to the amount and geographic limitations in §1026.12(c)(3)(B) do not apply if the merchant merely honors, or indicates through signs or advertising that it honors, a particular credit card.

#### 12(d) Offsets by Card Issuer Prohibited

1. *Meaning of funds on deposit.* For purposes of §1026.12(d), funds of the cardholder held on deposit include funds in a consumer’s prepaid account as defined in §1026.61. In addition, for purposes of §1026.12(d), deposit account includes a prepaid account.

#### Paragraph 12(d)(1)

1. *Holds on accounts.* “Freezing” or placing a hold on funds in the cardholder’s deposit account is the functional equivalent of an offset and would contravene the prohibition in §1026.12(d)(1), unless done in the context of one of the exceptions specified in

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

§ 1026.12(d)(2). For example, if the terms of a security agreement permitted the card issuer to place a hold on the funds, the hold would not violate the offset prohibition. Similarly, if an order of a bankruptcy court required the card issuer to turn over deposit account funds to the trustee in bankruptcy, the issuer would not violate the regulation by placing a hold on the funds in order to comply with the court order.

2. *Funds intended as deposits.* If the consumer tenders funds as a deposit (to a checking account, for example) or if the card issuer receives funds designated for the consumer's prepaid account as defined in § 1026.61 with the issuer, such as by means of an ACH deposit or an electronic transmittal of funds the consumer submits as cash at a non-bank location, the card issuer may not apply the funds to repay indebtedness on the consumer's credit card account.

3. *Types of indebtedness; overdraft accounts.* The offset prohibition applies to any indebtedness arising from transactions under a credit card plan, including accrued finance charges and other charges on the account. The prohibition also applies to balances arising from transactions not using the credit card itself but taking place under plans that involve credit cards. For example, if the consumer writes a check that accesses an overdraft line of credit, the resulting indebtedness is subject to the offset prohibition since it is incurred through a credit card plan, even though the consumer did not use an associated check guarantee or debit card.

4. *When prohibition applies in case of termination of account.* The offset prohibition applies even after the card issuer terminates the cardholder's credit card privileges, if the indebtedness was incurred prior to termination. If the indebtedness was incurred after termination, the prohibition does not apply.

### Paragraph 12(d)(2)

1. *Security interest—limitations.* In order to qualify for the exception stated in § 1026.12(d)(2), a security interest must be affirmatively agreed to by the consumer and must be disclosed in the issuer's account-opening disclosures under § 1026.6. The security interest must not be the functional equivalent of a right of offset; as a result, routinely including in agreements contract language indicating that consumers are giving a security interest in any deposit accounts maintained with the issuer does not result in a security interest that falls within the exception in § 1026.12(d)(2). For a security interest to qualify for the exception under § 1026.12(d)(2) the following conditions must be met:

i. The consumer must be aware that granting a security interest is a condition for the credit card account (or for more favorable account terms) and must specifically intend

to grant a security interest in a deposit account.

ii. With respect to a credit card account other than a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in § 1026.61, indicia of the consumer's awareness and intent to grant a security interest in a deposit account include at least one of the following (or a substantially similar procedure that evidences the consumer's awareness and intent):

A. Separate signature or initials on the agreement indicating that a security interest is being given.

B. Placement of the security agreement on a separate page, or otherwise separating the security interest provisions from other contract and disclosure provisions.

C. Reference to a specific amount of deposited funds or to a specific deposit account number.

iii. With respect to a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in § 1026.61, in order for a consumer to show awareness and intent to grant a security interest in a deposit account, including a prepaid account, all of the following conditions must be met:

A. In addition to being disclosed in the issuer's account-opening disclosures under § 1026.6, the security agreement must be provided to the consumer in a document separate from the deposit account agreement and the credit card account agreement;

B. The separate document setting forth the security agreement must be signed by the consumer;

C. The separate document setting forth the security agreement must refer to the deposit account number and to a specific amount of funds in the deposit account in which the card issuer is taking a security interest and these two elements of the document must be separately signed or initialed by the consumer;

D. The separate document setting forth the security agreement must specifically enumerate the conditions under which the card issuer will enforce the security interest and each of those conditions must be separately signed or initialed by the consumer.

iv. The security interest must be obtainable and enforceable by creditors generally. If other creditors could not obtain a security interest in the consumer's deposit accounts to the same extent as the card issuer, the security interest is prohibited by § 1026.12(d)(2).

2. *Security interest—after-acquired property.* As used in § 1026.12(d)(2), the term "security interest" does not exclude (as it does for other Regulation Z purposes) interests in after-acquired property. Thus, a consensual security interest in deposit-account funds, including funds deposited after the granting of the security interest would constitute a permissible exception to the prohibition on offsets.

**Pt. 1026, Supp. I**

3. *Court order.* If the card issuer obtains a judgment against the cardholder, and if state and other applicable law and the terms of the judgment do not so prohibit, the card issuer may offset the indebtedness against the cardholder's deposit account.

## Paragraph 12(d)(3)

1. *Automatic payment plans—scope of exception.* With regard to automatic debit plans under §1026.12(d)(3), the following rules apply:

i. The cardholder's authorization must be in writing and signed or initialed by the cardholder.

ii. The authorizing language need not appear directly above or next to the cardholder's signature or initials, provided it appears on the same document and that it clearly spells out the terms of the automatic debit plan.

iii. If the cardholder has the option to accept or reject the automatic debit feature (such option may be required under section 913 of the Electronic Fund Transfer Act and Regulation E, 12 CFR 1005.10(e)), the fact that the option exists should be clearly indicated.

2. *Automatic payment plans—additional exceptions.* The following practices are not prohibited by §1026.12(d)(1):

i. Automatically deducting charges for participation in a program of banking services (one aspect of which may be a credit card plan).

ii. Debiting the cardholder's deposit account on the cardholder's specific request rather than on an automatic periodic basis (for example, a cardholder might check a box on the credit card bill stub, requesting the issuer to debit the cardholder's account to pay that bill).

iii. Automatically deducting from the consumer's deposit account any fee or charge imposed on the asset feature of the prepaid account that is not a charge imposed as part of the plan under §1026.6(b)(3). See §1026.6(b)(3)(iii)(D) and (E) and related commentary regarding fees imposed on the asset feature of a prepaid account that are not charges imposed as part of the plan under §1026.6(b)(3) with respect to covered separate credit features accessible by hybrid prepaid-credit cards and non-covered separate credit features as those terms are defined in §1026.61.

3. *Prepaid accounts.* With respect to covered separate credit features accessible by hybrid prepaid-credit cards as defined in §1026.61, a card issuer is not prohibited under §1026.12(d) from periodically deducting all or part of the cardholder's credit card debt from a deposit account (including the prepaid account) held with the card issuer (subject to the limitations of §1026.13(d)(1)) under a plan that is authorized in writing by the cardholder, so long as the creditor does not deduct all or

**12 CFR Ch. X (1-1-24 Edition)**

part of the cardholder's credit card debt from the deposit account more frequently than once per calendar month, pursuant to such a plan. To illustrate, with respect to a covered separate credit feature accessible by a hybrid prepaid-credit card, assume that a periodic statement is sent out each month to a cardholder on the first day of the month and the payment due date for the amount due on that statement is the 25th day of each month. In this case:

i. The card issuer is not prohibited under §1026.12(d) from automatically deducting the amount due on the periodic statement on the 25th of each month, or on an earlier date in each calendar month, from a deposit account held by the card issuer, if the deductions are pursuant to a plan that is authorized in writing by the cardholder (as discussed in comment 12(d)(3)-1) and comply with the limitations in §1026.13(d)(1).

ii. The card issuer is prohibited under §1026.12(d) from automatically deducting all or part of the cardholder's credit card debt from a deposit account (including the prepaid account) held with the card issuer more frequently than once per calendar month, such as on a daily or weekly basis, or whenever deposits are made or expected to be made to the deposit account.

## 12(e) Prompt Notification of Returns and Crediting of Refunds

## Paragraph 12(e)(1)

1. *Normal channels.* The term normal channels refers to any network or interchange system used for the processing of the original charge slips (or equivalent information concerning the transaction).

## Paragraph 12(e)(2)

1. *Crediting account.* The card issuer need not actually post the refund to the consumer's account within three business days after receiving the credit statement, provided that it credits the account as of a date within that time period.

*Section 1026.13—Billing Error Resolution*

1. *Creditor's failure to comply with billing error provisions.* Failure to comply with the error resolution procedures may result in the forfeiture of disputed amounts as prescribed in section 161(e) of the Act. (Any failure to comply may also be a violation subject to the liability provisions of section 130 of the Act.)

2. *Charges for error resolution.* If a billing error occurred, whether as alleged or in a different amount or manner, the creditor may not impose a charge related to any aspect of the error resolution process (including charges for documentation or investigation) and must credit the consumer's account if

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

such a charge was assessed pending resolution. Since the Act grants the consumer error resolution rights, the creditor should avoid any chilling effect on the good faith assertion of errors that might result if charges are assessed when no billing error has occurred.

### 13(a) Definition of Billing Error

#### Paragraph 13(a)(1)

1. *Actual, implied, or apparent authority.* Whether use of a credit card or open-end credit plan is authorized is determined by state or other applicable law. (See comment 12(b)(1)(ii)-1.)

#### Paragraph 13(a)(3)

1. *Coverage.* i. Section 1026.13(a)(3) covers disputes about goods or services that are “not accepted” or “not delivered \*\*\* as agreed”; for example:

A. The appearance on a periodic statement of a purchase, when the consumer refused to take delivery of goods because they did not comply with the contract.

B. Delivery of property or services different from that agreed upon.

C. Delivery of the wrong quantity.

D. Late delivery.

E. Delivery to the wrong location.

ii. Section 1026.13(a)(3) does not apply to a dispute relating to the quality of property or services that the consumer accepts. Whether acceptance occurred is determined by state or other applicable law.

2. *Application to purchases made using a third-party payment intermediary.* Section 1026.13(a)(3) generally applies to disputes about goods and services that are purchased using a third-party payment intermediary, such as a person-to-person Internet payment service, funded through use of a consumer's open-end credit plan when the goods or services are not accepted by the consumer or not delivered to the consumer as agreed. However, the extension of credit must be made at the time the consumer purchases the good or service and match the amount of the transaction to purchase the good or service (including ancillary taxes and fees). Under these circumstances, the property or service for which the extension of credit is made is not the payment service, but rather the good or service that the consumer has purchased using the payment service. Thus, for example, §1026.13(a)(3) would not apply to purchases using a third party payment intermediary that is funded through use of an open-end credit plan if:

i. The extension of credit is made to fund the third-party payment intermediary “account,” but the consumer does not contemporaneously use those funds to purchase a good or service at that time.

ii. The extension of credit is made to fund only a portion of the purchase amount, and

the consumer uses other sources to fund the remaining amount.

3. *Notice to merchant not required.* A consumer is not required to first notify the merchant or other payee from whom he or she has purchased goods or services and attempt to resolve a dispute regarding the good or service before providing a billing-error notice to the creditor under §1026.13(a)(3) asserting that the goods or services were not accepted or delivered as agreed.

#### Paragraph 13(a)(5)

1. *Computational errors.* In periodic statements that are combined with other information, the error resolution procedures are triggered only if the consumer asserts a computational billing error in the credit-related portion of the periodic statement. For example, if a bank combines a periodic statement reflecting the consumer's credit card transactions with the consumer's monthly checking statement, a computational error in the checking account portion of the combined statement is not a billing error.

#### Paragraph 13(a)(6)

1. *Documentation requests.* A request for documentation such as receipts or sales slips, unaccompanied by an allegation of an error under §1026.13(a) or a request for additional clarification under §1026.13(a)(6), does not trigger the error resolution procedures. For example, a request for documentation merely for purposes such as tax preparation or recordkeeping does not trigger the error resolution procedures.

### 13(b) Billing Error Notice

1. *Withdrawal of billing error notice by consumer.* The creditor need not comply with the requirements of §1026.13(c) through (g) of this section if the consumer concludes that no billing error occurred and voluntarily withdraws the billing error notice. The consumer's withdrawal of a billing error notice may be oral, electronic or written.

2. *Form of written notice.* The creditor may require that the written notice not be made on the payment medium or other material accompanying the periodic statement if the creditor so stipulates in the billing rights statement required by §§1026.6(a)(5) or (b)(5)(iii), and 1026.9(a). In addition, if the creditor stipulates in the billing rights statement that it accepts billing error notices submitted electronically, and states the means by which a consumer may electronically submit a billing error notice, a notice sent in such manner will be deemed to satisfy the written notice requirement for purposes of §1026.13(b).

#### Paragraph 13(b)(1)

1. *Failure to send periodic statement—timing.* If the creditor has failed to send a periodic

## Pt. 1026, Supp. I

statement, the 60-day period runs from the time the statement should have been sent. Once the statement is provided, the consumer has another 60 days to assert any billing errors reflected on it.

2. *Failure to reflect credit—timing.* If the periodic statement fails to reflect a credit to the account, the 60-day period runs from transmittal of the statement on which the credit should have appeared.

3. *Transmittal.* If a consumer has arranged for periodic statements to be held at the financial institution until called for, the statement is “transmitted” when it is first made available to the consumer.

### Paragraph 13(b)(2)

1. *Identity of the consumer.* The billing error notice need not specify both the name and the account number if the information supplied enables the creditor to identify the consumer's name and account.

### 13(c) Time for Resolution; General Procedures

1. *Temporary or provisional corrections.* A creditor may temporarily correct the consumer's account in response to a billing error notice, but is not excused from complying with the remaining error resolution procedures within the time limits for resolution.

2. *Correction without investigation.* A creditor may correct a billing error in the manner and amount asserted by the consumer without the investigation or the determination normally required. The creditor must comply, however, with all other applicable provisions. If a creditor follows this procedure, no presumption is created that a billing error occurred.

3. *Relationship with §1026.12.* The consumer's rights under the billing error provisions in §1026.13 are independent of the provisions set forth in §1026.12(b) and (c). (See comments 12(b)-4, 12(b)(3)-3, and 12(c)-1.)

### Paragraph 13(c)(2)

1. *Time for resolution.* The phrase two complete billing cycles means two actual billing cycles occurring after receipt of the billing error notice, not a measure of time equal to two billing cycles. For example, if a creditor on a monthly billing cycle receives a billing error notice mid-cycle, it has the remainder of that cycle plus the next two full billing cycles to resolve the error.

2. *Finality of error resolution procedure.* A creditor must comply with the error resolution procedures and complete its investigation to determine whether an error occurred within two complete billing cycles as set forth in §1026.13(c)(2). Thus, for example, §1026.13(c)(2) prohibits a creditor from reversing amounts previously credited for an alleged billing error even if the creditor ob-

## 12 CFR Ch. X (1-1-24 Edition)

tains evidence after the error resolution time period has passed indicating that the billing error did not occur as asserted by the consumer. Similarly, if a creditor fails to mail or deliver a written explanation setting forth the reason why the billing error did not occur as asserted, or otherwise fails to comply with the error resolution procedures set forth in §1026.13(f), the creditor generally must credit the disputed amount and related finance or other charges, as applicable, to the consumer's account. However, if a consumer receives more than one credit to correct the same billing error, §1026.13 does not prevent a creditor from reversing amounts it has previously credited to correct that error, provided that the total amount of the remaining credits is equal to or more than the amount of the error and that the consumer does not incur any fees or other charges as a result of the timing of the creditor's reversal. For example, assume that a consumer asserts a billing error with respect to a \$100 transaction and that the creditor posts a \$100 credit to the consumer's account to correct that error during the time period set forth in §1026.13(c)(2). However, following that time period, a merchant or other person honoring the credit card issues a \$100 credit to the consumer to correct the same error. In these circumstances, §1026.13(c)(2) does not prohibit the creditor from reversing its \$100 credit once the \$100 credit from the merchant or other person has posted to the consumer's account.

### 13(d) Rules Pending Resolution

1. *Disputed amount.* Disputed amount is the dollar amount alleged by the consumer to be in error. When the allegation concerns the description or identification of the transaction (such as the date or the seller's name) rather than a dollar amount, the disputed amount is the amount of the transaction or charge that corresponds to the disputed transaction identification. If the consumer alleges a failure to send a periodic statement under §1026.13(a)(7), the disputed amount is the entire balance owing.

### 13(d)(1) Consumer's Right To Withhold Disputed Amount; Collection Action Prohibited

1. *Prohibited collection actions.* During the error resolution period, the creditor is prohibited from trying to collect the disputed amount from the consumer. Prohibited collection actions include, for example, instituting court action, taking a lien, or instituting attachment proceedings.

2. *Right to withhold payment.* If the creditor reflects any disputed amount or related finance or other charges on the periodic statement, and is therefore required to make the disclosure under §1026.13(d)(4), the creditor

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

may comply with that disclosure requirement by indicating that payment of any disputed amount is not required pending resolution. Making a disclosure that only refers to the disputed amount would, of course, in no way affect the consumer's right under § 1026.13(d)(1) to withhold related finance and other charges. The disclosure under § 1026.13(d)(4) need not appear in any specific place on the periodic statement, need not state the specific amount that the consumer may withhold, and may be preprinted on the periodic statement.

3. *Imposition of additional charges on undisputed amounts.* The consumer's withholding of a disputed amount from the total bill cannot subject undisputed balances (including new purchases or cash advances made during the present or subsequent cycles) to the imposition of finance or other charges. For example, if on an account with a grace period (that is, an account in which paying the new balance in full allows the consumer to avoid the imposition of additional finance charges), a consumer disputes a \$2 item out of a total bill of \$300 and pays \$298 within the grace period, the consumer would not lose the grace period as to any undisputed amounts, even if the creditor determines later that no billing error occurred. Furthermore, finance or other charges may not be imposed on any new purchases or advances that, absent the unpaid disputed balance, would not have finance or other charges imposed on them. Finance or other charges that would have been incurred even if the consumer had paid the disputed amount would not be affected.

4. *Automatic payment plans—coverage.* The coverage of this provision is limited to the card issuer's automatic payment plans, whether or not the consumer's asset account is held by the card issuer or by another financial institution. It does not apply to automatic or bill-payment plans offered by financial institutions other than the credit card issuer.

5. *Automatic payment plans—time of notice.* While the card issuer does not have to restore or prevent the debiting of a disputed amount if the billing error notice arrives after the three-business-day cut-off, the card issuer must, however, prevent the automatic debit of any part of the disputed amount that is still outstanding and unresolved at the time of the next scheduled debit date.

### 13(d)(2) Adverse Credit Reports Prohibited

1. *Report of dispute.* Although the creditor must not issue an adverse credit report because the consumer fails to pay the disputed amount or any related charges, the creditor may report that the amount or the account is in dispute. Also, the creditor may report the account as delinquent if undisputed amounts remain unpaid.

2. *Person.* During the error resolution period, the creditor is prohibited from making an adverse credit report about the disputed amount to any person—including employers, insurance companies, other creditors, and credit bureaus.

3. *Creditor's agent.* Whether an agency relationship exists between a creditor and an issuer of an adverse credit report is determined by state or other applicable law.

### 13(e) Procedures If Billing Error Occurred as Asserted

1. *Correction of error.* The phrase as applicable means that the necessary corrections vary with the type of billing error that occurred. For example, a misidentified transaction (or a transaction that is identified by one of the alternative methods in § 1026.8) is cured by properly identifying the transaction and crediting related finance and any other charges imposed. The creditor is not required to cancel the amount of the underlying obligation incurred by the consumer.

2. *Form of correction notice.* The written correction notice may take a variety of forms. It may be sent separately, or it may be included on or with a periodic statement that is mailed within the time for resolution. If the periodic statement is used, the amount of the billing error must be specifically identified. If a separate billing error correction notice is provided, the accompanying or subsequent periodic statement reflecting the corrected amount may simply identify it as credit.

3. *Discovery of information after investigation period.* See comment 13(c)(2)-2.

### 13(f) Procedures If Different Billing Error or No Billing Error Occurred

1. *Different billing error.* Examples of a different billing error include:

i. Differences in the amount of an error (for example, the customer asserts a \$55.00 error but the error was only \$53.00).

ii. Differences in other particulars asserted by the consumer (such as when a consumer asserts that a particular transaction never occurred, but the creditor determines that only the seller's name was disclosed incorrectly).

2. *Form of creditor's explanation.* The written explanation (which also may notify the consumer of corrections to the account) may take a variety of forms. It may be sent separately, or it may be included on or with a periodic statement that is mailed within the time for resolution. If the creditor uses the periodic statement for the explanation and correction(s), the corrections must be specifically identified. If a separate explanation, including the correction notice, is provided, the enclosed or subsequent periodic statement reflecting the corrected amount may

**Pt. 1026, Supp. I**

simply identify it as a credit. The explanation may be combined with the creditor's notice to the consumer of amounts still owing, which is required under §1026.13(g)(1), provided it is sent within the time limit for resolution. (See commentary to §1026.13(e).)

3. *Reasonable investigation.* A creditor must conduct a reasonable investigation before it determines that no billing error occurred or that a different billing error occurred from that asserted. In conducting its investigation of an allegation of a billing error, the creditor may reasonably request the consumer's cooperation. The creditor may not automatically deny a claim based solely on the consumer's failure or refusal to comply with a particular request, including providing an affidavit or filing a police report. However, if the creditor otherwise has no knowledge of facts confirming the billing error, the lack of information resulting from the consumer's failure or refusal to comply with a particular request may lead the creditor reasonably to terminate the investigation. The procedures involved in investigating alleged billing errors may differ depending on the billing error type.

i. *Unauthorized transaction.* In conducting an investigation of a notice of billing error alleging an unauthorized transaction under §1026.13(a)(1), actions such as the following represent steps that a creditor may take, as appropriate, in conducting a reasonable investigation:

A. Reviewing the types or amounts of purchases made in relation to the consumer's previous purchasing pattern.

B. Reviewing where the purchases were delivered in relation to the consumer's residence or place of business.

C. Reviewing where the purchases were made in relation to where the consumer resides or has normally shopped.

D. Comparing any signature on credit slips for the purchases to the signature of the consumer (or an authorized user in the case of a credit card account) in the creditor's records, including other credit slips.

E. Requesting documentation to assist in the verification of the claim.

F. Requiring a written, signed statement from the consumer (or authorized user, in the case of a credit card account). For example, the creditor may include a signature line on a billing rights form that the consumer may send in to provide notice of the claim. However, a creditor may not require the consumer to provide an affidavit or signed statement under penalty of perjury as a part of a reasonable investigation.

G. Requesting a copy of a police report, if one was filed.

H. Requesting information regarding the consumer's knowledge of the person who allegedly obtained an extension of credit on the account or of that person's authority to do so.

**12 CFR Ch. X (1-1-24 Edition)**

ii. *Nondelivery of property or services.* In conducting an investigation of a billing error notice alleging the nondelivery of property or services under §1026.13(a)(3), the creditor shall not deny the assertion unless it conducts a reasonable investigation and determines that the property or services were actually delivered, mailed, or sent as agreed.

iii. *Incorrect information.* In conducting an investigation of a billing error notice alleging that information appearing on a periodic statement is incorrect because a person honoring the consumer's credit card or otherwise accepting an access device for an open-end plan has made an incorrect report to the creditor, the creditor shall not deny the assertion unless it conducts a reasonable investigation and determines that the information was correct.

**13(g) Creditor's Rights and Duties After Resolution****Paragraph 13(g)(1)**

1. *Amounts owed by consumer.* Amounts the consumer still owes may include both minimum periodic payments and related finance and other charges that accrued during the resolution period. As explained in the commentary to §1026.13(d)(1), even if the creditor later determines that no billing error occurred, the creditor may not include finance or other charges that are imposed on undisputed balances solely as a result of a consumer's withholding payment of a disputed amount.

2. *Time of notice.* The creditor need not send the notice of amount owed within the time period for resolution, although it is under a duty to send the notice promptly after resolution of the alleged error. If the creditor combines the notice of the amount owed with the explanation required under §1026.13(f)(1), the combined notice must be provided within the time limit for resolution.

**Paragraph 13(g)(2)**

1. *Grace period if no error occurred.* If the creditor determines, after a reasonable investigation, that a billing error did not occur as asserted, and the consumer was entitled to a grace period at the time the consumer provided the billing error notice, the consumer must be given a period of time equal to the grace period disclosed under §1026.6(a)(1) or (b)(2) and §1026.7(a)(8) or (b)(8) to pay any disputed amounts due without incurring additional finance or other charges. However, the creditor need not allow a grace period disclosed under the above-mentioned sections to pay the amount due under §1026.13(g)(1) if no error occurred and the consumer was not entitled to a grace period at the time the consumer asserted the error. For example, assume that a creditor provides a consumer a grace period of 20 days to pay

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

a new balance to avoid finance charges, and that the consumer did not carry an outstanding balance from the prior month. If the consumer subsequently asserts a billing error for the current statement period within the 20-day grace period, and the creditor determines that no billing error in fact occurred, the consumer must be given at least 20 days (*i.e.*, the full disclosed grace period) to pay the amount due without incurring additional finance charges. Conversely, if the consumer was not entitled to a grace period at the time the consumer asserted the billing error, for example, if the consumer did not pay the previous monthly balance of undisputed charges in full, the creditor may assess finance charges on the disputed balance for the entire period the item was in dispute.

### Paragraph 13(g)(3)

1. *Time for payment.* The consumer has a minimum of 10 days to pay (measured from the time the consumer could reasonably be expected to have received notice of the amount owed) before the creditor may issue an adverse credit report; if an initially disclosed grace period allows the consumer a longer time in which to pay, the consumer has the benefit of that longer period.

### Paragraph 13(g)(4)

1. *Credit reporting.* Under § 1026.13(g)(4)(i) and (iii) the creditor's additional credit reporting responsibilities must be accomplished promptly. The creditor need not establish costly procedures to fulfill this requirement. For example, a creditor that reports to a credit bureau on scheduled updates need not transmit corrective information by an unscheduled computer or magnetic tape; it may provide the credit bureau with the correct information by letter or other commercially reasonable means when using the scheduled update would not be "prompt." The creditor is not responsible for ensuring that the credit bureau corrects its information immediately.

2. *Adverse report to credit bureau.* If a creditor made an adverse report to a credit bureau that disseminated the information to other creditors, the creditor fulfills its § 1026.13(g)(4)(ii) obligations by providing the consumer with the name and address of the credit bureau.

### 13(i) Relation to Electronic Fund Transfer Act and Regulation E

1. *Coverage.* Credit extended directly from a non-overdraft credit line is governed solely by Regulation Z, even though a combined credit card/access device is used to obtain the extension.

2. *Incidental credit under an agreement with respect to an account other than a prepaid account.* Except with respect to a prepaid account as defined in § 1026.61, for credit ex-

tended incident to an electronic fund transfer under an agreement between the consumer and the financial institution, § 1026.13(i)(1) provides that certain error resolution procedures in both this part and Regulation E apply. Except with respect to a prepaid account, incidental credit that is not extended under an agreement between the consumer and the financial institution is governed solely by the error resolution procedures in Regulation E. For example, credit inadvertently extended incident to an electronic fund transfer using a debit card, such as under an overdraft service not subject to Regulation Z, is governed solely by the Regulation E error resolution procedures, if the bank and the consumer do not have an agreement to extend credit when the consumer's account is overdrawn.

3. *Application to debit/credit transactions—examples.* If a consumer uses a debit card to withdraw money at an automated teller machine and activates an overdraft credit feature on the checking account:

i. An error asserted with respect to the transaction is subject, for error resolution purposes, to the applicable Regulation E (12 CFR part 1005) provisions (such as timing and notice) for the entire transaction.

ii. The creditor need not provisionally credit the consumer's account, under 12 CFR 1005.11(c)(2)(i), for any portion of the unpaid extension of credit.

iii. The creditor must credit the consumer's account under § 1005.11(c) with any finance or other charges incurred as a result of the alleged error.

iv. The provisions of § 1026.13(d) and (g) apply only to the credit portion of the transaction.

4. *Credit under a covered separate credit feature accessible by a hybrid prepaid-credit card.* For transactions involving a covered separate credit feature accessible by a hybrid prepaid-credit card as defined in § 1026.61, whether Regulation E (12 CFR part 1005) or Regulation Z applies depends on the nature of the transaction. For example:

i. If the transaction solely involves an extension of credit under a covered separate credit feature and does not access funds from the asset feature of the prepaid account, the error resolution requirements of Regulation Z apply. To illustrate, assume that there is \$0 in the asset feature of the prepaid account, and the consumer makes a \$25 transaction with the card. The error resolution requirements of Regulation Z apply to the transaction. This is true regardless of whether the \$25 of credit is drawn directly from the covered separate credit feature without a transfer to the asset feature of the prepaid

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

account to cover the amount of the transaction, or whether the \$25 of credit is transferred from the covered separate credit feature to the asset feature of the prepaid account to cover the amount of the transaction.

ii. If the transaction accesses funds from the asset feature of a prepaid account only (with no credit extended under the credit feature), the provisions of Regulation E apply.

iii. If the transaction accesses funds from the asset feature of a prepaid account but also involves an extension of credit under the covered separate credit feature, a creditor must comply with the requirements of Regulation E, 12 CFR 1005.11, and 1005.18(e) as applicable, governing error resolution rather than those of §1026.13(a), (b), (c), (e), (f), and (h). To illustrate, assume that there is \$10 in the asset feature of the prepaid account, and the consumer makes a \$25 transaction with the card. The error resolution requirements of Regulations E and Z apply as described above to the transaction. This is true regardless of whether \$10 is debited from the asset feature and \$15 of credit is drawn directly from the covered separate credit feature without a transfer to the asset feature of the prepaid account to cover the amount of the transaction, or whether \$15 of credit is transferred from the covered separate credit feature to the asset feature of the prepaid account and a \$25 transaction is debited from the asset feature to cover the amount of the transaction. When this paragraph applies:

A. An error asserted with respect to the transaction is subject, for error resolution purposes, to the applicable Regulation E (12 CFR part 1005) provisions (such as timing and notice) for the entire transaction.

B. The creditor need not provisionally credit the consumer's account, under Regulation E, 12 CFR 1005.11(c)(2)(i), for any portion of the unpaid extension of credit.

C. The creditor must credit the consumer's account under §1005.11(c) with any finance or other charges incurred as a result of the alleged error.

D. The provisions of §1026.13(d) and (g) apply only to the credit portion of the transaction.

5. *Prepaid cards that are not hybrid prepaid credit cards.* Regulation E, 12 CFR 1005.12(a)(1)(iv)(C) and (D), and (a)(2)(iii) provide guidance on whether error resolution procedures in Regulations E or Z apply to transactions involving credit features that are accessed by prepaid cards that are not hybrid prepaid-credit cards as defined in §1026.61. Regulation E 12 CFR 1005.12(a)(1)(iv)(C) provides that with respect to transactions that involve credit extended through a negative balance to the asset feature of a prepaid account that meets the conditions set forth in §1026.61(a)(4), these transactions are governed solely by error resolution

procedures in Regulation E, and Regulation Z does not apply. Regulation E 12 CFR 1005.12(a)(1)(iv)(D) and (a)(2)(iii), taken together, provide that with respect to transactions involving a prepaid account and a non-covered separate credit feature as defined in §1026.61, a financial institution must comply with Regulation E's error resolution procedures with respect to transactions that access the prepaid account as applicable, and the creditor must comply with Regulation Z's error resolution procedures with respect to transactions that access the non-covered separate credit feature, as applicable.

*Section 1026.14—Determination of Annual Percentage Rate***14(a) General Rule**

1. *Tolerance.* The tolerance of 1/8th of 1 percentage point above or below the annual percentage rate applies to any required disclosure of the annual percentage rate. The disclosure of the annual percentage rate is required in §§1026.60, 1026.40, 1026.6, 1026.7, 1026.9, 1026.15, 1026.16, 1026.26, 1026.55, and 1026.56.

2. *Rounding.* The regulation does not require that the annual percentage rate be calculated to any particular number of decimal places; rounding is permissible within the 1/8th of 1 percent tolerance. For example, an exact annual percentage rate of 14.33333% may be stated as 14.33% or as 14.3%, or even as 14 1/4%; but it could not be stated as 14.2% or 14%, since each varies by more than the permitted tolerance.

3. *Periodic rates.* No explicit tolerance exists for any periodic rate as such; a disclosed periodic rate may vary from precise accuracy (for example, due to rounding) only to the extent that its annualized equivalent is within the tolerance permitted by §1026.14(a). Further, a periodic rate need not be calculated to any particular number of decimal places.

4. *Finance charges.* The regulation does not prohibit creditors from assessing finance charges on balances that include prior, unpaid finance charges; state or other applicable law may do so, however.

5. *Good faith reliance on faulty calculation tools.* The regulation relieves a creditor of liability for an error in the annual percentage rate or finance charge that resulted from a corresponding error in a calculation tool used in good faith by the creditor. Whether or not the creditor's use of the tool was in good faith must be determined on a case-by-case basis, but the creditor must in any case have taken reasonable steps to verify the accuracy of the tool, including any instructions, before using it. Generally, the safe harbor from liability is available only for errors directly attributable to the calculation tool itself, including software programs; it is not intended to absolve a creditor of liability

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

for its own errors, or for errors arising from improper use of the tool, from incorrect data entry, or from misapplication of the law.

6. *Effect of leap year.* Any variance in the annual percentage rate that occurs solely by reason of the addition of February 29 in a leap year may be disregarded, and such a rate may be disclosed without regard to such variance.

### 14(b) Annual Percentage Rate—In General

1. *Corresponding annual percentage rate computation.* For purposes of §§1026.60, 1026.40, 1026.6, 1026.7(a)(4) or (b)(4), 1026.9, 1026.15, 1026.16, 1026.26, 1026.55, and 1026.56, the annual percentage rate is determined by multiplying the periodic rate by the number of periods in the year. This computation reflects the fact that, in such disclosures, the rate (known as the corresponding annual percentage rate) is prospective and does not involve any particular finance charge or periodic balance.

### 14(c) Optional Effective Annual Percentage Rate for Periodic Statements for Creditors Offering Open-End Credit Plans Secured by a Consumer's Dwelling

1. *General rule.* The periodic statement may reflect (under §1026.7(a)(7)) the annualized equivalent of the rate actually applied during a particular cycle; this rate may differ from the corresponding annual percentage rate because of the inclusion of, for example, fixed, minimum, or transaction charges. Sections 1026.14(c)(1) through (c)(4) state the computation rules for the effective rate.

2. *Charges related to opening, renewing, or continuing an account.* Sections 1026.14(c)(2) and (c)(3) exclude from the calculation of the effective annual percentage rate finance charges that are imposed during the billing cycle such as a loan fee, points, or similar charge that relates to opening, renewing, or continuing an account. The charges involved here do not relate to a specific transaction or to specific activity on the account, but relate solely to the opening, renewing, or continuing of the account. For example, an annual fee to renew an open-end credit account that is a percentage of the credit limit on the account, or that is charged only to consumers that have not used their credit card for a certain dollar amount in transactions during the preceding year, would not be included in the calculation of the annual percentage rate, even though the fee may not be excluded from the finance charge under §1026.4(c)(4). (See comment 4(c)(4)-2.) This rule applies even if the loan fee, points, or similar charges are billed on a subsequent periodic statement or withheld from the proceeds of the first advance on the account.

3. *Classification of charges.* If the finance charge includes a charge not due to the application of a periodic rate, the creditor

must use the annual percentage rate computation method that corresponds to the type of charge imposed. If the charge is tied to a specific transaction (for example, 3 percent of the amount of each transaction), then the method in §1026.14(c)(3) must be used. If a fixed or minimum charge is applied, that is, one not tied to any specific transaction, then the formula in §1026.14(c)(2) is appropriate.

4. *Small finance charges.* Section 1026.14(c)(4) gives the creditor an alternative to §1026.14(c)(2) and (c)(3) if small finance charges (50 cents or less) are involved; that is, if the finance charge includes minimum or fixed fees not due to the application of a periodic rate and the total finance charge for the cycle does not exceed 50 cents. For example, while a monthly activity fee of 50 cents on a balance of \$20 would produce an annual percentage rate of 30 percent under the rule in §1026.14(c)(2), the creditor may disclose an annual percentage rate of 18 percent if the periodic rate generally applicable to all balances is 1 and ½ percent per month.

5. *Prior-cycle adjustments.* i. The annual percentage rate reflects the finance charges imposed during the billing cycle. However, finance charges imposed during the billing cycle may relate to activity in a prior cycle. Examples of circumstances when this may occur are:

A. A cash advance occurs on the last day of a billing cycle on an account that uses the transaction date to figure finance charges, and it is impracticable to post the transaction until the following cycle.

B. An adjustment to the finance charge is made following the resolution of a billing error dispute.

C. A consumer fails to pay the purchase balance under a deferred payment feature by the payment due date, and finance charges are imposed from the date of purchase.

ii. Finance charges relating to activity in prior cycles should be reflected on the periodic statement as follows:

A. If a finance charge imposed in the current billing cycle is attributable to periodic rates applicable to prior billing cycles (such as when a deferred payment balance was not paid in full by the payment due date and finance charges from the date of purchase are now being debited to the account, or when a cash advance occurs on the last day of a billing cycle on an account that uses the transaction date to figure finance charges and it is impracticable to post the transaction until the following cycle), and the creditor uses the quotient method to calculate the annual percentage rate, the numerator would include the amount of any transaction charges plus any other finance charges posted during the billing cycle. At the creditor's option, balances relating to the finance charge adjustment may be included in the

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

denominator if permitted by the legal obligation, if it was impracticable to post the transaction in the previous cycle because of timing, or if the adjustment is covered by comment 14(c)-5.ii.B.

B. If a finance charge that is posted to the account relates to activity for which a finance charge was debited or credited to the account in a previous billing cycle (for example, if the finance charge relates to an adjustment such as the resolution of a billing error dispute, or an unintentional posting error, or a payment by check that was later returned unpaid for insufficient funds or other reasons), the creditor shall at its option:

1. Calculate the annual percentage rate in accordance with ii.A of this paragraph, or
2. Disclose the finance charge adjustment on the periodic statement and calculate the annual percentage rate for the current billing cycle without including the finance charge adjustment in the numerator and balances associated with the finance charge adjustment in the denominator.

**14(c)(1) Solely Periodic Rates Imposed**

1. *Periodic rates.* Section 1026.14(c)(1) applies if the only finance charge imposed is due to the application of a periodic rate to a balance. The creditor may compute the annual percentage rate either:

- i. By multiplying each periodic rate by the number of periods in the year; or
- ii. By the "quotient" method. This method refers to a composite annual percentage rate when different periodic rates apply to different balances. For example, a particular plan may involve a periodic rate of  $\frac{1}{4}$  percent on balances up to \$500, and 1 percent on balances over \$500. If, in a given cycle, the consumer has a balance of \$800, the finance charge would consist of  $\$7.50 (500 \times .015)$  plus  $\$3.00 (300 \times .01)$ , for a total finance charge of \$10.50. The annual percentage rate for this period may be disclosed either as 18% on \$500 and 12 percent on \$300, or as 15.75 percent on a balance of \$800 (the quotient of \$10.50 divided by \$800, multiplied by 12).

**14(c)(2) Minimum or Fixed Charge, But Not Transaction Charge, Imposed**

1. *Certain charges not based on periodic rates.* Section 1026.14(c)(2) specifies use of the quotient method to determine the annual percentage rate if the finance charge imposed includes a certain charge not due to the application of a periodic rate (other than a charge relating to a specific transaction). For example, if the creditor imposes a minimum \$1 finance charge on all balances below \$50, and the consumer's balance was \$40 in a particular cycle, the creditor would disclose an annual percentage rate of 30 percent ( $1/40 \times 12$ ).

2. *No balance.* If there is no balance to which the finance charge is applicable, an annual percentage rate cannot be determined under §1026.14(c)(2). This could occur not only when minimum charges are imposed on an account with no balance, but also when a periodic rate is applied to advances from the date of the transaction. For example, if on May 19 the consumer pays the new balance in full from a statement dated May 1, and has no further transactions reflected on the June 1 statement, that statement would reflect a finance charge with no account balance.

**14(c)(3) Transaction Charge Imposed**

1. *Transaction charges.* i. Section 1026.14(c)(3) transaction charges include, for example:

- A. A loan fee of \$10 imposed on a particular advance.
- B. A charge of 3 percent of the amount of each transaction.

ii. The reference to avoiding duplication in the computation requires that the amounts of transactions on which transaction charges were imposed not be included both in the amount of total balances and in the "other amounts on which a finance charge was imposed" figure. In a multifeatured plan, creditors may consider each bona fide feature separately in the calculation of the denominator. A creditor has considerable flexibility in defining features for open-end plans, as long as the creditor has a reasonable basis for the distinctions. For further explanation and examples of how to determine the components of this formula, see appendix F to part 1026.

2. *Daily rate with specific transaction charge.* Section 1026.14(c)(3) sets forth an acceptable method for calculating the annual percentage rate if the finance charge results from a charge relating to a specific transaction and the application of a daily periodic rate. This section includes the requirement that the creditor follow the rules in appendix F to part 1026 in calculating the annual percentage rate, especially the provision in the introductory section of appendix F which addresses the daily rate/transaction charge situation by providing that the "average of daily balances" shall be used instead of the "sum of the balances."

**14(d) Calculations Where Daily Periodic Rate Applied**

1. *Quotient method.* Section 1026.14(d) addresses use of a daily periodic rate(s) to determine some or all of the finance charge and use of the quotient method to determine the annual percentage rate. Since the quotient formula in §1026.14(c)(1)(ii) and (c)(2) cannot be used when a daily rate is being applied to a series of daily balances, §1026.14(d) provides two alternative ways to

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

calculate the annual percentage rate—either of which satisfies the provisions of § 1026.7(a)(7).

2. *Daily rate with specific transaction charge.* If the finance charge results from a charge relating to a specific transaction and the application of a daily periodic rate, see comment 14(c)(3)-2 for guidance on an appropriate calculation method.

### Section 1026.15—Right of Rescission

1. *Transactions not covered.* Credit extensions that are not subject to the regulation are not covered by § 1026.15 even if the customer's principal dwelling is the collateral securing the credit. For this purpose, *credit extensions* also would include the occurrences listed in comment 15(a)(1)-1. For example, the right of rescission does not apply to the opening of a business-purpose credit line, even though the loan is secured by the customer's principal dwelling.

#### 15(a) Consumer's Right To Rescind

##### Paragraph 15(a)(1)

1. *Occurrences subject to right.* Under an open-end credit plan secured by the consumer's principal dwelling, the right of rescission generally arises with each of the following occurrences:

- i. Opening the account.
- ii. Each credit extension.
- iii. Increasing the credit limit.
- iv. Adding to an existing account a security interest in the consumer's principal dwelling.

v. Increasing the dollar amount of the security interest taken in the dwelling to secure the plan. For example, a consumer may open an account with a \$10,000 credit limit, \$5,000 of which is initially secured by the consumer's principal dwelling. The consumer has the right to rescind at that time and (except as noted in § 1026.15(a)(1)(ii)) with each extension on the account. Later, if the creditor decides that it wants the credit line fully secured, and increases the amount of its interest in the consumer's dwelling, the consumer has the right to rescind the increase.

2. *Exceptions.* Although the consumer generally has the right to rescind with each transaction on the account, Section 125(e) of the Act provides an exception: the creditor need not provide the right to rescind at the time of each credit extension made under an open-end credit plan secured by the consumer's principal dwelling to the extent that the credit extended is in accordance with a previously established credit limit for the plan. This limited rescission option is available whether or not the plan existed prior to the effective date of the Act.

3. *Security interest arising from transaction.* i. In order for the right of rescission to apply,

the security interest must be retained as part of the credit transaction. For example:

A. A security interest that is acquired by a contractor who is also extending the credit in the transaction.

B. A mechanic's or materialman's lien that is retained by a subcontractor or supplier of a contractor-creditor, even when the latter has waived its own security interest in the consumer's home.

ii. The security interest is not part of the credit transaction, and therefore the transaction is not subject to the right of rescission when, for example:

A. A mechanic's or materialman's lien is obtained by a contractor who is not a party to the credit transaction but merely is paid with the proceeds of the consumer's cash advance.

B. All security interests that may arise in connection with the credit transaction are validly waived.

C. The creditor obtains a lien and completion bond that in effect satisfies all liens against the consumer's principal dwelling as a result of the credit transaction.

iii. Although liens arising by operation of law are not considered security interests for purposes of disclosure under § 1026.2, that section specifically includes them in the definition for purposes of the right of rescission. Thus, even though an interest in the consumer's principal dwelling is not a required disclosure under § 1026.6(c), it may still give rise to the right of rescission.

4. *Consumer.* To be a consumer within the meaning of § 1026.2, that person must at least have an ownership interest in the dwelling that is encumbered by the creditor's security interest, although that person need not be a signatory to the credit agreement. For example, if only one spouse enters into a secured plan, the other spouse is a consumer if the ownership interest of that spouse is subject to the security interest.

5. *Principal dwelling.* A consumer can only have one principal dwelling at a time. (But see comment 15(a)(1)-6.) A vacation or other second home would not be a principal dwelling. A transaction secured by a second home (such as a vacation home) that is not currently being used as the consumer's principal dwelling is not rescindable, even if the consumer intends to reside there in the future. When a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within one year or upon completion of construction, the new dwelling is considered the principal dwelling if it secures the open-end credit line. In that case, the transaction secured by the new dwelling is a residential mortgage transaction and is not rescindable. For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, an advance on an open-end line to finance B and secured

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

by B is a residential mortgage transaction. Dwelling, as defined in §1026.2, includes structures that are classified as personality under state law. For example, a transaction secured by a mobile home, trailer, or houseboat used as the consumer's principal dwelling may be rescindable.

6. *Special rule for principal dwelling.* Notwithstanding the general rule that consumers may have only one principal dwelling, when the consumer is acquiring or constructing a new principal dwelling, a credit plan or extension that is subject to Regulation Z and is secured by the equity in the consumer's current principal dwelling is subject to the right of rescission regardless of the purpose of that loan (for example, an advance to be used as a bridge loan). For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, a loan to finance B and secured by A is subject to the right of rescission. Moreover, a loan secured by both A and B is, likewise, rescindable.

**Paragraph 15(a)(2)**

1. *Consumer's exercise of right.* The consumer must exercise the right of rescission in writing but not necessarily on the notice supplied under §1026.15(b). Whatever the means of sending the notification of rescission—mail, telegram, or other written means—the time period for the creditor's performance under §1026.15(d)(2) does not begin to run until the notification has been received. The creditor may designate an agent to receive the notification so long as the agent's name and address appear on the notice provided to the consumer under §1026.15(b). Where the creditor fails to provide the consumer with a designated address for sending the notification of rescission, delivery of the notification to the person or address to which the consumer has been directed to send payments constitutes delivery to the creditor or assignee. State law determines whether delivery of the notification to a third party other than the person to whom payments are made is delivery to the creditor or assignee, in the case where the creditor fails to designate an address for sending the notification of rescission.

**Paragraph 15(a)(3)**

1. *Rescission period.* i. The period within which the consumer may exercise the right to rescind runs for 3 business days from the last of 3 events:

A. The occurrence that gives rise to the right of rescission.

B. Delivery of *all* material disclosures that are relevant to the plan.

C. Delivery to the consumer of the required rescission notice.

ii. For example, an account is opened on Friday, June 1, and the disclosures and notice of the right to rescind were given on Thursday, May 31; the rescission period will expire at midnight of the third business day after June 1—that is, Tuesday June 5. In another example, if the disclosures are given and the account is opened on Friday, June 1, and the rescission notice is given on Monday, June 4, the rescission period expires at midnight of the third business day after June 4—that is Thursday, June 7. The consumer must place the rescission notice in the mail, file it for telegraphic transmission, or deliver it to the creditor's place of business within that period in order to exercise the right.

2. *Material disclosures.* Section 1026.15(a)(3) sets forth the material disclosures that must be provided before the rescission period can begin to run. The creditor must provide sufficient information to satisfy the requirements of §1026.6 for these disclosures. A creditor may satisfy this requirement by giving an initial disclosure statement that complies with the regulation. Failure to give the other required initial disclosures (such as the billing rights statement) or the information required under §1026.40 does not prevent the running of the rescission period, although that failure may result in civil liability or administrative sanctions. The payment terms set forth in §1026.15(a)(3) apply to any repayment phase set forth in the agreement. Thus, the payment terms described in §1026.6(e)(2) for any repayment phase as well as for the draw period are “material disclosures.”

3. *Material disclosures—variable rate program.* For a variable rate program, the material disclosures also include the disclosures listed in §1026.6(a)(1)(ii): the circumstances under which the rate may increase; the limitations on the increase; and the effect of an increase. The disclosures listed in §1026.6(a)(1)(ii) for any repayment phase also are material disclosures for variable-rate programs.

4. *Unexpired right of rescission.* i. When the creditor has failed to take the action necessary to start the three-day rescission period running the right to rescind automatically lapses on the occurrence of the earliest of the following three events:

A. The expiration of three years after the occurrence giving rise to the right of rescission.

B. Transfer of all the consumer's interest in the property.

C. Sale of the consumer's interest in the property, including a transaction in which the consumer sells the dwelling and takes back a purchase money note and mortgage or retains legal title through a device such as an installment sale contract.

ii. Transfer of all the consumer's interest includes such transfers as bequests and gifts. A sale or transfer of the property need not be

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

voluntary to terminate the right to rescind. For example, a foreclosure sale would terminate an unexpired right to rescind. As provided in section 125 of the Act, the three-year limit may be extended by an administrative proceeding to enforce the provisions of §1026.15. A partial transfer of the consumer's interest, such as a transfer bestowing co-ownership on a spouse, does not terminate the right of rescission.

### Paragraph 15(a)(4)

1. *Joint owners.* When more than one consumer has the right to rescind a transaction, any one of them may exercise that right and cancel the transaction on behalf of all. For example, if both a husband and wife have the right to rescind a transaction, either spouse acting alone may exercise the right and both are bound by the rescission.

### 15(b) Notice of Right To Rescind

1. *Who receives notice.* Each consumer entitled to rescind must be given two copies of the rescission notice and the material disclosures. In a transaction involving joint owners, both of whom are entitled to rescind, both must receive the notice of the right to rescind and disclosures. For example, if both spouses are entitled to rescind a transaction, each must receive two copies of the rescission notice (one copy to each if the notice is provided in electronic form in accordance with the consumer consent and other applicable provisions of the E-Sign Act) and one copy of the disclosures.

2. *Format.* The rescission notice may be physically separated from the material disclosures or combined with the material disclosures, so long as the information required to be included on the notice is set forth in a clear and conspicuous manner. See the model notices in appendix G.

3. *Content.* The notice must include all of the information outlined in §1026.15(b)(1) through (5). The requirement in §1026.15(b) that the transaction or occurrence be identified may be met by providing the date of the transaction or occurrence. The notice may include additional information related to the required information, such as:

- i. A description of the property subject to the security interest.
- ii. A statement that joint owners may have the right to rescind and that a rescission by one is effective for all.
- iii. The name and address of an agent of the creditor to receive notice of rescission.

4. *Time of providing notice.* The notice required by §1026.15(b) need not be given before the occurrence giving rise to the right of rescission. The creditor may deliver the notice after the occurrence, but the rescission period will not begin to run until the notice is given. For example, if the creditor provides the notice on May 15, but disclosures were

given and the credit limit was raised on May 10, the 3-business-day rescission period will run from May 15.

### 15(c) Delay of Creditor's Performance

1. *General rule.* i. Until the rescission period has expired and the creditor is reasonably satisfied that the consumer has not rescinded, the creditor must not, either directly or through a third party:

- A. Disburse advances to the consumer.
- B. Begin performing services for the consumer.

C. Deliver materials to the consumer.

ii. A creditor may, however, continue to allow transactions under an existing open-end credit plan during a rescission period that results solely from the addition of a security interest in the consumer's principal dwelling. (See comment 15(c)-3 for other actions that may be taken during the delay period.)

2. *Escrow.* The creditor may disburse advances during the rescission period in a valid escrow arrangement. The creditor may not, however, appoint the consumer as "trustee" or "escrow agent" and distribute funds to the consumer in that capacity during the delay period.

3. *Actions during the delay period.* Section 1026.15(c) does not prevent the creditor from taking other steps during the delay, short of beginning actual performance. Unless otherwise prohibited, such as by state law, the creditor may, for example:

- i. Prepare the cash advance check.
- ii. Perfect the security interest.
- iii. Accrue finance charges during the delay period.

4. *Performance by third party.* The creditor is relieved from liability for failure to delay performance if a third party with no knowledge that the rescission right has been activated provides materials or services, as long as any debt incurred for materials or services obtained by the consumer during the rescission period is not secured by the security interest in the consumer's dwelling. For example, if a consumer uses a bank credit card to purchase materials from a merchant in an amount below the floor limit, the merchant might not contact the card issuer for authorization and therefore would not know that materials should not be provided.

5. *Delay beyond rescission period.* i. The creditor must wait until it is reasonably satisfied that the consumer has not rescinded. For example, the creditor may satisfy itself by doing one of the following:

A. Waiting a reasonable time after expiration of the rescission period to allow for delivery of a mailed notice.

B. Obtaining a written statement from the consumer that the right has not been exercised.

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

ii. When more than one consumer has the right to rescind, the creditor cannot reasonably rely on the assurance of only one consumer, because other consumers may exercise the right.

**15(d) Effects of Rescission****Paragraph 15(d)(1)**

1. *Termination of security interest.* Any security interest giving rise to the right of rescission becomes void when the consumer exercises the right of rescission. The security interest is automatically negated, regardless of its status and whether or not it was recorded or perfected. Under §1026.15(d)(2), however, the creditor must take any action necessary to reflect the fact that the security interest no longer exists.

2. *Extent of termination.* The creditor's security interest is void to the extent that it is related to the occurrence giving rise to the right of rescission. For example, upon rescission:

i. If the consumer's right to rescind is activated by the opening of a plan, any security interest in the principal dwelling is void.

ii. If the right arises due to an increase in the credit limit, the security interest is void as to the amount of credit extensions over the prior limit, but the security interest in amounts up to the original credit limit is unaffected.

iii. If the right arises with each individual credit extension, then the interest is void as to that extension, and other extensions are unaffected.

**Paragraph 15(d)(2)**

1. *Refunds to consumer.* The consumer cannot be required to pay any amount in the form of money or property either to the creditor or to a third party as part of the occurrence subject to the right of rescission. Any amounts of this nature already paid by the consumer must be refunded. "Any amount" includes finance charges already accrued, as well as other charges such as broker fees, application and commitment fees, or fees for a title search or appraisal, whether paid to the creditor, paid by the consumer directly to a third party, or passed on from the creditor to the third party. It is irrelevant that these amounts may not represent profit to the creditor. For example:

i. If the occurrence is the opening of the plan, the creditor must return any membership or application fee paid.

ii. If the occurrence is the increase in a credit limit or the addition of a security interest, the creditor must return any fee imposed for a new credit report or filing fees.

iii. If the occurrence is a credit extension, the creditors must return fees such as application, title, and appraisal or survey fees, as well as any finance charges related to the credit extension.

2. *Amounts not refundable to consumer.* Creditors need not return any money given by the consumer to a third party outside of the occurrence, such as costs incurred for a building permit or for a zoning variance. Similarly, the term *any amount* does not apply to money or property given by the creditor to the consumer; those amounts must be tendered by the consumer to the creditor under §1026.15(d)(3).

3. *Reflection of security interest termination.* The creditor must take whatever steps are necessary to indicate that the security interest is terminated. Those steps include the cancellation of documents creating the security interest, and the filing of release or termination statements in the public record. In a transaction involving subcontractors or suppliers that also hold security interests related to the occurrence rescinded by the consumer, the creditor must insure that the termination of their security interests is also reflected. The 20-day period for the creditor's action refers to the time within which the creditor must begin the process. It does not require all necessary steps to have been completed within that time, but the creditor is responsible for seeing the process through to completion.

**Paragraph 15(d)(3)**

1. *Property exchange.* Once the creditor has fulfilled its obligation under §1026.15(d)(2), the consumer must tender to the creditor any property or money the creditor has already delivered to the consumer. At the consumer's option, property may be tendered at the location of the property. For example, if fixtures or furniture have been delivered to the consumer's home, the consumer may tender them to the creditor by making them available for pick-up at the home, rather than physically returning them to the creditor's premises. Money already given to the consumer *must* be tendered at the creditor's place of business. For purpose of property exchange, the following additional rules apply:

i. A cash advance is considered money for purposes of this section even if the creditor knows what the consumer intends to purchase with the money.

ii. In a 3-party open-end credit plan (that is, if the creditor and seller are not the same or related persons), extensions by the creditor that are used by the consumer for purchases from third-party sellers are considered to be the same as cash advances for purposes of tendering value to the creditor, even though the transaction is a purchase for other purposes under the regulation. For example, if a consumer exercises the unexpired right to rescind after using a 3-party credit card for one year, the consumer would tender the amount of the purchase price for the items charged to the account, rather than tendering the items themselves to the creditor.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

2. *Reasonable value.* If returning the property would be extremely burdensome to the consumer, the consumer may offer the creditor its reasonable value rather than returning the property itself. For example, if building materials have already been incorporated into the consumer's dwelling, the consumer may pay their reasonable value.

### Paragraph 15(d)(4)

1. *Modifications.* The procedures outlined in §1026.15(d)(2) and (3) may be modified by a court. For example, when a consumer is in bankruptcy proceedings and prohibited from returning anything to the creditor, or when the equities dictate, a modification might be made. The sequence of procedures under §1026.15(d)(2) and (3), or a court's modification of those procedures under §1026.15(d)(4), does not affect a consumer's substantive right to rescind and to have the loan amount adjusted accordingly. Where the consumer's right to rescind is contested by the creditor, a court would normally determine whether the consumer has a right to rescind and determine the amounts owed before establishing the procedures for the parties to tender any money or property.

### 15(e) Consumer's Waiver of Right To Rescind

1. *Need for waiver.* To waive the right to rescind, the consumer must have a bona fide personal financial emergency that must be met before the end of the rescission period. The existence of the consumer's waiver will not, of itself, automatically insulate the creditor from liability for failing to provide the right of rescission.

2. *Procedure.* To waive or modify the right to rescind, the consumer must give a written statement that specifically waives or modifies the right, and also includes a brief description of the emergency. Each consumer entitled to rescind must sign the waiver statement. In a transaction involving multiple consumers, such as a husband and wife using their home as collateral, the waiver must bear the signatures of both spouses.

### 15(f) Exempt Transactions

1. *Residential mortgage transaction.* Although residential mortgage transactions would seldom be made on bona fide open-end credit plans (under which repeated transactions must be reasonably contemplated), an advance on an open-end plan could be for a downpayment for the purchase of a dwelling that would then secure the remainder of the line. In such a case, only the particular advance for the downpayment would be exempt from the rescission right.

2. *State creditors.* Cities and other political subdivisions of states acting as creditors are not exempt from §1026.15.

3. *Spreader clause.* When the creditor holds a mortgage or deed of trust on the con-

sumer's principal dwelling and that mortgage or deed of trust contains a "spreader clause" (also known as a "dragnet" or cross-collateralization clause), subsequent occurrences such as the opening of a plan or individual credit extensions are subject to the right of rescission to the same degree as if the security interest were taken directly to secure the open-end plan, unless the creditor effectively waives its security interest under the spreader clause with respect to the subsequent open-end credit extensions.

### Section 1026.16—Advertising

1. *Clear and conspicuous standard—general.* Section 1026.16 is subject to the general "clear and conspicuous" standard for subpart B (see §1026.5(a)(1)) but prescribes no specific rules for the format of the necessary disclosures, other than the format requirements related to the disclosure of a promotional rate or payment under §1026.16(d)(6), a promotional rate or promotional fee under §1026.16(g), or a deferred interest or similar offer under §1026.16(h). Other than the disclosure of certain terms described in §§1026.16(d)(6), (g), or (h), the credit terms need not be printed in a certain type size nor need they appear in any particular place in the advertisement.

2. *Clear and conspicuous standard—promotional rates or payments; deferred interest or similar offers.* i. For purposes of §1026.16(d)(6), a clear and conspicuous disclosure means that the required information in §1026.16(d)(6)(A)-(C) is disclosed with equal prominence and in close proximity to the promotional rate or payment to which it applies. If the information in §1026.16(d)(6)(A)-(C) is the same type size and is located immediately next to or directly above or below the promotional rate or payment to which it applies, without any intervening text or graphical displays, the disclosures would be deemed to be equally prominent and in close proximity. Notwithstanding the above, for electronic advertisements that disclose promotional rates or payments, compliance with the requirements of §1026.16(c) is deemed to satisfy the clear and conspicuous standard.

ii. For purposes of §1026.16(g)(4) as it applies to written or electronic advertisements only, a clear and conspicuous disclosure means the required information in §1026.16(g)(4)(i) and, as applicable, (g)(4)(ii) and (g)(4)(iii) must be equally prominent to the promotional rate or promotional fee to which it applies. If the information in §1026.16(g)(4)(i) and, as applicable, (g)(4)(ii) and (g)(4)(iii) is the same type size as the promotional rate or promotional fee to which it applies, the disclosures would be deemed to be equally prominent. For purposes of §1026.16(h)(3) as it applies to written or electronic advertisements only, a clear

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

and conspicuous disclosure means the required information in §1026.16(h)(3) must be equally prominent to each statement of “no interest,” “no payments,” “deferred interest,” “same as cash,” or similar term regarding interest or payments during the deferred interest period. If the information required to be disclosed under §1026.16(h)(3) is the same type size as the statement of “no interest,” “no payments,” “deferred interest,” “same as cash,” or similar term regarding interest or payments during the deferred interest period, the disclosure would be deemed to be equally prominent.

3. *Clear and conspicuous standard—Internet advertisements for home-equity plans.* For purposes of this section, a clear and conspicuous disclosure for visual text advertisements on the Internet for home-equity plans subject to the requirements of §1026.40 means that the required disclosures are not obscured by techniques such as graphical displays, shading, coloration, or other devices and comply with all other requirements for clear and conspicuous disclosures under §1026.16(d). (See also comment 16(c)(1)-2.)

4. *Clear and conspicuous standard—televised advertisements for home-equity plans.* For purposes of this section, including alternative disclosures as provided for by §1026.16(e), a clear and conspicuous disclosure in the context of visual text advertisements on television for home-equity plans subject to the requirements of §1026.40 means that the required disclosures are not obscured by techniques such as graphical displays, shading, coloration, or other devices, are displayed in a manner that allows for a consumer to read the information required to be disclosed, and comply with all other requirements for clear and conspicuous disclosures under §1026.16(d). For example, very fine print in a television advertisement would not meet the clear and conspicuous standard if consumers cannot see and read the information required to be disclosed.

5. *Clear and conspicuous standard—oral advertisements for home-equity plans.* For purposes of this section, including alternative disclosures as provided for by §1026.16(e), a clear and conspicuous disclosure in the context of an oral advertisement for home-equity plans subject to the requirements of §1026.40, whether by radio, television, the Internet, or other medium, means that the required disclosures are given at a speed and volume sufficient for a consumer to hear and comprehend them. For example, information stated very rapidly at a low volume in a radio or television advertisement would not meet the clear and conspicuous standard if consumers cannot hear and comprehend the information required to be disclosed.

6. *Expressing the annual percentage rate in abbreviated form.* Whenever the annual percentage rate is used in an advertisement for open-end credit, it may be expressed using a

readily understandable abbreviation such as APR.

**16(a) Actually Available Terms**

1. *General rule.* To the extent that an advertisement mentions specific credit terms, it may state only those terms that the creditor is actually prepared to offer. For example, a creditor may not advertise a very low annual percentage rate that will not in fact be available at any time. Section 1026.16(a) is not intended to inhibit the promotion of new credit programs, but to bar the advertising of terms that are not and will not be available. For example, a creditor may advertise terms that will be offered for only a limited period, or terms that will become available at a future date.

2. *Specific credit terms.* *Specific credit terms* is not limited to the disclosures required by the regulation but would include any specific components of a credit plan, such as the minimum periodic payment amount or seller's points in a plan secured by real estate.

**16(b) Advertisement of Terms That Require Additional Disclosures****Paragraph 16(b)(1)**

1. *Triggering terms.* Negative as well as affirmative references trigger the requirement for additional information. For example, if a creditor states *no interest or no annual membership fee* in an advertisement, additional information must be provided. Other examples of terms that trigger additional disclosures are:

i. *Small monthly service charge on the remaining balance*, which describes how the amount of a finance charge will be determined.

ii. *12 percent Annual Percentage Rate or A \$15 annual membership fee buys you \$2,000 in credit*, which describe required disclosures under §1026.6.

2. *Implicit terms.* Section 1026.16(b) applies even if the triggering term is not stated explicitly, but may be readily determined from the advertisement.

3. *Membership fees.* A membership fee is not a triggering term nor need it be disclosed under §1026.16(b)(1)(iii) if it is required for participation in the plan whether or not an open-end credit feature is attached. (See comment 6(a)(2)-1 and §1026.6(b)(3)(iii)(B).)

4. *Deferred billing and deferred payment programs.* Statements such as “Charge it—you won’t be billed until May” or “You may skip your January payment” are not in themselves triggering terms, since the timing for initial billing or for monthly payments are not terms required to be disclosed under §1026.6. However, a statement such as “No interest charges until May” or any other statement regarding when interest or finance charges begin to accrue is a triggering term, whether appearing alone or in conjunction with a description of a deferred billing

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

or deferred payment program such as the examples above.

5. *Variable-rate plans.* In disclosing the annual percentage rate in an advertisement for a variable-rate plan, as required by § 1026.16(b)(1)(ii), the creditor may use an insert showing the current rate; or may give the rate as of a specified recent date. The additional requirement in § 1026.16(b)(1)(ii) to disclose the variable-rate feature may be satisfied by disclosing that the annual percentage rate may vary or a similar statement, but the advertisement need not include the information required by § 1026.6(a)(1)(ii) or (b)(4)(ii).

6. *Membership fees for open-end (not home-secured) plans.* For purposes of § 1026.16(b)(1)(iii), membership fees that may be imposed on open-end (not home-secured) plans shall have the same meaning as in § 1026.60(b)(2).

### Paragraph 16(b)(2)

1. *Assumptions.* In stating the total of payments and the time period to repay the obligation, assuming that the consumer pays only the periodic payment amounts advertised, as required under § 1026.16(b)(2), the following additional assumptions may be made:

- i. Payments are made timely so as not to be considered late by the creditor;
- ii. Payments are made each period, and no debt cancellation or suspension agreement, or skip payment feature applies to the account;
- iii. No interest rate changes will affect the account;
- iv. No other balances are currently carried or will be carried on the account;
- v. No taxes or ancillary charges are or will be added to the obligation;
- vi. Goods or services are delivered on a single date; and
- vii. The consumer is not currently and will not become delinquent on the account.

2. *Positive periodic payment amounts.* Only positive periodic payment amounts trigger the additional disclosures under § 1026.16(b)(2). Therefore, if the periodic payment amount advertised is not a positive amount (e.g., "No payments"), the advertisement need not state the total of payments and the time period to repay the obligation.

### 16(c) Catalogs or Other Multiple-Page Advertisements; Electronic Advertisements

1. *Definition.* The multiple-page advertisements to which § 1026.16(c) refers are advertisements consisting of a series of sequentially numbered pages—for example, a supplement to a newspaper. A mailing consisting of several separate flyers or pieces of promotional material in a single envelope does not constitute a single multiple-page advertisement for purposes of § 1026.16(c).

### Paragraph 16(c)(1)

1. *General.* Section 1026.16(c)(1) permits creditors to put credit information together in one place in a catalog or other multiple-page advertisement or an electronic advertisement (such as an advertisement appearing on an Internet Web site). The rule applies only if the advertisement contains one or more of the triggering terms from § 1026.16(b).

2. *Electronic advertisement.* If an electronic advertisement (such as an advertisement appearing on an Internet Web site) contains the table or schedule permitted under § 1026.16(c)(1), any statement of terms set forth in § 1026.6 appearing anywhere else in the advertisement must clearly direct the consumer to the location where the table or schedule begins. For example, a term triggering additional disclosures may be accompanied by a link that directly takes the consumer to the additional information.

### Paragraph 16(c)(2)

1. *Table or schedule if credit terms depend on outstanding balance.* If the credit terms of a plan vary depending on the amount of the balance outstanding, rather than the amount of any property purchased, a table or schedule complies with § 1026.16(c)(2) if it includes the required disclosures for representative balances. For example, a creditor would disclose that a periodic rate of 1.5% is applied to balances of \$500 or less, and a 1% rate is applied to balances greater than \$500.

### 16(d) Additional Requirements for Home-Equity Plans

1. *Trigger terms.* Negative as well as affirmative references trigger the requirement for additional information. For example, if a creditor states *no annual fee, no points, or we waive closing costs* in an advertisement, additional information must be provided. (See comment 16(d)-4 regarding the use of a phrase such as *no closing costs*.) Inclusion of a statement such as *low fees*, however, would not trigger the need to state additional information. References to payment terms include references to the draw period or any repayment period, to the length of the plan, to how the minimum payments are determined and to the timing of such payments.

2. *Fees to open the plan.* Section 1026.16(d)(1)(i) requires a disclosure of any fees imposed by the creditor or a third party to open the plan. In providing the fee information required under this paragraph, the corresponding rules for disclosure of this information apply. For example, fees to open the plan may be stated as a range. Similarly, if property insurance is required to open the plan, a creditor either may estimate the cost of the insurance or provide a statement that such insurance is required. (See the commentary to § 1026.40(d)(7) and (d)(8).)

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

3. *Statements of tax deductibility.* An advertisement that refers to deductibility for tax purposes is not misleading if it includes a statement such as "consult a tax advisor regarding the deductibility of interest." An advertisement distributed in paper form or through the Internet (rather than by radio or television) that states that the advertised extension of credit may exceed the fair market value of the consumer's dwelling is not misleading if it clearly and conspicuously states the required information in §§1026.16(d)(4)(i) and (d)(4)(ii).

4. *Misleading terms prohibited.* Under §1026.16(d)(5), advertisements may not refer to home-equity plans as *free money* or use other misleading terms. For example, an advertisement could not state "no closing costs" or "we waive closing costs" if consumers may be required to pay any closing costs, such as recordation fees. In the case of property insurance, however, a creditor may state, for example, "no closing costs" even if property insurance may be required, as long as the creditor also provides a statement that such insurance may be required. (See the commentary to this section regarding fees to open a plan.)

5. *Promotional rates and payments in advertisements for home-equity plans.* Section 1026.16(d)(6) requires additional disclosures for promotional rates or payments.

i. *Variable-rate plans.* In advertisements for variable-rate plans, if the advertised annual percentage rate is based on (or the advertised payment is derived from) the index and margin that will be used to make rate (or payment) adjustments over the term of the loan, then there is no promotional rate or promotional payment. If, however, the advertised annual percentage rate is not based on (or the advertised payment is not derived from) the index and margin that will be used to make rate (or payment) adjustments, and a reasonably current application of the index and margin would result in a higher annual percentage rate (or, given an assumed balance, a higher payment) then there is a promotional rate or promotional payment.

ii. *Equal prominence, close proximity.* Information required to be disclosed in §1026.16(d)(6)(ii) that is immediately next to or directly above or below the promotional rate or payment (but not in a footnote) is deemed to be closely proximate to the listing. Information required to be disclosed in §1026.16(d)(6)(ii) that is in the same type size as the promotional rate or payment is deemed to be equally prominent.

iii. *Amounts and time periods of payments.* Section 1026.16(d)(6)(ii)(C) requires disclosure of the amount and time periods of any payments that will apply under the plan. This section may require disclosure of several payment amounts, including any balloon payment. For example, if an advertisement for a home-equity plan offers a \$100,000 five-

year line of credit and assumes that the entire line is drawn resulting in a minimum payment of \$800 per month for the first six months, increasing to \$1,000 per month after month six, followed by a \$50,000 balloon payment after five years, the advertisement must disclose the amount and time period of each of the two monthly payment streams, as well as the amount and timing of the balloon payment, with equal prominence and in close proximity to the promotional payment. However, if the final payment could not be more than twice the amount of other minimum payments, the final payment need not be disclosed.

iv. *Plans other than variable-rate plans.* For a plan other than a variable-rate plan, if an advertised payment is calculated in the same way as other payments based on an assumed balance, the fact that the minimum payment could increase solely if the consumer made an additional draw does not make the payment a promotional payment. For example, if a payment of \$500 results from an assumed \$10,000 draw, and the payment would increase to \$1,000 if the consumer made an additional \$10,000 draw, the payment is not a promotional payment.

v. *Conversion option.* Some home-equity plans permit the consumer to repay all or part of the balance during the draw period at a fixed rate (rather than a variable rate) and over a specified time period. The fixed-rate conversion option does not, by itself, make the rate or payment that would apply if the consumer exercised the fixed-rate conversion option a promotional rate or payment.

vi. *Preferred-rate provisions.* Some home-equity plans contain a preferred-rate provision, where the rate will increase upon the occurrence of some event, such as the consumer-employee leaving the creditor's employ, the consumer closing an existing deposit account with the creditor, or the consumer revoking an election to make automated payments. A preferred-rate provision does not, by itself, make the rate or payment under the preferred-rate provision a promotional rate or payment.

6. *Reasonably current index and margin.* For the purposes of this section, an index and margin is considered reasonably current if:

i. For direct mail advertisements, it was in effect within 60 days before mailing;

ii. For advertisements in electronic form it was in effect within 30 days before the advertisement is sent to a consumer's email address, or in the case of an advertisement made on an Internet Web site, when viewed by the public; or

iii. For printed advertisements made available to the general public, including ones contained in a catalog, magazine, or other generally available publication, it was in effect within 30 days before printing.

7. *Relation to other sections.* Advertisements for home-equity plans must comply with all

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

provisions in §1026.16, not solely the rules in §1026.16(d). If an advertisement contains information (such as the payment terms) that triggers the duty under §1026.16(d) to state the annual percentage rate, the additional disclosures in §1026.16(b) must be provided in the advertisement. While §1026.16(d) does not require a statement of fees to use or maintain the plan (such as membership fees and transaction charges), such fees must be disclosed under §1026.16(b)(1)(i) and (b)(1)(iii).

8. *Inapplicability of closed-end rules.* Advertisements for home-equity plans are governed solely by the requirements in §1026.16, except §1026.16(g), and not by the closed-end advertising rules in §1026.24. Thus, if a creditor states payment information about the repayment phase, this will trigger the duty to provide additional information under §1026.16, but not under §1026.24.

9. *Balloon payment.* See comment 40(d)(5)(ii)-3 for information not required to be stated in advertisements, and on situations in which the balloon payment requirement does not apply.

### 16(e) Alternative Disclosures—Television or Radio Advertisements

1. *Multi-purpose telephone number.* When an advertised telephone number provides a recording, disclosures must be provided early in the sequence to ensure that the consumer receives the required disclosures. For example, in providing several options—such as providing directions to the advertiser's place of business—the option allowing the consumer to request disclosures should be provided early in the telephone message to ensure that the option to request disclosures is not obscured by other information.

2. *Statement accompanying toll free number.* Language must accompany a telephone number indicating that disclosures are available by calling the telephone number, such as "call 1-(800) 000-0000 for details about credit costs and terms."

### 16(g) Promotional Rates and Fees

1. *Rate in effect at the end of the promotional period.* If the annual percentage rate that will be in effect at the end of the promotional period (*i.e.*, the post-promotional rate) is a variable rate, the post-promotional rate for purposes of §1026.16(g)(2)(i) is the rate that would have applied at the time the promotional rate was advertised if the promotional rate was not offered, consistent with the accuracy requirements in §1026.60(c)(2) and (e)(4), as applicable.

2. *Immediate proximity.* For written or electronic advertisements, including the term "introductory" or "intro" in the same phrase as the listing of the introductory rate or introductory fee is deemed to be in immediate proximity of the listing.

3. *Prominent location closely proximate.* For written or electronic advertisements, information required to be disclosed in §1026.16(g)(4)(i) and, as applicable, (g)(4)(ii) and (g)(4)(iii) that is in the same paragraph as the first listing of the promotional rate or promotional fee is deemed to be in a prominent location closely proximate to the listing. Information disclosed in a footnote will not be considered in a prominent location closely proximate to the listing.

4. *First listing.* For purposes of §1026.16(g)(4) as it applies to written or electronic advertisements, the first listing of the promotional rate or promotional fee is the most prominent listing of the rate or fee on the front side of the first page of the principal promotional document. The principal promotional document is the document designed to be seen first by the consumer in a mailing, such as a cover letter or solicitation letter. If the promotional rate or promotional fee does not appear on the front side of the first page of the principal promotional document, then the first listing of the promotional rate or promotional fee is the most prominent listing of the rate or fee on the subsequent pages of the principal promotional document. If the promotional rate or promotional fee is not listed on the principal promotional document or there is no principal promotional document, the first listing is the most prominent listing of the rate or fee on the front side of the first page of each document listing the promotional rate or promotional fee. If the promotional rate or promotional fee does not appear on the front side of the first page of a document, then the first listing of the promotional rate or promotional fee is the most prominent listing of the rate or fee on the subsequent pages of the document. If the listing of the promotional rate or promotional fee with the largest type size on the front side of the first page (or subsequent pages if the promotional rate or promotional fee is not listed on the front side of the first page) of the principal promotional document (or each document listing the promotional rate or promotional fee if the promotional rate or promotional fee is not listed on the principal promotional document or there is no principal promotional document) is used as the most prominent listing, it will be deemed to be the first listing. Consistent with comment 16(c)-1, a catalog or multiple-page advertisement is considered one document for purposes of §1026.16(g)(4).

5. *Post-promotional rate depends on consumer's creditworthiness.* For purposes of disclosing the rate that may apply after the end of the promotional rate period, at the advertiser's option, the advertisement may disclose the rates that may apply as either specific rates, or a range of rates. For example, if there are three rates that may apply

**Pt. 1026, Supp. I**

(9.99%, 12.99% or 17.99%), an issuer may disclose these three rates as specific rates (9.99%, 12.99% or 17.99%) or as a range of rates (9.99%-17.99%).

**16(h) Deferred Interest or Similar Offers**

1. *Deferred interest or similar offers clarified.* Deferred interest or similar offers do not include offers that allow a consumer to skip payments during a specified period of time, and under which the consumer is not obligated under any circumstances for any interest or other finance charges that could be attributable to that period. Deferred interest or similar offers also do not include 0% annual percentage rate offers where a consumer is not obligated under any circumstances for interest attributable to the time period the 0% annual percentage rate was in effect, though such offers may be considered promotional rates under § 1026.16(g)(2)(i). Deferred interest or similar offers also do not include skip payment programs that have no required minimum payment for one or more billing cycles but where interest continues to accrue and is imposed during that period.

2. *Deferred interest period clarified.* Although the terms of an advertised deferred interest or similar offer may provide that a creditor may charge the accrued interest if the balance is not paid in full by a certain date, creditors sometimes have an informal policy or practice that delays charging the accrued interest for payment received a brief period of time after the date upon which a creditor has the contractual right to charge the accrued interest. The advertisement need not include the end of an informal “courtesy period” in disclosing the deferred interest period under § 1026.16(h)(3).

3. *Immediate proximity.* For written or electronic advertisements, including the deferred interest period in the same phrase as the statement of “no interest,” “no payments,” “deferred interest,” or “same as cash” or similar term regarding interest or payments during the deferred interest period is deemed to be in immediate proximity of the statement.

4. *Prominent location closely proximate.* For written or electronic advertisements, information required to be disclosed in § 1026.16(h)(4)(i) and (ii) that is in the same paragraph as the first statement of “no interest,” “no payments,” “deferred interest,” or “same as cash” or similar term regarding interest or payments during the deferred interest period is deemed to be in a prominent location closely proximate to the statement. Information disclosed in a footnote is not considered in a prominent location closely proximate to the statement.

5. *First listing.* For purposes of § 1026.16(h)(4) as it applies to written or electronic advertisements, the first statement of “no interest,” “no payments,” “deferred interest,”

**12 CFR Ch. X (1-1-24 Edition)**

“same as cash,” or similar term regarding interest or payments during the deferred interest period is the most prominent listing of one of these statements on the front side of the first page of the principal promotional document. The principal promotional document is the document designed to be seen first by the consumer in a mailing, such as a cover letter or solicitation letter. If one of the statements does not appear on the front side of the first page of the principal promotional document, then the first listing of one of these statements is the most prominent listing of a statement on the subsequent pages of the principal promotional document. If one of the statements is not listed on the principal promotional document or there is no principal promotional document, the first listing of one of these statements is the most prominent listing of the statement on the front side of the first page of each document containing one of these statements. If one of the statements does not appear on the front side of the first page of a document, then the first listing of one of these statements is the most prominent listing of a statement on the subsequent pages of the document. If the listing of one of these statements with the largest type size on the front side of the first page (or subsequent pages if one of these statements is not listed on the front side of the first page) of the principal promotional document (or each document listing one of these statements if a statement is not listed on the principal promotional document or there is no principal promotional document) is used as the most prominent listing, it will be deemed to be the first listing. Consistent with comment 16(c)-1, a catalog or multiple-page advertisement is considered one document for purposes of § 1026.16(h)(4).

6. *Additional information.* Consistent with comment 5(a)-2, the information required under § 1026.16(h)(4) need not be segregated from other information regarding the deferred interest or similar offer. Advertisements may also be required to provide additional information pursuant to § 1026.16(b) though such information need not be integrated with the information required under § 1026.16(h)(4).

7. *Examples.* Examples of disclosures that could be used to comply with the requirements of § 1026.16(h)(3) include: “no interest if paid in full within 6 months” and “no interest if paid in full by December 31, 2010.”

**SUBPART C—CLOSED-END CREDIT****Section 1026.17—General Disclosure Requirements**

1. *Rules for certain mortgage disclosures.* Section 1026.17(a) and (b) does not apply to the disclosures required by § 1026.19(e), (f), and

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

(g), and §1026.20(e). For the disclosures required by §1026.19(e), (f), and (g), rules regarding the disclosures' form are found in §§1026.19(g), 1026.37(o), and 1026.38(t) and rules regarding timing are found in §1026.19(e), (f), and (g). For the disclosures required by §1026.20(e), rules regarding the disclosures' form are found in §1026.20(e)(4) and rules regarding timing are found in §1026.20(e)(5).

### 17(a) Form of Disclosures

#### Paragraph 17(a)(1)

1. *Clear and conspicuous.* This standard requires that disclosures be in a reasonably understandable form. For example, while the regulation requires no mathematical progression or format, the disclosures must be presented in a way that does not obscure the relationship of the terms to each other. In addition, although no minimum type size is mandated (except for the interest rate and payment summary for mortgage transactions required by §1026.18(s)), the disclosures must be legible, whether typewritten, handwritten, or printed by computer.

2. *Segregation of disclosures.* i. The disclosures may be grouped together and segregated from other information in a variety of ways. For example, the disclosures may appear on a separate sheet of paper or may be set off from other information on the contract or other documents:

- A. By outlining them in a box.
- B. By bold print dividing lines.
- C. By a different color background.
- D. By a different type style.

ii. The general segregation requirement described in this subparagraph does not apply to the disclosures required under §1026.19(b) although the disclosures must be clear and conspicuous.

3. *Location.* The regulation imposes no specific location requirements on the segregated disclosures. For example:

i. They may appear on a disclosure statement separate from all other material.

ii. They may be placed on the same document with the credit contract or other information, so long as they are segregated from that information.

iii. They may be shown on the front or back of a document.

iv. They need not begin at the top of a page.

v. They may be continued from one page to another.

4. *Content of segregated disclosures.* Section 1026.17(a)(1) contains exceptions to the requirement that the disclosures under §1026.18 be segregated from material that is not directly related to those disclosures. Section 1026.17(a)(1) lists the items that may be added to the segregated disclosures, even though not directly related to those disclosures. The section also lists the items required under §1026.18 that may be deleted

from the segregated disclosures and appear elsewhere. Any one or more of these additions or deletions may be combined and appear either together with or separate from the segregated disclosures. The itemization of the amount financed under §1026.18(c), however, must be separate from the other segregated disclosures under §1026.18, except for private education loan disclosures made in compliance with §1026.47. If a creditor chooses to include the security interest charges required to be itemized under §1026.4(e) and §1026.18(o) in the amount financed itemization, it need not list these charges elsewhere.

5. *Directly related.* The segregated disclosures may, at the creditor's option, include any information that is directly related to those disclosures. The following is directly related information:

i. A description of a grace period after which a late payment charge will be imposed. For example, the disclosure given under §1026.18(l) may state that a late charge will apply to "any payment received more than 15 days after the due date."

ii. A statement that the transaction is not secured. For example, the creditor may add a category labeled "unsecured" or "not secured" to the security interest disclosures given under §1026.18(m).

iii. The basis for any estimates used in making disclosures. For example, if the maturity date of a loan depends solely on the occurrence of a future event, the creditor may indicate that the disclosures assume that event will occur at a certain time.

iv. The conditions under which a demand feature may be exercised. For example, in a loan subject to demand after five years, the disclosures may state that the loan will become payable on demand in five years.

v. An explanation of the use of pronouns or other references to the parties to the transaction. For example, the disclosures may state, "'You' refers to the customer and 'we' refers to the creditor."

vi. Instructions to the creditor or its employees on the use of a multiple-purpose form. For example, the disclosures may state, "Check box if applicable."

vii. A statement that the borrower may pay a minimum finance charge upon prepayment in a simple-interest transaction. For example, when state law prohibits penalties, but would allow a minimum finance charge in the event of prepayment, the creditor may make the §1026.18(k)(1) disclosure by stating, "You may be charged a minimum finance charge."

viii. A brief reference to negative amortization in variable-rate transactions. For example, in the variable-rate disclosure, the creditor may include a short statement such as "Unpaid interest will be added to principal." (See the commentary to §1026.18(f)(1)(iii).)

**Pt. 1026, Supp. I**

ix. A brief caption identifying the disclosures. For example, the disclosures may bear a general title such as "Federal Truth in Lending Disclosures" or a descriptive title such as "Real Estate Loan Disclosures."

x. A statement that a due-on-sale clause or other conditions on assumption are contained in the loan document. For example, the disclosure given under §1026.18(q) may state, "Someone buying your home may, subject to conditions in the due-on-sale clause contained in the loan document, assume the remainder of the mortgage on the original terms."

xi. If a state or Federal law prohibits prepayment penalties and excludes the charging of interest after prepayment from coverage as a penalty, a statement that the borrower may have to pay interest for some period after prepayment in full. The disclosure given under §1026.18(k) may state, for example, "If you prepay your loan on other than the regular installment date, you may be assessed interest charges until the end of the month."

xii. More than one hypothetical example under §1026.18(f)(1)(iv) in transactions with more than one variable-rate feature. For example, in a variable-rate transaction with an option permitting consumers to convert to a fixed-rate transaction, the disclosures may include an example illustrating the effects on the payment terms of an increase resulting from conversion in addition to the example illustrating an increase resulting from changes in the index.

xiii. The disclosures set forth under §1026.18(f)(1) for variable-rate transactions subject to §1026.18(f)(2).

xiv. A statement whether or not a subsequent purchaser of the property securing an obligation may be permitted to assume the remaining obligation on its original terms.

xv. A late-payment fee disclosure under §1026.18(1) on a single payment loan.

xvi. The notice set forth in §1026.19(a)(4), in a closed-end transaction not subject to §1026.19(a)(1)(i). In a mortgage transaction subject to §1026.19(a)(1)(i), the creditor must disclose the notice contained in §1026.19(a)(4) grouped together with the disclosures made under §1026.18. See comment 19(a)(4)-1.

6. *Multiple-purpose forms.* The creditor may design a disclosure statement that can be used for more than one type of transaction, so long as the required disclosures for individual transactions are clear and conspicuous. (See the commentary to Appendices G and H for a discussion of the treatment of disclosures that do not apply to specific transactions.) Any disclosure listed in §1026.18 (except the itemization of the amount financed under §1026.18(c) for transactions other than private education loans) may be included on a standard disclosure statement even though not all of the credi-

**12 CFR Ch. X (1-1-24 Edition)**

tor's transactions include those features. For example, the statement may include:

i. The variable rate disclosure under §1026.18(f).

ii. The demand feature disclosure under §1026.18(i).

iii. A reference to the possibility of a security interest arising from a spreader clause, under §1026.18(m).

iv. The assumption policy disclosure under §1026.18(q).

v. The required deposit disclosure under §1026.18(r).

7. *Balloon payment financing with leasing characteristics.* In certain credit sale or loan transactions, a consumer may reduce the dollar amount of the payments to be made during the course of the transaction by agreeing to make, at the end of the loan term, a large final payment based on the expected residual value of the property. The consumer may have a number of options with respect to the final payment, including, among other things, retaining the property and making the final payment, refinancing the final payment, or transferring the property to the creditor in lieu of the final payment. Such transactions may have some of the characteristics of lease transactions subject to Regulation M (12 CFR Part 1013), but are considered credit transactions where the consumer assumes the indicia of ownership, including the risks, burdens and benefits of ownership, upon consummation. These transactions are governed by the disclosure requirements of this part instead of Regulation M. Creditors should not include in the segregated Truth in Lending disclosures additional information. Thus, disclosures should show the large final payment in the payment schedule or interest rate and payment summary table under §1026.18(g) or (s), as applicable, and should not, for example, reflect the other options available to the consumer at maturity.

**Paragraph 17(a)(2)**

1. *When disclosures must be more conspicuous.* The following rules apply to the requirement that the terms "annual percentage rate" (except for private education loan disclosures made in compliance with §1026.47) and "finance charge" be shown more conspicuously:

i. The terms must be more conspicuous only in relation to the other required disclosures under §1026.18. For example, when the disclosures are included on the contract document, those two terms need not be more conspicuous as compared to the heading on the contract document or information required by state law.

ii. The terms need not be more conspicuous except as part of the finance charge and annual percentage rate disclosures under §1026.18(d) and (e), although they may, at the creditor's option, be highlighted wherever

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

used in the required disclosures. For example, the terms may, but need not, be highlighted when used in disclosing a prepayment penalty under §1026.18(k) or a required deposit under §1026.18(r).

iii. The creditor's identity under §1026.18(a) may, but need not, be more prominently displayed than the finance charge and annual percentage rate.

iv. The terms need not be more conspicuous than figures (including, for example, numbers, percentages, and dollar signs).

2. *Making disclosures more conspicuous.* The terms "finance charge" and (except for private education loan disclosures made in compliance with §1026.47) "annual percentage rate" may be made more conspicuous in any way that highlights them in relation to the other required disclosures. For example, they may be:

- i. Capitalized when other disclosures are printed in capital and lower case.
- ii. Printed in larger type, bold print or different type face.
- iii. Printed in a contrasting color.
- iv. Underlined.
- v. Set off with asterisks.

### 17(b) Time of Disclosures

1. *Consummation.* As a general rule, disclosures must be made before "consummation" of the transaction. The disclosures need not be given by any particular time before consummation, except in certain mortgage transactions and variable-rate transactions secured by the consumer's principal dwelling with a term greater than one year under §1026.19, and in private education loan transactions disclosed in compliance with §§1026.46 and 1026.47. (See the commentary to §1026.2(a)(13) regarding the definition of consummation.)

2. *Converting open-end to closed-end credit.* Except for home equity plans subject to §1026.40 in which the agreement provides for a repayment phase, if an open-end credit account is converted to a closed-end transaction under a written agreement with the consumer, the creditor must provide a set of closed-end credit disclosures before consummation of the closed-end transaction. (See the commentary to §1026.19(b) for the timing rules for additional disclosures required upon the conversion to a variable-rate transaction secured by a consumer's principal dwelling with a term greater than one year.) If consummation of the closed-end transaction occurs at the same time as the consumer enters into the open-end agreement, the closed-end credit disclosures may be given at the time of conversion. If disclosures are delayed until conversion and the closed-end transaction has a variable-rate feature, disclosures should be based on the rate in effect at the time of conversion. (See the commentary to §1026.5 regarding conversion of closed-end to open-end credit.)

3. *Disclosures provided on credit contracts.* Creditors must give the required disclosures to the consumer in writing, in a form that the consumer may keep, before consummation of the transaction. See §1026.17(a)(1) and (b). Sometimes the disclosures are placed on the same document with the credit contract. Creditors are not required to give the consumer two separate copies of the document before consummation, one for the consumer to keep and a second copy for the consumer to execute. The disclosure requirement is satisfied if the creditor gives a copy of the document containing the unexecuted credit contract and disclosures to the consumer to read and sign; and the consumer receives a copy to keep at the time the consumer becomes obligated. It is not sufficient for the creditor merely to show the consumer the document containing the disclosures before the consumer signs and becomes obligated. The consumer must be free to take possession of and review the document in its entirety before signing.

i. *Example.* To illustrate, a creditor gives a consumer a multiple-copy form containing a credit agreement and TILA disclosures. The consumer reviews and signs the form and returns it to the creditor, who separates the copies and gives one copy to the consumer to keep. The creditor has satisfied the disclosure requirement.

### 17(c) Basis of Disclosures and Use of Estimates

#### Paragraph 17(c)(1)

1. *Legal obligation.* The disclosures shall reflect the terms to which the consumer and creditor are legally bound as of the outset of the transaction. In the case of disclosures required under §1026.20(c), (d), and (e), the disclosures shall reflect the credit terms to which the consumer and creditor are legally bound when the disclosures are provided. The legal obligation is determined by applicable State law or other law. Disclosures based on the assumption that the consumer will abide by the terms of the legal obligation throughout the term of the transaction comply with §1026.17(c)(1). (Certain transactions are specifically addressed in this commentary. See, for example, the discussion of buydown transactions elsewhere in the commentary to §1026.17(c).) The fact that a term or contract may later be deemed unenforceable by a court on the basis of equity or other grounds does not, by itself, mean that disclosures based on that term or contract did not reflect the legal obligation.

2. *Modification of obligation.* The legal obligation normally is presumed to be contained in the note or contract that evidences the agreement between the consumer and the creditor. But this presumption is rebutted if another agreement between the consumer and creditor legally modifies that note or

contract. If the consumer and creditor informally agree to a modification of the legal obligation, the modification should not be reflected in the disclosures unless it rises to the level of a change in the terms of the legal obligation. For example:

i. If the creditor offers a preferential rate, such as an employee preferred rate, the disclosures should reflect the terms of the legal obligation. (See the commentary to §1026.19(b) for an example of a preferred-rate transaction that is a variable-rate transaction.)

ii. If the contract provides for a certain monthly payment schedule but payments are made on a voluntary payroll deduction plan or an informal principal-reduction agreement, the disclosures should reflect the schedule in the contract.

iii. If the contract provides for regular monthly payments but the creditor informally permits the consumer to defer payments from time to time, for instance, to take account of holiday seasons or seasonal employment, the disclosures should reflect the regular monthly payments.

3. *Third-party buydowns.* In certain transactions, a seller or other third party may pay an amount, either to the creditor or to the consumer, in order to reduce the consumer's payments for all or a portion of the credit term. For example, a consumer and a bank agree to a mortgage with an interest rate of 15% and level payments over 25 years. By a separate agreement, the seller of the property agrees to subsidize the consumer's payments for the first two years of the mortgage, giving the consumer an effective rate of 12% for that period.

i. If the third-party buydown is reflected in the credit contract between the consumer and the bank, the finance charge and all other disclosures affected by it must take the buydown into account as an amendment to the contract's interest rate provision. For example, the annual percentage rate must be a composite rate that takes account of both the lower initial rate and the higher subsequent rate, and the disclosures required under §§1026.18(g), 1026.18(s), 1026.37(c), and 1026.38(c), as applicable, must reflect the two payment levels, except as otherwise provided in those paragraphs. However, the amount paid by the seller would not be specifically reflected in the disclosure of the finance charge and other disclosures affected by it given by the bank, since that amount constitutes seller's points and thus is not part of the finance charge. The seller-paid amount is disclosed, however, as a credit from the seller in the summaries of transactions disclosed pursuant to §1026.38(j) and (k).

ii. If the third-party buydown is not reflected in the credit contract between the consumer and the bank and the consumer is legally bound to the 15% rate from the outset, the disclosure of the finance charge and

other disclosures affected by it given by the bank must not reflect the seller buydown in any way. For example, the annual percentage rate and disclosures required under §§1026.18(g), 1026.18(s), 1026.37(c), and 1026.38(c), as applicable, would not take into account the reduction in the interest rate and payment level for the first two years resulting from the buydown. The seller-paid amount is, however, disclosed as a credit from the seller in the summaries of transactions disclosed pursuant to §1026.38(j) and (k).

4. *Consumer buydowns.* In certain transactions, the consumer may pay an amount to the creditor to reduce the payments on the transaction. Consumer buydowns must be reflected as an amendment to the contract's interest rate provision in the disclosure of the finance charge and other disclosures affected by it given for that transaction. To illustrate, in a mortgage transaction, the creditor and consumer agree to a note specifying a 14 percent interest rate. However, in a separate document, the consumer agrees to pay an amount to the creditor at consummation in return for lower payments for a portion of the mortgage term. The amount paid by the consumer may be deposited in an escrow account or may be retained by the creditor. Depending upon the buydown plan, the consumer's prepayment of the obligation may or may not result in a portion of the amount being credited or refunded to the consumer. In the disclosure of the finance charge and other disclosures affected by it given for the mortgage, the creditor must reflect the terms of the buydown agreement.

i. For example:

A. The amount paid by the consumer is a prepaid finance charge (even if deposited in an escrow account).

B. A composite annual percentage rate must be calculated, taking into account both interest rates, as well as the effect of the prepaid finance charge.

C. The disclosures under §§1026.18(g) and (s), 1026.37(c), and 1026.38(c), as applicable, must reflect the multiple rate and payment levels resulting from the buydown, except as otherwise provided in those sections. Further, for example, the disclosures must reflect that the transaction is a step rate product under §§1026.37(a)(10)(B) and 1026.38(a)(5)(iii).

ii. The rules regarding consumer buydowns do not apply to transactions known as "lender buydowns." In lender buydowns, a creditor pays an amount (either into an account or to the party to whom the obligation is sold) to reduce the consumer's payments or interest rate for all or a portion of the credit term. Typically, these transactions are structured as a buydown of the interest rate during an initial period of the transaction with a higher than usual rate for the remainder of the term. The disclosure of the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

finance charge and other disclosures affected by it for lender buydowns should be based on the terms of the legal obligation between the consumer and the creditor. See comment 17(c)(1)-3 for the analogous rules concerning third-party buydowns.

5. *Split buydowns.* In certain transactions, a third party (such as a seller) and a consumer both pay an amount to the creditor to reduce the interest rate. The creditor must include the portion paid by the consumer in the finance charge and disclose the corresponding multiple payment levels, except as otherwise provided in §§1026.18(s), 1026.37(c), and 1026.38(c), and composite annual percentage rate. The portion paid by the third party and the corresponding reduction in interest rate, however, should not be reflected in the disclosure of the finance charge and other disclosures affected by it unless the lower rate is reflected in the credit contract. See the discussion on third-party and consumer buydown transactions elsewhere in the commentary to §1026.17(c).

6. *Wrap-around financing.* Wrap-around transactions, usually loans, involve the creditor's wrapping the outstanding balance on an existing loan and advancing additional funds to the consumer. The pre-existing loan, which is wrapped, may be to the same consumer or to a different consumer. In either case, the consumer makes a single payment to the new creditor, who makes the payments on the pre-existing loan to the original creditor. Wrap-around loans or sales are considered new single-advance transactions, with an amount financed equaling the sum of the new funds advanced by the wrap creditor and the remaining principal owed to the original creditor on the pre-existing loan. In disclosing the itemization of the amount financed, the creditor may use a label such as "the amount that will be paid to creditor X" to describe the remaining principal balance on the pre-existing loan. This approach to Truth in Lending calculations has no effect on calculations required by other statutes, such as state usury laws.

7. *Wrap-around financing with balloon payments.* For wrap-around transactions involving a large final payment of the new funds before the maturity of the pre-existing loan, the amount financed is the sum of the new funds and the remaining principal on the pre-existing loan. The disclosures should be based on the shorter term of the wrap loan, with a large final payment of both the new funds and the total remaining principal on the pre-existing loan (although only the wrap loan will actually be paid off at that time).

8. *Basis of disclosures in variable-rate transactions.* Except as otherwise provided in §§1026.18(s), 1026.37 and 1026.38, as applicable, the disclosures for a variable-rate transaction must be given for the full term of the transaction and must be based on the terms

in effect at the time of consummation. Creditors should base the disclosures only on the initial rate and should not assume that this rate will increase, except as otherwise provided in §§1026.18(s), 1026.37 and 1026.38. For example, in a loan with an initial rate of 10 percent and a 5 percentage points rate cap, creditors should base the disclosures on the initial rate and should not assume that this rate will increase 5 percentage points. However, in a variable-rate transaction with a seller buydown that is reflected in the credit contract, a consumer buydown, or a discounted or premium rate, disclosures should not be based solely on the initial terms. In those transactions, the disclosed annual percentage rate should be a composite rate based on the rate in effect during the initial period and the rate that is the basis of the variable-rate feature for the remainder of the term. See the commentary to §1026.17(c) for a discussion of buydown, discounted, and premium transactions and the commentary to §1026.19(a)(2), (e), and (f) for a discussion of the redisclosure in certain mortgage transactions with a variable-rate feature. See §§1026.37(c) and 1026.38(c) for rules regarding disclosure of variable-rate transactions in the projected payments table for transactions subject to §1026.19(e) and (f).

9. *Use of estimates in variable-rate transactions.* The variable-rate feature does not, by itself, make the disclosures estimates.

10. *Discounted and premium variable-rate transactions.* In some variable-rate transactions, creditors may set an initial interest rate that is not determined by the index or formula used to make later interest rate adjustments. Typically, this initial rate charged to consumers is lower than the rate would be if it were calculated using the index or formula. However, in some cases the initial rate may be higher. In a discounted transaction, for example, a creditor may calculate interest rates according to a formula using the six-month Treasury bill rate plus a 2 percent margin. If the Treasury bill rate at consummation is 10 percent, the creditor may forgo the 2 percent spread and charge only 10 percent for a limited time, instead of setting an initial rate of 12 percent.

i. When creditors use an initial interest rate that is not calculated using the index or formula for later rate adjustments, the disclosures should reflect a composite annual percentage rate based on the initial rate for as long as it is charged and, for the remainder of the term, the rate that would have been applied using the index or formula at the time of consummation. The rate at consummation need not be used if a contract provides for a delay in the implementation of changes in an index value. For example, if the contract specifies that rate changes are based on the index value in effect 45 days before the change date, creditors may use any index value in effect during the 45 day period

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

before consummation in calculating a composite annual percentage rate.

ii. The effect of the multiple rates must also be reflected in the calculation and disclosure of the finance charge, total of payments, and the disclosures required under §§ 1026.18(g) and (s), 1026.37(c), 1026.37(l)(1) and (3), 1026.38(c), and 1026.38(o)(5), as applicable.

iii. If a loan contains a rate or payment cap that would prevent the initial rate or payment, at the time of the first adjustment, from changing to the rate determined by the index or formula at consummation, the effect of that rate or payment cap should be reflected in the disclosures.

iv. Because these transactions involve irregular payment amounts, an annual percentage rate tolerance of  $\frac{1}{4}$  of 1 percent applies, in accordance with § 1026.22(a)(3).

v. Examples of discounted variable-rate transactions include:

A. A 30-year loan for \$100,000 with no prepaid finance charges and rates determined by the Treasury bill rate plus two percent. Rate and payment adjustments are made annually. Although the Treasury bill rate at the time of consummation is 10 percent, the creditor sets the interest rate for one year at 9 percent, instead of 12 percent according to the formula. The disclosures should reflect a composite annual percentage rate of 11.63 percent based on 9 percent for one year and 12 percent for 29 years. Reflecting those two rate levels, the payment schedule disclosed pursuant to § 1026.18(g) should show 12 payments of \$804.62 and 348 payments of \$1,025.31. Similarly, the disclosures required by §§ 1026.18(s), 1026.37(c), 1026.37(l)(1) and (3), 1026.38(c), and 1026.38(o)(5) should reflect the effect of this calculation. The finance charge should be \$266,463.32 and, for transactions subject to § 1026.18, the total of payments should be \$366,463.32.

B. Same loan as above, except with a two-percent rate cap on periodic adjustments. The disclosures should reflect a composite annual percentage rate of 11.53 percent based on 9 percent for the first year, 11 percent for the second year, and 12 percent for the remaining 28 years. Reflecting those three rate levels, the payment schedule disclosed pursuant to § 1026.18(g) should show 12 payments of \$804.62, 12 payments of \$950.09, and 336 payments of \$1,024.34. Similarly, the disclosures required by §§ 1026.18(s), 1026.37(c), 1026.37(l)(1) and (3), 1026.38(c), and 1026.38(o)(5) should reflect the effect of this calculation. The finance charge should be \$265,234.76 and, for transactions subject to § 1026.18, the total of payments should be \$365,234.76.

C. Same loan as above, except with a  $7\frac{1}{2}$  percent cap on payment adjustments. The disclosures should reflect a composite annual percentage rate of 11.64 percent, based on 9 percent for one year and 12 percent for 29 years. Because of the payment cap, five levels of payments should be reflected. The

payment schedule disclosed pursuant to § 1026.18(g) should show 12 payments of \$804.62, 12 payments of \$864.97, 12 payments of \$929.84, 12 payments of \$999.58, and 312 payments of \$1,070.04. Similarly, the disclosures required by §§ 1026.18(s), 1026.37(c), 1026.37(l)(1) and (3), 1026.38(c), and 1026.38(o)(5) should reflect the effect of this calculation. The finance charge should be \$277,040.60, and, for transactions subject to § 1026.18, the total of payments should be \$377,040.60.

vi. A loan in which the initial interest rate is set according to the index or formula used for later adjustments but is not set at the value of the index or formula at consummation is not a discounted variable-rate loan. For example, if a creditor commits to an initial rate based on the formula on a date prior to consummation, but the index has moved during the period between that time and consummation, a creditor should base its disclosures on the initial rate.

11. *Examples of variable-rate transactions.* Variable-rate transactions include:

i. Renewable balloon-payment instruments where the creditor is both unconditionally obligated to renew the balloon-payment loan at the consumer's option (or is obligated to renew subject to conditions within the consumer's control) and has the option of increasing the interest rate at the time of renewal. Disclosures must be based on the payment amortization (unless the specified term of the obligation with renewals is shorter) and on the rate in effect at the time of consummation of the transaction. (Examples of conditions within a consumer's control include requirements that a consumer be current in payments or continue to reside in the mortgaged property. In contrast, setting a limit on the rate at which the creditor would be obligated to renew or reserving the right to change the credit standards at the time of renewal are examples of conditions outside a consumer's control.) If, however, a creditor is not obligated to renew as described above, disclosures must be based on the term of the balloon-payment loan. Disclosures also must be based on the term of the balloon-payment loan in balloon-payment instruments in which the legal obligation provides that the loan will be renewed by a "refinancing" of the obligation, as that term is defined by § 1026.20(a). If it cannot be determined from the legal obligation that the loan will be renewed by a "refinancing," disclosures must be based either on the term of the balloon-payment loan or on the payment amortization, depending on whether the creditor is unconditionally obligated to renew the loan as described above. (This discussion does not apply to construction loans subject to § 1026.17(c)(6).)

ii. "Shared-equity" or "shared-appreciation" mortgages that have a fixed rate of interest and an appreciation share based on the consumer's equity in the mortgaged

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

property. The appreciation share is payable in a lump sum at a specified time. Disclosures must be based on the fixed interest rate. (As discussed in the commentary to §1026.2, other types of shared-equity arrangements are not considered “credit” and are not subject to Regulation Z.)

iii. Preferred-rate loans where the terms of the legal obligation provide that the initial underlying rate is fixed but will increase upon the occurrence of some event, such as an employee leaving the employ of the creditor, and the note reflects the preferred rate. The disclosures are to be based on the preferred rate.

iv. Graduated-payment mortgages and step-rate transactions without a variable-rate feature are not considered variable-rate transactions.

v. “Price level adjusted mortgages” or other indexed mortgages that have a fixed rate of interest but provide for periodic adjustments to payments and the loan balance to reflect changes in an index measuring prices or inflation. Disclosures are to be based on the fixed interest rate, except as otherwise provided in §§1026.18(s), 1026.37, and 1026.38, as applicable.

12. *Graduated payment adjustable rate mortgages.* These mortgages involve both a variable interest rate and scheduled variations in payment amounts during the loan term. For example, under these plans, a series of graduated payments may be scheduled before rate adjustments affect payment amounts, or the initial scheduled payment may remain constant for a set period before rate adjustments affect the payment amount. In any case, the initial payment amount may be insufficient to cover the scheduled interest, causing negative amortization from the outset of the transaction. In these transactions, except as otherwise provided in §§1026.18(s), 1026.37(c), and 1026.38(c), the disclosures should treat these features as follows:

i. The finance charge includes the amount of negative amortization based on the assumption that the rate in effect at consummation remains unchanged.

ii. The amount financed does not include the amount of negative amortization.

iii. As in any variable-rate transaction, the annual percentage rate is based on the terms in effect at consummation.

iv. The disclosures required by §1026.18(g) and (s) reflect the amount of any scheduled initial payments followed by an adjusted level of payments based on the initial interest rate. Since some mortgage plans contain limits on the amount of the payment adjustment, the disclosures required by §1026.18(g) and (s) may require several different levels of payments, even with the assumption that the original interest rate does not increase. For transactions subject to §1026.19(e) and (f), see §1026.37(c) and its commentary for a

discussion of different rules for graduated payment adjustable rate mortgages.

13. *Growth-equity mortgages.* i. Also referred to as payment-escalated mortgages, these mortgage plans involve scheduled payment increases to prematurely amortize the loan. The initial payment amount is determined as for a long-term loan with a fixed interest rate. Payment increases are scheduled periodically, based on changes in an index. The larger payments result in accelerated amortization of the loan. In disclosing these mortgage plans, creditors may either:

A. Estimate the amount of payment increases, based on the best information reasonably available; or

B. Disclose by analogy to the variable-rate disclosures in 1026.18(f)(1).

ii. This discussion does not apply to growth-equity mortgages in which the amount of payment increases can be accurately determined at the time of disclosure. For these mortgages, as for graduated-payment mortgages, disclosures should reflect the scheduled increases in payments.

14. *Reverse mortgages.* Reverse mortgages, also known as reverse annuity or home equity conversion mortgages, typically involve the disbursement of monthly advances to the consumer for a fixed period or until the occurrence of an event such as the consumer’s death. Repayment of the loan (generally a single payment of principal and accrued interest) may be required to be made at the end of the disbursements or, for example, upon the death of the consumer. In disclosing these transactions, creditors must apply the following rules, as applicable:

i. If the reverse mortgage has a specified period for disbursements but repayment is due only upon the occurrence of a future event such as the death of the consumer, the creditor must assume that disbursements will be made until they are scheduled to end. The creditor must assume repayment will occur when disbursements end (or within a period following the final disbursement which is not longer than the regular interval between disbursements). This assumption should be used even though repayment may occur before or after the disbursements are scheduled to end. In such cases, the creditor may include a statement such as “The disclosures assume that you will repay the loan at the time our payments to you end. As provided in your agreement, your repayment may be required at a different time.”

ii. If the reverse mortgage has neither a specified period for disbursements nor a specified repayment date and these terms will be determined solely by reference to future events including the consumer’s death, the creditor may assume that the disbursements will end upon the consumer’s death (estimated by using actuarial tables, for example) and that repayment will be required

at the same time (or within a period following the date of the final disbursement which is not longer than the regular interval for disbursements). Alternatively, the creditor may base the disclosures upon another future event it estimates will be most likely to occur first. (If terms will be determined by reference to future events which do not include the consumer's death, the creditor must base the disclosures upon the occurrence of the event estimated to be most likely to occur first.)

iii. In making the disclosures, the creditor must assume that all disbursements and accrued interest will be paid by the consumer. For example, if the note has a nonrecourse provision providing that the consumer is not obligated for an amount greater than the value of the house, the creditor must nonetheless assume that the full amount to be disbursed will be repaid. In this case, however, the creditor may include a statement such as "The disclosures assume full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement."

iv. Some reverse mortgages provide that some or all of the appreciation in the value of the property will be shared between the consumer and the creditor. Such loans are considered variable-rate mortgages, as described in comment 17(c)(1)-11, and the appreciation feature must be disclosed in accordance with §1026.18(f)(1). If the reverse mortgage has a variable interest rate, is written for a term greater than one year, and is secured by the consumer's principal dwelling, the shared appreciation feature must be described under §1026.19(b)(2)(vii).

15. *Morris Plan transactions.* When a deposit account is created for the sole purpose of accumulating payments and then is applied to satisfy entirely the consumer's obligation in the transaction, each deposit made into the account is considered the same as a payment on a loan for purposes of making disclosures.

16. *Number of transactions.* Creditors have flexibility in handling credit extensions that may be viewed as multiple transactions. For example:

i. When a creditor finances the credit sale of a radio and a television on the same day, the creditor may disclose the sales as either 1 or 2 credit sale transactions.

ii. When a creditor finances a loan along with a credit sale of health insurance, the creditor may disclose in one of several ways: a single credit sale transaction, a single loan transaction, or a loan and a credit sale transaction.

iii. The separate financing of a downpayment in a credit sale transaction may, but need not, be disclosed as 2 transactions (a credit sale and a separate transaction for the financing of the downpayment).

17. *Special rules for tax refund anticipation loans.* Tax refund loans, also known as refund anticipation loans (RALs), are transactions in which a creditor will lend up to the amount of a consumer's expected tax refund. RAL agreements typically require repayment upon demand, but also may provide that repayment is required when the refund is made. The agreements also typically provide that if the amount of the refund is less than the payment due, the consumer must pay the difference. Repayment often is made by a preauthorized offset to a consumer's account held with the creditor when the refund has been deposited by electronic transfer. Creditors may charge fees for RALs in addition to fees for filing the consumer's tax return electronically. In RAL transactions subject to the regulation the following special rules apply:

i. If, under the terms of the legal obligation, repayment of the loan is required when the refund is received by the consumer (such as by deposit into the consumer's account), the disclosures should be based on the creditor's estimate of the time the refund will be delivered even if the loan also contains a demand clause. The practice of a creditor to demand repayment upon delivery of refunds does not determine whether the legal obligation requires that repayment be made at that time; this determination must be made according to applicable state or other law. (See comment 17(c)(5)-1 for the rules regarding disclosures if the loan is payable solely on demand or is payable either on demand or on an alternate maturity date.)

ii. If the consumer is required to repay more than the amount borrowed, the difference is a finance charge unless excluded under §1026.4. In addition, to the extent that any fees charged in connection with the loan (such as for filing the tax return electronically) exceed those fees for a comparable cash transaction (that is, filing the tax return electronically without a loan), the difference must be included in the finance charge.

18. *Pawn Transactions.* When, in connection with an extension of credit, a consumer pledges or sells an item to a pawnbroker creditor in return for a sum of money and retains the right to redeem the item for a greater sum (the redemption price) within a specified period of time, disclosures are required. In addition to other disclosure requirements that may be applicable under §1026.18, for purposes of pawn transactions:

i. The amount financed is the initial sum paid to the consumer. The pawnbroker creditor need not provide a separate itemization of the amount financed if that entire amount is paid directly to the consumer and the disclosed description of the amount financed is "the amount of cash given directly to you" or a similar phrase.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

ii. The finance charge is the difference between the initial sum paid to the consumer and the redemption price plus any other finance charges paid in connection with the transaction. (See §1026.4.)

iii. The term of the transaction, for calculating the annual percentage rate, is the period of time agreed to by the pawnbroker creditor and the consumer. The term of the transaction does not include a grace period (including any statutory grace period) after the agreed redemption date.

19. *Rebates and loan premiums.* In a loan transaction, the creditor may offer a premium in the form of cash or merchandise to prospective borrowers. Similarly, in a credit sale transaction, a seller's or manufacturer's rebate may be offered to prospective purchasers of the creditor's goods or services. Such premiums and rebates must be reflected in accordance with the terms of the legal obligation between the consumer and the creditor. Thus, if the creditor is legally obligated to provide the premium or rebate to the consumer as part of the credit transaction, the disclosures should reflect its value in the manner and at the time the creditor is obligated to provide it.

### Paragraph 17(c)(2)(i)

1. *Basis for estimates.* Except as otherwise provided in §§1026.19, 1026.37, and 1026.38, disclosures may be estimated when the exact information is unknown at the time disclosures are made. Information is unknown if it is not reasonably available to the creditor at the time the disclosures are made. The "reasonably available" standard requires that the creditor, acting in good faith, exercise due diligence in obtaining information. For example, the creditor must at a minimum utilize generally accepted calculation tools, but need not invest in the most sophisticated computer program to make a particular type of calculation. The creditor normally may rely on the representations of other parties in obtaining information. For example, the creditor might look to the consumer for the time of consummation, to insurance companies for the cost of insurance, or to realtors for taxes and escrow fees. The creditor may utilize estimates in making disclosures even though the creditor knows that more precise information will be available by the point of consummation. However, new disclosures may be required under §1026.17(f) or §1026.19. For purposes of §1026.17(c)(2)(i), creditors must provide the actual amounts of the information required to be disclosed under §§1026.37 and 1026.38, pursuant to §1026.19(e) and (f), subject to the estimation and disclosure rules in those provisions.

2. *Labeling estimates.* Estimates must be designated as such in the segregated disclosures. For the disclosures required by §1026.19(e) and (f), use of the Loan Estimate form H-24 of appendix H to this part pursuant to §1026.37(o) or the Closing Disclosure form H-25 of appendix H to this part pursuant to §1026.38(t), respectively, satisfies the requirement that the disclosure state clearly that the disclosure is an estimate. For all other disclosures, even though they are based on the same assumption on which a specific estimated disclosure was based, the creditor has flexibility in labeling the estimates. Generally, only the particular disclosure for which the exact information is unknown is labeled as an estimate. However, when several disclosures are affected because of the unknown information, the creditor has the option of labeling either every affected disclosure or only the disclosure primarily affected. For example, when the finance charge is unknown because the date of consummation is unknown, the creditor must label the finance charge as an estimate and may also label as estimates the total of payments and the payment schedule. When many disclosures are estimates, the creditor may use a general statement, such as "all numerical disclosures except the late payment disclosure are estimates," as a method to label those disclosures as estimates.

3. *Simple-interest transactions.* If consumers do not make timely payments in a simple-interest transaction, some of the amounts calculated for Truth in Lending disclosures will differ from amounts that consumers will actually pay over the term of the transaction. Creditors may label disclosures as estimates in these transactions, except as otherwise provided by §1026.19. For example, because the finance charge and total of payments may be larger than disclosed if consumers make late payments, creditors may label the finance charge and total of payments as estimates. On the other hand, creditors may choose not to label disclosures as estimates. In all cases, creditors comply with §1026.17(c)(2)(i) by basing disclosures on the assumption that payments will be made on time and in the amounts required by the terms of the legal obligation, disregarding any possible differences resulting from consumers' payment patterns.

### Paragraph 17(c)(2)(ii)

1. *Per-diem interest.* Section 1026.17(c)(2)(ii) applies to any numerical amount (such as the finance charge, annual percentage rate, or payment amount) that is affected by the amount of the per-diem interest charge that will be collected at consummation. If the amount of per-diem interest used in preparing the disclosures for consummation is based on the information known to the creditor at the time the disclosure document is prepared, the disclosures are considered accurate under this rule, and affected disclosures are also considered accurate, even if the disclosures are not labeled as estimates.

## Pt. 1026, Supp. I

For example, if the amount of per-diem interest used to prepare disclosures is less than the amount of per-diem interest charged at consummation, and as a result the finance charge is understated by \$200, the disclosed finance charge is considered accurate even though the understatement is not within the \$100 tolerance of §1026.18(d)(1), and the finance charge was not labeled as an estimate. In this example, if in addition to the understatement related to the per-diem interest, a \$90 fee is incorrectly omitted from the finance charge, causing it to be understated by a total of \$290, the finance charge is considered accurate because the \$90 fee is within the tolerance in §1026.18(d)(1). For purposes of transactions subject to §1026.19(e) and (f), the creditor shall disclose the actual amount of per diem interest that will be collected at consummation, subject only to the disclosure rules in those sections.

### Paragraph 17(c)(3)

1. *Minor variations.* Section 1026.17(c)(3) allows creditors to disregard certain factors in calculating and making disclosures. For example:

i. Creditors may ignore the effects of collecting payments in whole cents. Because payments cannot be collected in fractional cents, it is often difficult to amortize exactly an obligation with equal payments; the amount of the last payment may require adjustment to account for the rounding of the other payments to whole cents.

ii. Creditors may base their disclosures on calculation tools that assume that all months have an equal number of days, even if their practice is to take account of the variations in months for purposes of collecting interest. For example, a creditor may use a calculation tool based on a 360-day year, when it in fact collects interest by applying a factor of  $\frac{1}{360}$  of the annual rate to 365 days. This rule does not, however, authorize creditors to ignore, for disclosure purposes, the effects of applying  $\frac{1}{360}$  of an annual rate to 365 days.

2. *Use of special rules.* A creditor may utilize the special rules in §1026.17(c)(3) for purposes of calculating and making all disclosures for a transaction or may, at its option, use the special rules for some disclosures and not others.

### Paragraph 17(c)(4)

1. *Payment schedule irregularities.* When one or more payments in a transaction differ from the others because of a long or short first period, the variations may be ignored in disclosing the payment schedule pursuant to §1026.18(g), the disclosures required pursuant to §§1026.18(s), 1026.37(c), or 1026.38(c), or the finance charge, annual percentage rate, and other terms. For example:

## 12 CFR Ch. X (1-1-24 Edition)

i. A 36-month auto loan might be consummated on June 8 with payments due on July 1 and the first of each succeeding month. The creditor may base its calculations on a payment schedule that assumes 36 equal intervals and 36 equal installment payments, even though a precise computation would produce slightly different amounts because of the shorter first period.

ii. By contrast, in the same example, if the first payment were not scheduled until August 1, the irregular first period would exceed the limits in §1026.17(c)(4); the creditor could not use the special rule and could not ignore the extra days in the first period in calculating its disclosures.

2. *Measuring odd periods.* i. In determining whether a transaction may take advantage of the rule in §1026.17(c)(4), the creditor must measure the variation against a regular period. For purposes of that rule:

A. The first period is the period from the date on which the finance charge begins to be earned to the date of the first payment.

B. The term is the period from the date on which the finance charge begins to be earned to the date of the final payment.

C. The regular period is the most common interval between payments in the transaction.

ii. In transactions involving regular periods that are monthly, semimonthly or multiples of a month, the length of the irregular and regular periods may be calculated on the basis of either the actual number of days or an assumed 30-day month. In other transactions, the length of the periods is based on the actual number of days.

3. *Use of special rules.* A creditor may utilize the special rules in §1026.17(c)(4) for purposes of calculating and making some disclosures but may elect not to do so for all of the disclosures. For example, the variations may be ignored in calculating and disclosing the annual percentage rate but taken into account in calculating and disclosing the finance charge and payment schedule.

4. *Relation to prepaid finance charges.* Prepaid finance charges, including "odd-days" or "per-diem" interest, paid prior to or at closing may not be treated as the first payment on a loan. Thus, creditors may not disregard an irregularity in disclosing such finance charges.

### Paragraph 17(c)(5)

1. *Demand disclosures.* Disclosures for demand obligations are based on an assumed 1-year term, unless an alternate maturity date is stated in the legal obligation. Whether an alternate maturity date is stated in the legal obligation is determined by applicable law. An alternate maturity date is not inferred from an informal principal reduction agreement or a similar understanding between the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

parties. However, when the note itself specifies a principal reduction schedule (for example, “payable on demand or \$2,000 plus interest quarterly”), an alternate maturity is stated and the disclosures must reflect that date.

2. *Future event as maturity date.* An obligation whose maturity date is determined solely by a future event, as for example, a loan payable only on the sale of property, is not a demand obligation. Because no demand feature is contained in the obligation, demand disclosures under §1026.18(i) are inapplicable and demand disclosures under §1026.38(1)(2) are answered in the negative. The disclosures should be based on the creditor’s estimate of the time at which the specified event will occur and, except as otherwise provided in §1026.19(e) and (f), may indicate the basis for the creditor’s estimate, as noted in the commentary to §1026.17(a).

3. *Demand after stated period.* Most demand transactions contain a demand feature that may be exercised at any point during the term, but certain transactions convert to demand status only after a fixed period. The disclosures for a transaction that converts to demand status after a fixed period should be based upon the legally agreed-upon maturity date. Thus, for example, if a mortgage containing a call option that the creditor may exercise during the first 30 days of the eighth year after loan origination is written as a 20-year obligation, the disclosures should be based on the 20-year term, with the demand feature disclosed under §1026.18(i) or §1026.38(1)(2), as applicable.

4. *Balloon mortgages.* Balloon payment mortgages, with payments based on a long-term amortization schedule and a large final payment due after a shorter term, are not demand obligations unless a demand feature is specifically contained in the contract. For example, a mortgage with a term of five years and a payment schedule based on 20 years would not be treated as a mortgage with a demand feature, in the absence of any contractual demand provisions. In this type of mortgage, disclosures should be based on the five-year term. See §§1026.37(c) and 1026.38(c) and their commentary for projected payment disclosures for balloon payment mortgages.

### Paragraph 17(c)(6)

1. *Series of advances.* Section 1026.17(c)(6)(i) deals with a series of advances under an agreement to extend credit up to a certain amount. A creditor may treat all of the advances as a single transaction or disclose each advance as a separate transaction. If these advances are treated as 1 transaction and the timing and amounts of advances are unknown, creditors must make disclosures based on estimates, as provided in §1026.17(c)(2). If the advances are disclosed separately, disclosures must be provided be-

fore each advance occurs, with the disclosures for the first advance provided by consummation.

2. *Construction loans.* Section 1026.17(c)(6)(ii) provides a flexible rule for disclosure of construction loans that may be permanently financed. These transactions have 2 distinct phases, similar to 2 separate transactions. The construction loan may be for initial construction or subsequent construction, such as rehabilitation or remodeling. The construction period usually involves several disbursements of funds at times and in amounts that are unknown at the beginning of that period, with the consumer paying only accrued interest until construction is completed. Unless the obligation is paid at that time, the loan then converts to permanent financing in which the loan amount is amortized just as in a standard mortgage transaction. Section 1026.17(c)(6)(ii) permits the creditor to give either one combined disclosure for both the construction financing and the permanent financing, or a separate set of disclosures for the 2 phases. This rule is available whether the consumer is initially obligated to accept construction financing only or is obligated to accept both construction and permanent financing from the outset. If the consumer is obligated on both phases and the creditor chooses to give 2 sets of disclosures, both sets must be given to the consumer initially, because both transactions would be consummated at that time. (Appendix D provides a method of calculating the annual percentage rate and other disclosures for construction loans, which may be used, at the creditor’s option, in disclosing construction financing.)

3. *Multiple-advance construction loans.* Section 1026.17(c)(6)(i) and (ii) are not mutually exclusive. For example, in a transaction that finances the construction of a dwelling that may be permanently financed by the same creditor, the construction phase may consist of a series of advances under an agreement to extend credit up to a certain amount. In these cases, the creditor may disclose the construction phase as either 1 or more than 1 transaction and also disclose the permanent financing as a separate transaction.

4. *Residential mortgage transaction.* See the commentary to §1026.2(a)(24) for a discussion of the effect of §1026.17(c)(6) on the definition of a residential mortgage transaction.

5. *Allocation of costs.* When a creditor uses the special rule in §1026.17(c)(6) to disclose credit extensions as multiple transactions, fees and charges must be allocated for purposes of calculating disclosures. In the case of a construction-permanent loan that a creditor chooses to disclose as multiple transactions, the creditor must allocate to the construction transaction finance charges under §1026.4 and points and fees under §1026.32(b)(1) that would not be imposed but

for the construction financing. For example, inspection and handling fees for the staged disbursement of construction loan proceeds must be included in the disclosures for the construction phase and may not be included in the disclosures for the permanent phase. If a creditor charges separate amounts for finance charges under §1026.4 and points and fees under §1026.32(b)(1) for the construction phase and the permanent phase, such amounts must be allocated to the phase for which they are charged. If a creditor charges an origination fee for construction financing only but charges a greater origination fee for construction-permanent financing, the difference between the two fees must be allocated to the permanent phase. All other finance charges under §1026.4 and points and fees under §1026.32(b)(1) must be allocated to the permanent financing. Fees and charges that are not used to compute the finance charge under §1026.4 or points and fees under §1026.32(b)(1) may be allocated between the transactions in any manner the creditor chooses. For example, a reasonable appraisal fee paid to an independent, third-party appraiser may be allocated in any manner the creditor chooses because it would be excluded from the finance charge pursuant to §1026.4(c)(7) and excluded from points and fees pursuant to §1026.32(b)(1)(iii).

#### 17(d) Multiple Creditors; Multiple Consumers

1. *Multiple creditors.* If a credit transaction involves more than one creditor:

- i. The creditors must choose which of them will make the disclosures.
- ii. A single, complete set of disclosures must be provided, rather than partial disclosures from several creditors.
- iii. All disclosures for the transaction must be given, even if the disclosing creditor would not otherwise have been obligated to make a particular disclosure. For example, if one of the creditors is the seller, the total sale price disclosure under §1026.18(j) must be made, even though the disclosing creditor is not the seller.

2. *Multiple consumers.* When two consumers are joint obligors with primary liability on an obligation, the disclosures may be given to either one of them. If one consumer is merely a surety or guarantor, the disclosures must be given to the principal debtor. In rescindable transactions, however, separate disclosures must be given to each consumer who has the right to rescind under §1026.23, although the disclosures required under §1026.19(b) need only be provided to the consumer who expresses an interest in a variable-rate loan program. When two consumers are joint obligors with primary liability on an obligation, the early disclosures required by §1026.19(a), (e), or (g), as applicable, may be provided to any one of them. In rescindable transactions, the disclosures required by §1026.19(f) must be given separately

to each consumer who has the right to rescind under §1026.23. In transactions that are not rescindable, the disclosures required by §1026.19(f) may be provided to any consumer with primary liability on the obligation. See §§1026.2(a)(11), 1026.17(b), 1026.19(a), 1026.19(f), and 1026.23(b).

#### 17(e) Effect of Subsequent Events

1. *Events causing inaccuracies.* Subject to §1026.19(e) and (f), inaccuracies in disclosures are not violations if attributable to events occurring after the disclosures are made. For example, when the consumer fails to fulfill a prior commitment to keep the collateral insured and the creditor then provides the coverage and charges the consumer for it, such a change does not make the original disclosures inaccurate. The creditor may, however, be required to make new disclosures under §1026.17(f) or §1026.19 if the events occurred between disclosure and consummation, in some cases after consummation under §1026.19(f), or under §1026.20 if the events occurred after consummation. For rules regarding permissible changes to the information required to be disclosed by §1026.19(e) and (f), see §1026.19(e)(3) and (f)(2) and their commentary.

#### 17(f) Early Disclosures

1. *Change in rate or other terms.* Redisclosure is required for changes that occur between the time disclosures are made and consummation if the annual percentage rate in the consummated transaction exceeds the limits prescribed in §1026.17(f) even if the prior disclosures would be considered accurate under the tolerances in §1026.18(d) or 1026.22(a). To illustrate:

i. *Transactions not secured by real property or a cooperative unit.* A. For transactions not secured by real property or a cooperative unit, if disclosures are made in a regular transaction on July 1, the transaction is consummated on July 15, and the actual annual percentage rate varies by more than  $\frac{1}{8}$  of 1 percentage point from the disclosed annual percentage rate, the creditor must either redisclose the changed terms or furnish a complete set of new disclosures before consummation. Rediscovery is required even if the disclosures made on July 1 are based on estimates and marked as such.

B. In a regular transaction not secured by real property or a cooperative unit, if early disclosures are marked as estimates and the disclosed annual percentage rate is within  $\frac{1}{8}$  of 1 percentage point of the rate at consummation, the creditor need not redisclose the changed terms (including the annual percentage rate).

C. If disclosures for transactions not secured by real property or a cooperative unit are made on July 1, the transaction is consummated on July 15, and the finance charge

## Consumer Financial Protection Bureau

increased by \$35 but the disclosed annual percentage rate is within the permitted tolerance, the creditor must at least redisclose the changed terms that were not marked as estimates. See §1026.18(d)(2).

ii. *Reverse mortgages.* In a transaction subject to §1026.19(a) and not §1026.19(e) and (f), assume that, at the time the disclosures required by §1026.19(a) are prepared in July, the loan closing is scheduled for July 31 and the creditor does not plan to collect per-diem interest at consummation. Assume further that consummation actually occurs on August 5, and per-diem interest for the remainder of August is collected as a prepaid finance charge. The creditor may rely on the disclosures prepared in July that were accurate when they were prepared. However, if the creditor prepares new disclosures in August that will be provided at consummation, the new disclosures must take into account the amount of the per-diem interest known to the creditor at that time.

iii. *Transactions secured by real property or a cooperative unit other than reverse mortgages.* For transactions secured by real property or a cooperative unit other than reverse mortgages, assume that, at the time the disclosures required by §1026.19(e) are prepared in July, the loan closing is scheduled for July 31 and the creditor does not plan to collect per-diem interest at consummation. Assume further that consummation actually occurs on August 5, and per-diem interest for the remainder of August is collected as a prepaid finance charge. The creditor must make the disclosures required by §1026.19(f) three days before consummation, and the disclosures required by §1026.19(f) must take into account the amount of per-diem interest that will be collected at consummation.

2. *Variable rate.* The addition of a variable rate feature to the credit terms, after early disclosures are given, requires new disclosures. See §1026.19(e) and (f) to determine when new disclosures are required for transactions secured by real property or a cooperative unit, other than reverse mortgages.

3. *Content of new disclosures.* Except as provided by §1026.19(e) and (f), if redisclosure is required, the creditor has the option of either providing a complete set of new disclosures, or providing disclosures of only the terms that vary from those originally disclosed. See the commentary to §1026.19(a)(2).

4. *Special rules.* In mortgage transactions subject to §1026.19(a), the creditor must redisclose if, between the delivery of the required early disclosures and consummation, the annual percentage rate changes by more than a stated tolerance. When subsequent events occur after consummation, new disclosures are required only if there is a refinancing or an assumption within the meaning of §1026.20.

## Pt. 1026, Supp. I

### Paragraph 17(f)(2)

1. *Irregular transactions.* For purposes of this paragraph, a transaction is deemed to be “irregular” according to the definition in §1026.22(a)(3).

#### 17(g) Mail or Telephone Orders—Delay in Disclosures

1. *Conditions for use.* Except for extensions of credit subject to §1026.19(a) or (e) and (f), when the creditor receives a mail or telephone request for credit, the creditor may delay making the disclosures until the first payment is due if the following conditions are met:

i. The credit request is initiated without face-to-face or direct telephone solicitation. (Creditors may, however, use the special rule when credit requests are solicited by mail.)

ii. The creditor has supplied the specified credit information about its credit terms either to the individual consumer or to the public generally. That information may be distributed through advertisements, catalogs, brochures, special mailers, or similar means.

2. *Insurance.* The location requirements for the insurance disclosures under §1026.18(n) permit them to appear apart from the other disclosures. Therefore, a creditor may mail an insurance authorization to the consumer and then prepare the other disclosures to reflect whether or not the authorization is completed by the consumer. Creditors may also disclose the insurance cost on a unit-cost basis, if the transaction meets the requirements of §1026.17(g).

#### 17(h) Series of Sales—Delay in Disclosures

1. *Applicability.* Except for extensions of credit covered by §1026.19(a) or (e) and (f), the creditor may delay the disclosures for individual credit sales in a series of such sales until the first payment is due on the current sale, assuming the two conditions in §1026.17(h) are met. If those conditions are not met, the general timing rules in §1026.17(b) apply.

2. *Basis of disclosures.* Creditors structuring disclosures for a series of sales under §1026.17(h) may compute the total sale price as either:

i. The cash price for the sale plus that portion of the finance charge and other charges applicable to that sale; or

ii. The cash price for the sale, other charges applicable to the sale, and the total finance charge and outstanding principal.

#### 17(i) Interim Student Credit Extensions

1. *Definition.* Student credit plans involve extensions of credit for education purposes where the repayment amount and schedule are not known at the time credit is advanced. These plans include loans made

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

under any student credit plan, whether government or private, where the repayment period does not begin immediately. (Certain student credit plans that meet this definition are exempt from Regulation Z. See §1026.3(f).)

2. *Relation to other sections.* For disclosures made before the mandatory compliance date of the disclosures required under §§1026.46, 47, and 48, paragraph 17(i) permitted creditors to omit from the disclosures the terms set forth in that paragraph at the time the credit was actually extended. However, creditors were required to make complete disclosures at the time the creditor and consumer agreed upon the repayment schedule for the total obligation. At that time, a new set of disclosures of all applicable items under §1026.18 was required. Most student credit plans are subject to the requirements in §§1026.46, 47, and 48. Consequently, for applications for student credit plans received on or after the mandatory compliance date of §§1026.46, 47, and 48, the creditor may not omit from the disclosures the terms set forth in paragraph 17(i). Instead, the creditor must comply with §§1026.46, 47, and 48, if applicable, or with §§1026.17 and 1026.18.

3. *Basis of disclosures.* The disclosures given at the time of execution of the interim note should reflect two annual percentage rates, one for the interim period and one for the repayment period. The use of §1026.17(i) in making disclosures does not, by itself, make those disclosures estimates. Any portion of the finance charge, such as statutory interest, that is attributable to the interim period and is paid by the student (either as a prepaid finance charge, periodically during the interim period, in one payment at the end of the interim period, or capitalized at the beginning of the repayment period) must be reflected in the interim annual percentage rate. Interest subsidies, such as payments made by either a state or the Federal Government on an interim loan, must be excluded in computing the annual percentage rate on the interim obligation, when the consumer has no contingent liability for payment of those amounts. Any finance charges that are paid separately by the student at the outset or withheld from the proceeds of the loan are prepaid finance charges. An example of this type of charge is the loan guarantee fee. The sum of the prepaid finance charges is deducted from the loan proceeds to determine the amount financed and included in the calculation of the finance charge.

4. *Consolidation.* Consolidation of the interim student credit extensions through a new note with a set repayment schedule is treated as a new transaction with disclosures made as they would be for a refinancing. Any unearned portion of the finance charge must be reflected in the new finance charge and annual percentage rate, and is not added to

the new amount financed. In itemizing the amount financed under §1026.18(c), the creditor may combine the principal balances remaining on the interim extensions at the time of consolidation and categorize them as the amount paid on the consumer's account.

5. *Approved student credit forms.* See the commentary to appendix H regarding disclosure forms approved for use in certain student credit programs for which applications were received prior to the mandatory compliance date of §§1026.46, 1026.47, and 1026.48.

**Section 1026.18—Content of Disclosures**

1. *As applicable.* i. The disclosures required by this section need be made only as applicable. Any disclosure not relevant to a particular transaction may be eliminated entirely. For example:

A. In a loan transaction, the creditor may delete disclosure of the total sale price.

B. In a credit sale requiring disclosure of the total sale price under §1026.18(j), the creditor may delete any reference to a downpayment where no downpayment is involved.

ii. Where the amounts of several numerical disclosures are the same, the "as applicable" language also permits creditors to combine the terms, so long as it is done in a clear and conspicuous manner. For example:

A. In a transaction in which the amount financed equals the total of payments, the creditor may disclose "amount financed/total of payments," together with descriptive language, followed by a single amount.

B. However, if the terms are separated on the disclosure statement and separate space is provided for each amount, both disclosures must be completed, even though the same amount is entered in each space.

2. *Format.* See the commentary to §1026.17 and appendix H for a discussion of the format to be used in making these disclosures, as well as acceptable modifications.

3. *Scope of coverage.* i. Section 1026.18 applies to closed-end consumer credit transactions, other than transactions that are subject to §1026.19(e) and (f). Section 1026.19(e) and (f) applies to closed-end consumer credit transactions that are secured by real property or a cooperative unit, other than reverse mortgages subject to §1026.33. Accordingly, the disclosures required by §1026.18 apply only to closed-end consumer credit transactions that are:

A. Unsecured;

B. Secured by personal property that is not a dwelling;

C. Secured by personal property (other than a cooperative unit) that is a dwelling and are not also secured by real property; or

D. Reverse mortgages subject to §1026.33.

ii. Of the foregoing transactions that are subject to §1026.18, the creditor discloses a payment schedule under §1026.18(g) for those described in paragraphs i.A and i.B of this comment. For transactions described in

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

paragraphs i.C and i.D of this comment, the creditor discloses an interest rate and payment summary table under §1026.18(s). See also comments 18(g)-6 and 18(s)-4 for additional guidance on the applicability to different transaction types of §§1026.18(g) or (s) and 1026.19(e) and (f).

iii. Because §1026.18 does not apply to transactions secured by real property or a cooperative unit, other than reverse mortgages, references in the section and its commentary to “mortgages” refer only to transactions described in paragraphs i.C and i.D of this comment, as applicable.

### 18(a) Creditor

1. *Identification of creditor.* The creditor making the disclosures must be identified. This disclosure may, at the creditor's option, appear apart from the other disclosures. Use of the creditor's name is sufficient, but the creditor may also include an address and/or telephone number. In transactions with multiple creditors, any one of them may make the disclosures; the one doing so must be identified.

### 18(b) Amount Financed

1. *Disclosure required.* The net amount of credit extended must be disclosed using the term *amount financed* and a descriptive explanation similar to the phrase in the regulation.

#### Paragraph 18(b)(1)

1. *Downpayments.* A downpayment is defined in §1026.2(a)(18) to include, at the creditor's option, certain deferred downpayments or pick-up payments. A deferred downpayment that meets the criteria set forth in the definition may be treated as part of the downpayment, at the creditor's option.

i. Deferred downpayments that are not treated as part of the downpayment (either because they do not meet the definition or because the creditor simply chooses not to treat them as downpayments) are included in the amount financed.

ii. Deferred downpayments that are treated as part of the downpayment are not part of the amount financed under §1026.18(b)(1).

#### Paragraph 18(b)(2)

1. *Adding other amounts.* Fees or other charges that are not part of the finance charge and that are financed rather than paid separately at consummation of the transaction are included in the amount financed. Typical examples are real estate settlement charges and premiums for voluntary credit life and disability insurance excluded from the finance charge under §1026.4. This paragraph does not include any amounts already accounted for under §1026.18(b)(1), such as taxes, tag and title fees, or the costs of ac-

cessories or service policies that the creditor includes in the cash price.

#### Paragraph 18(b)(3)

1. *Prepaid finance charges.* i. Prepaid finance charges that are paid separately in cash or by check should be deducted under §1026.18(b)(3) in calculating the amount financed. To illustrate:

A. A consumer applies for a loan of \$2,500 with a \$40 loan fee. The face amount of the note is \$2,500 and the consumer pays the loan fee separately by cash or check at closing. The principal loan amount for purposes of §1026.18(b)(1) is \$2,500 and \$40 should be deducted under §1026.18(b)(3), thereby yielding an amount financed of \$2,460.

ii. In some instances, as when loan fees are financed by the creditor, finance charges are incorporated in the face amount of the note. Creditors have the option, when the charges are not add-on or discount charges, of determining a principal loan amount under §1026.18(b)(1) that either includes or does not include the amount of the finance charges. (Thus the principal loan amount may, but need not, be determined to equal the face amount of the note.) When the finance charges are included in the principal loan amount, they should be deducted as prepaid finance charges under §1026.18(b)(3). When the finance charges are not included in the principal loan amount, they should not be deducted under §1026.18(b)(3). The following examples illustrate the application of §1026.18(b) to this type of transaction. Each example assumes a loan request of \$2,500 with a loan fee of \$40; the creditor assesses the loan fee by increasing the face amount of the note to \$2,540.

A. If the creditor determines the principal loan amount under §1026.18(b)(1) to be \$2,540, it has included the loan fee in the principal loan amount and should deduct \$40 as a prepaid finance charge under §1026.18(b)(3), thereby obtaining an amount financed of \$2,500.

B. If the creditor determines the principal loan amount under §1026.18(b)(1) to be \$2,500, it has not included the loan fee in the principal loan amount and should not deduct any amount under §1026.18(b)(3), thereby obtaining an amount financed of \$2,500.

iii. The same rules apply when the creditor does not increase the face amount of the note by the amount of the charge but collects the charge by withholding it from the amount advanced to the consumer. To illustrate, the following examples assume a loan request of \$2,500 with a loan fee of \$40; the creditor prepares a note for \$2,500 and advances \$2,460 to the consumer.

A. If the creditor determines the principal loan amount under §1026.18(b)(1) to be \$2,500, it has included the loan fee in the principal loan amount and should deduct \$40 as a prepaid finance charge under §1026.18(b)(3),

**Pt. 1026, Supp. I**

thereby obtaining an amount financed of \$2,460.

B. If the creditor determines the principal loan amount under §1026.18(b)(1) to be \$2,460, it has not included the loan fee in the principal loan amount and should not deduct any amount under §1026.18(b)(3), thereby obtaining an amount financed of \$2,460.

iv. Thus in the examples where the creditor derives the net amount of credit by determining a principal loan amount that does not include the amount of the finance charge, no subtraction is appropriate. Creditors should note, however, that although the charges are not subtracted as *prepaid* finance charges in those examples, they are nonetheless finance charges and must be treated as such.

2. *Add-on or discount charges.* All finance charges must be deducted from the amount of credit in calculating the amount financed. If the principal loan amount reflects finance charges that meet the definition of a prepaid finance charge in §1026.2, those charges are included in the §1026.18(b)(1) amount and deducted under §1026.18(b)(3). However, if the principal loan amount includes finance charges that do not meet the definition of a prepaid finance charge, the §1026.18(b)(1) amount must exclude those finance charges. The following examples illustrate the application of §1026.18(b) to these types of transactions. Each example assumes a loan request of \$1000 for 1 year, subject to a 6 percent precomputed interest rate, with a \$10 loan fee paid separately at consummation.

i. The creditor assesses add-on interest of \$60 which is added to the \$1000 in loan proceeds for an obligation with a face amount of \$1060. The principal for purposes of §1026.18(b)(1) is \$1000, no amounts are added under §1026.18(b)(2), and the \$10 loan fee is a prepaid finance charge to be deducted under §1026.18(b)(3). The amount financed is \$990.

ii. The creditor assesses discount interest of \$60 and distributes \$940 to the consumer, who is liable for an obligation with a face amount of \$1000. The principal under §1026.18(b)(1) is \$940, which results in an amount financed of \$930, after deduction of the \$10 prepaid finance charge under §1026.18(b)(3).

iii. The creditor assesses \$60 in discount interest by increasing the face amount of the obligation to \$1060, with the consumer receiving \$1000. The principal under §1026.18(b)(1) is thus \$1000 and the amount financed \$990, after deducting the \$10 prepaid finance charge under §1026.18(b)(3).

**18(c) Itemization of Amount Financed**

1. *Disclosure required.* i. The creditor has 2 alternatives in complying with §1026.18(c):

A. The creditor may inform the consumer, on the segregated disclosures, that a written itemization of the amount financed will be provided on request, furnishing the

**12 CFR Ch. X (1-1-24 Edition)**

itemization only if the customer in fact requests it.

B. The creditor may provide an itemization as a matter of course, without notifying the consumer of the right to receive it or waiting for a request.

ii. Whether given as a matter of course or only on request, the itemization must be provided at the same time as the other disclosures required by §1026.18, although separate from those disclosures.

2. *Additional information.* Section 1026.18(c) establishes only a minimum standard for the material to be included in the itemization of the amount financed. Creditors have considerable flexibility in revising or supplementing the information listed in §1026.18(c) and shown in model form H-3, although no changes are required. The creditor may, for example, do one or more of the following:

i. Include amounts that reflect payments not part of the amount financed. For example, escrow items and certain insurance premiums may be included, as discussed in the commentary to §1026.18(g).

ii. Organize the categories in any order. For example, the creditor may rearrange the terms in a mathematical progression that depicts the arithmetic relationship of the terms.

iii. Add categories. For example, in a credit sale, the creditor may include the cash price and the downpayment. If the credit sale involves a trade-in of the consumer's car and an existing lien on that car exceeds the value of the trade-in amount, the creditor may disclose the consumer's trade-in value, the creditor's payoff of the existing lien, and the resulting additional amount financed.

iv. Further itemize each category. For example, the amount paid directly to the consumer may be subdivided into the amount given by check and the amount credited to the consumer's savings account.

v. Label categories with different language from that shown in §1026.18(c). For example, an amount paid on the consumer's account may be revised to specifically identify the account as "your auto loan with us."

vi. Delete, leave blank, mark "N/A," or otherwise note inapplicable categories in the itemization. For example, in a credit sale with no prepaid finance charges or amounts paid to others, the amount financed may consist of only the cash price less downpayment. In this case, the itemization may be composed of only a single category and all other categories may be eliminated.

3. *Amounts appropriate to more than one category.* When an amount may appropriately be placed in any of several categories and the creditor does not wish to revise the categories shown in §1026.18(c), the creditor has considerable flexibility in determining where to show the amount. For example, in a credit sale, the portion of the purchase price being

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

financed by the creditor may be viewed as either an amount paid to the consumer or an amount paid on the consumer's account.

4. *RESPA transactions.* The Real Estate Settlement Procedures Act (RESPA) requires creditors to provide a good faith estimate of closing costs and a settlement statement listing the amounts paid by the consumer. Reverse mortgages subject to RESPA and §1026.18 are exempt from the requirements of §1026.18(c) if the creditor complies with RESPA's requirements for a good faith estimate and settlement statement. The itemization of the amount financed need not be given, even though the content and timing of the good faith estimate and settlement statement under RESPA differ from the requirements of §§1026.18(c) and 1026.19(a)(2). If a creditor chooses to substitute RESPA's settlement statement for the itemization when redisclosure is required under §1026.19(a)(2), the statement must be delivered to the consumer at or prior to consummation. The disclosures required by §§1026.18(c) and 1026.19(a)(2) may appear on the same page or on the same document as the good faith estimate or the settlement statement, so long as the requirements of §1026.17(a) are met.

### Paragraph 18(c)(1)(i)

1. *Amounts paid to consumer.* This encompasses funds given to the consumer in the form of cash or a check, including joint proceeds checks, as well as funds placed in an asset account. It may include money in an interest-bearing account even if that amount is considered a required deposit under §1026.18(r). For example, in a transaction with total loan proceeds of \$500, the consumer receives a check for \$300 and \$200 is required by the creditor to be put into an interest-bearing account. Whether or not the \$200 is a required deposit, it is part of the amount financed. At the creditor's option, it may be broken out and labeled in the itemization of the amount financed.

### Paragraph 18(c)(1)(ii)

1. *Amounts credited to consumer's account.* The term *consumer's account* refers to an account in the nature of a debt with that creditor. It may include, for example, an unpaid balance on a prior loan, a credit sale balance or other amounts owing to that creditor. It does not include asset accounts of the consumer such as savings or checking accounts.

### Paragraph 18(c)(1)(iii)

1. *Amounts paid to others.* This includes, for example, tag and title fees; amounts paid to insurance companies for insurance premiums; security interest fees, and amounts paid to credit bureaus, appraisers or public officials. When several types of insurance premiums are financed, they may, at the

creditor's option, be combined and listed in one sum, labeled "insurance" or similar term. This includes, but is not limited to, different types of insurance premiums paid to one company and different types of insurance premiums paid to different companies. Except for insurance companies and other categories noted in §1026.18(c)(1)(iii), third parties must be identified by name.

2. *Charges added to amounts paid to others.* A sum is sometimes added to the amount of a fee charged to a consumer for a service provided by a third party (such as for an extended warranty or a service contract) that is payable in the same amount in comparable cash and credit transactions. In the credit transaction, the amount is retained by the creditor. Given the flexibility permitted in meeting the requirements of the amount financed itemization (see the commentary to §1026.18(c)), the creditor in such cases may reflect that the creditor has retained a portion of the amount paid to others. For example, the creditor could add to the category "amount paid to others" language such as "(we may be retaining a portion of this amount.)"

### Paragraph 18(c)(1)(iv)

1. *Prepaid finance charge.* Prepaid finance charges that are deducted under §1026.18(b)(3) must be disclosed under this section. The prepaid finance charges must be shown as a total amount but may, at the creditor's option, also be further itemized and described. All amounts must be reflected in this total, even if portions of the prepaid finance charge are also reflected elsewhere. For example, if at consummation the creditor collects interim interest of \$30 and a credit report fee of \$10, a total prepaid finance charge of \$40 must be shown. At the creditor's option, the credit report fee paid to a third party may also be shown elsewhere as an amount included in §1026.18(c)(1)(iii). The creditor may also further describe the 2 components of the prepaid finance charge, although no itemization of this element is required by §1026.18(c)(1)(iv).

2. *Prepaid mortgage insurance premiums.* Regulation X under RESPA, 12 CFR 1024.8, requires creditors to give consumers a settlement statement disclosing the costs associated with reverse mortgage loan transactions. Included on the settlement statement are mortgage insurance premiums collected at settlement, which are prepaid finance charges. In calculating the total amount of prepaid finance charges, creditors should use the amount for mortgage insurance listed on the line for mortgage insurance on the settlement statement (line 1003 on HUD-1 or HUD 1-A), without adjustment, even if the actual amount collected at settlement may vary because of RESPA's escrow

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

accounting rules. Figures for mortgage insurance disclosed in conformance with RESPA shall be deemed to be accurate for purposes of Regulation Z.

**18(d) Finance Charge**

1. *Disclosure required.* The creditor must disclose the finance charge as a dollar amount, using the term *finance charge*, and must include a brief description similar to that in §1026.18(d). The creditor may, but need not, further modify the descriptor for variable rate transactions with a phrase such as *which is subject to change*. The finance charge must be shown on the disclosures only as a total amount; the elements of the finance charge must not be itemized in the segregated disclosures, although the regulation does not prohibit their itemization elsewhere.

**18(d)(2) Other Credit**

1. *Tolerance.* When a finance charge error results in a misstatement of the amount financed, or some other dollar amount for which the regulation provides no specific tolerance, the misstated disclosure does not violate the Act or the regulation if the finance charge error is within the permissible tolerance under this paragraph.

**18(e) Annual Percentage Rate**

1. *Disclosure required.* The creditor must disclose the cost of the credit as an annual rate, using the term *annual percentage rate*, plus a brief descriptive phrase comparable to that used in §1026.18(e). For variable rate transactions, the descriptor may be further modified with a phrase such as *which is subject to change*. Under §1026.17(a), the terms *annual percentage rate* and *finance charge* must be more conspicuous than the other required disclosures.

2. *Exception.* Section 1026.18(e) provides an exception for certain transactions in which no annual percentage rate disclosure is required.

**18(f) Variable Rate**

1. *Coverage.* The requirements of §1026.18(f) apply to all transactions in which the terms of the legal obligation allow the creditor to increase the rate originally disclosed to the consumer. It includes not only increases in the interest rate but also increases in other components, such as the rate of required credit life insurance. The provisions, however, do not apply to increases resulting from delinquency (including late payment), default, assumption, acceleration or transfer of the collateral. Section 1026.18(f)(1) applies to variable-rate transactions that are not secured by the consumer's principal dwelling and to those that are secured by the principal dwelling but have a term of one year or less. Section 1026.18(f)(2) applies to variable-

rate transactions that are secured by the consumer's principal dwelling and have a term greater than one year. Moreover, transactions subject to §1026.18(f)(2) are subject to the special early disclosure requirements of §1026.19(b). (However, "shared-equity" or "shared-appreciation" mortgages are subject to the disclosure requirements of §1026.18(f)(1) and not to the requirements of §§1026.18(f)(2) and 1026.19(b) regardless of the general coverage of those sections.) Creditors are permitted under §1026.18(f)(1) to substitute in any variable-rate transaction the disclosures required under §1026.19(b) for those disclosures ordinarily required under §1026.18(f)(1). Creditors who provide variable-rate disclosures under §1026.19(b) must comply with all of the requirements of that section, including the timing of disclosures, and must also provide the disclosures required under §1026.18(f)(2). Creditors substituting §1026.19(b) disclosures for §1026.18(f)(1) disclosures may, but need not, also provide disclosures pursuant to §1026.20(c). (Substitution of disclosures under §1026.18(f)(1) in transactions subject to §1026.19(b) is not permitted.)

**Paragraph 18(f)(1)**

1. *Terms used in disclosure.* In describing the variable rate feature, the creditor need not use any prescribed terminology. For example, limitations and hypothetical examples may be described in terms of interest rates rather than annual percentage rates. The model forms in appendix H provide examples of ways in which the variable rate disclosures may be made.

2. *Conversion feature.* In variable-rate transactions with an option permitting consumers to convert to a fixed-rate transaction, the conversion option is a variable-rate feature that must be disclosed. In making disclosures under §1026.18(f)(1), creditors should disclose the fact that the rate may increase upon conversion; identify the index or formula used to set the fixed rate; and state any limitations on and effects of an increase resulting from conversion that differ from other variable-rate features. Because §1026.18(f)(1)(iv) requires only one hypothetical example (such as an example of the effect on payments resulting from changes in the index), a second hypothetical example need not be given.

**Paragraph 18(f)(1)(i)**

1. *Circumstances.* The circumstances under which the rate may increase include identification of any index to which the rate is tied, as well as any conditions or events on which the increase is contingent.

i. When no specific index is used, any identifiable factors used to determine whether to increase the rate must be disclosed.

## Consumer Financial Protection Bureau

ii. When the increase in the rate is purely discretionary, the fact that any increase is within the creditor's discretion must be disclosed.

iii. When the index is internally defined (for example, by that creditor's prime rate), the creditor may comply with this requirement by either a brief description of that index or a statement that any increase is in the discretion of the creditor. An externally defined index, however, must be identified.

### Paragraph 18(f)(1)(ii)

1. *Limitations.* This includes any maximum imposed on the amount of an increase in the rate at any time, as well as any maximum on the total increase over the life of the transaction. Except for private education loans disclosures, when there are no limitations, the creditor may, but need not, disclose that fact, and limitations do not include legal limits in the nature of usury or rate ceilings under state or Federal statutes or regulations. (See § 1026.30 for the rule requiring that a maximum interest rate be included in certain variable-rate transactions.) For disclosures with respect to private education loan disclosures, see comment 47(b)(1)-2.

### Paragraph 18(f)(1)(iii)

1. *Effects.* Disclosure of the effect of an increase refers to an increase in the number or amount of payments or an increase in the final payment. In addition, the creditor may make a brief reference to negative amortization that may result from a rate increase. (See the commentary to § 1026.17(a)(1) regarding directly related information.) If the effect cannot be determined, the creditor must provide a statement of the possible effects. For example, if the exercise of the variable-rate feature may result in either more or larger payments, both possibilities must be noted.

### Paragraph 18(f)(1)(iv)

1. *Hypothetical example.* The example may, at the creditor's option appear apart from the other disclosures. The creditor may provide either a standard example that illustrates the terms and conditions of that type of credit offered by that creditor or an example that directly reflects the terms and conditions of the particular transaction. In transactions with more than one variable-rate feature, only one hypothetical example need be provided. (See the commentary to § 1026.17(a)(1) regarding disclosure of more than one hypothetical example as directly related information.)

2. *Hypothetical example not required.* The creditor need not provide a hypothetical example in the following transactions with a variable-rate feature:

i. Demand obligations with no alternate maturity date.

## Pt. 1026, Supp. I

ii. Private education loans as defined in § 1026.46(b)(5).

iii. Multiple-advance construction loans disclosed pursuant to appendix D, Part I.

### Paragraph 18(f)(2)

1. *Disclosure required.* In variable-rate transactions that have a term greater than one year and are secured by the consumer's principal dwelling, the creditor must give special early disclosures under § 1026.19(b) in addition to the later disclosures required under § 1026.18(f)(2). The disclosures under § 1026.18(f)(2) must state that the transaction has a variable-rate feature and that variable-rate disclosures have been provided earlier. (See the commentary to § 1026.17(a)(1) regarding the disclosure of certain directly related information in addition to the variable-rate disclosures required under § 1026.18(f)(2).)

### 18(g) Payment Schedule

1. *Amounts included in repayment schedule.* The repayment schedule should reflect all components of the finance charge, not merely the portion attributable to interest. A prepaid finance charge, however, should not be shown in the repayment schedule as a separate payment. The payments may include amounts beyond the amount financed and finance charge. For example, the disclosed payments may, at the creditor's option, reflect certain insurance premiums where the premiums are not part of either the amount financed or the finance charge, as well as real estate escrow amounts such as taxes added to the payment in mortgage transactions.

2. *Deferred downpayments.* As discussed in the commentary to § 1026.2(a)(18), deferred downpayments or pick-up payments that meet the conditions set forth in the definition of downpayment may be treated as part of the downpayment. Even if treated as a downpayment, that amount may nevertheless be disclosed as part of the payment schedule, at the creditor's option.

3. *Total number of payments.* In disclosing the number of payments for transactions with more than one payment level, creditors may but need not disclose as a single figure the total number of payments for all levels. For example, in a transaction calling for 108 payments of \$350, 240 payments of \$335, and 12 payments of \$330, the creditor need not state that there will be a total of 360 payments.

4. *Timing of payments.* i. *General rule.* Section 1026.18(g) requires creditors to disclose the timing of payments. To meet this requirement, creditors may list all of the payment due dates. They also have the option of specifying the "period of payments" scheduled to repay the obligation. As a general rule, creditors that choose this option must disclose the payment intervals or frequency, such as "monthly" or "bi-weekly," and the

**Pt. 1026, Supp. I**

calendar date that the beginning payment is due. For example, a creditor may disclose that payments are due "monthly beginning on July 1, 1998." This information, when combined with the number of payments, is necessary to define the repayment period and enable a consumer to determine all of the payment due dates.

ii. *Exception.* In a limited number of circumstances, the beginning-payment date is unknown and difficult to determine at the time disclosures are made. For example, a consumer may become obligated on a credit contract that contemplates the delayed disbursement of funds based on a contingent event, such as the completion of repairs. Disclosures may also accompany loan checks that are sent by mail, in which case the initial disbursement and repayment dates are solely within the consumer's control. In such cases, if the beginning-payment date is unknown the creditor may use an estimated date and label the disclosure as an estimate pursuant to §1026.17(c). Alternatively, the disclosure may refer to the occurrence of a particular event, for example, by disclosing that the beginning payment is due "30 days after the first loan disbursement." This information also may be included with an estimated date to explain the basis for the creditor's estimate. See comment 17(a)(1)-5.iii.

5. [Reserved]

6. *Mortgage transactions.* Section 1026.18(g) applies to closed-end transactions, other than transactions that are subject to §1026.18(s) or §1026.19(e) and (f). Section 1026.18(s) applies to closed-end transactions secured by real property or a dwelling, unless they are subject to §1026.19(e) and (f). Section 1026.19(e) and (f) applies to closed-end transactions secured by real property or a cooperative unit, other than reverse mortgages. Thus, if a closed-end consumer credit transaction is secured by real property, a cooperative unit, or a dwelling and the transaction is a reverse mortgage or the dwelling is personal property but not a cooperative unit, then the creditor discloses an interest rate and payment summary table in accordance with §1026.18(s). See comment 18(s)-4. If a closed-end consumer credit transaction is secured by real property or a cooperative unit and is not a reverse mortgage, the creditor discloses a projected payments table in accordance with §§1026.37(c) and 1026.38(c), as required by §1026.19(e) and (f). In all such cases, the creditor is not subject to the requirements of §1026.18(g). On the other hand, if a closed-end consumer credit transaction is not secured by real property or a dwelling (for example, if it is unsecured or secured by an automobile), the creditor discloses a payment schedule in accordance with §1026.18(g) and is not subject to the requirements of §1026.18(s) or §§1026.37(c) and 1026.38(c).

**12 CFR Ch. X (1-1-24 Edition)**

## Paragraph 18(g)(1)

1. *Demand obligations.* In demand obligations with no alternate maturity date, the creditor has the option of disclosing only the due dates or periods of scheduled interest payments in the first year (for example, "interest payable quarterly" or "interest due the first of each month"). The amounts of the interest payments need not be shown.

## Paragraph 18(g)(2)

1. *Abbreviated disclosure.* The creditor may disclose an abbreviated payment schedule when the amount of each regularly scheduled payment (other than the first or last payment) includes an equal amount to be applied on principal and a finance charge computed by application of a rate to the decreasing unpaid balance. In addition, in transactions where payments vary because interest and principal are paid at different intervals, the two series of payments may be disclosed separately and the abbreviated payment schedule may be used for the interest payments. For example, in transactions with fixed quarterly principal payments and monthly interest payments based on the outstanding principal balance, the amount of the interest payments will change quarterly as principal declines. In such cases the creditor may treat the interest and principal payments as two separate series of payments, separately disclosing the number, amount, and due dates of principal payments, and, using the abbreviated payment schedule, the number, amount, and due dates of interest payments. This option may be used when interest and principal are scheduled to be paid on the same date of the month as well as on different dates of the month. The creditor using this alternative must disclose the dollar amount of the highest and lowest payments and make reference to the variation in payments.

2. *Combined payment schedule disclosures.* Creditors may combine the option in §1026.18(g)(2) with the general payment schedule requirements in transactions where only a portion of the payment schedule meets the conditions of §1026.18(g)(2). For example, in a transaction where payments rise sharply for five years and then decline over the next 25 years, the first five years would be disclosed under the general rule in §1026.18(g) and the next 25 years according to the abbreviated schedule in §1026.18(g)(2).

3. *Effect on other disclosures.* Section 1026.18(g)(2) applies only to the payment schedule disclosure. The actual amounts of payments must be taken into account in calculating and disclosing the finance charge and the annual percentage rate.

## Paragraph 18(h) Total of Payments

1. *Disclosure required.* The total of payments must be disclosed using that term,

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

along with a descriptive phrase similar to the one in the regulation. The descriptive explanation may be revised to reflect a variable rate feature with a brief phrase such as “based on the current annual percentage rate which may change.”

2. *Calculation of total of payments.* The total of payments is the sum of the payments disclosed under §1026.18(g). For example, if the creditor disclosed a deferred portion of the downpayment as part of the payment schedule, that payment must be reflected in the total disclosed under this paragraph. To calculate the total of payments amount for transactions subject to §1026.18(s), creditors should use the rules in §1026.18(g) and associated commentary and, for adjustable-rate transactions, comments 17(c)(1)-8 and -10.

3. *Exception.* Section 1026.18(h) permits creditors to omit disclosure of the total of payments in single-payment transactions. This exception does not apply to a transaction calling for a single payment of principal combined with periodic payments of interest.

4. *Demand obligations.* In demand obligations with no alternate maturity date, the creditor may omit disclosure of payment amounts under §1026.18(g)(1). In those transactions, the creditor need not disclose the total of payments.

### Paragraph 18(i) Demand Feature

1. *Disclosure requirements.* The disclosure requirements of this provision apply not only to transactions payable on demand from the outset, but also to transactions that are not payable on demand at the time of consummation but convert to a demand status after a stated period. In demand obligations in which the disclosures are based on an assumed maturity of 1 year under §1026.17(c)(5), that fact must also be stated. Appendix H contains model clauses that may be used in making this disclosure.

2. *Covered demand features.* The type of demand feature triggering the disclosures required by §1026.18(i) includes only those demand features contemplated by the parties as part of the legal obligation. For example, this provision does not apply to transactions that convert to a demand status as a result of the consumer's default. A due-on-sale clause is not considered a demand feature. A creditor may, but need not, treat its contractual right to demand payment of a loan made to its executive officers as a demand feature to the extent that the contractual right is required by Regulation O of the Board of Governors of the Federal Reserve System (12 CFR 215.5) or other Federal law.

3. *Relationship to payment schedule disclosures.* As provided in §1026.18(g)(1), in demand obligations with no alternate maturity date, the creditor need only disclose the due dates or payment periods of any scheduled interest payments for the first year. If the demand

obligation states an alternate maturity, however, the disclosed payment schedule must reflect that stated term; the special rule in §1026.18(g)(1) is not available.

### Paragraph 18(j) Total Sale Price

1. *Disclosure required.* In a credit sale transaction, the *total sale price* must be disclosed using that term, along with a descriptive explanation similar to the one in the regulation. For variable rate transactions, the descriptive phrase may, at the creditor's option, be modified to reflect the variable rate feature. For example, the descriptor may read: “The total cost of your purchase on credit, which is subject to change, including your downpayment of \* \* \*.” The reference to a downpayment may be eliminated in transactions calling for no downpayment.

2. *Calculation of total sale price.* The figure to be disclosed is the sum of the cash price, other charges added under §1026.18(b)(2), and the finance charge disclosed under §1026.18(d).

3. *Effect of existing liens.* When a credit sale transaction involves property that is being used as a trade-in (an automobile, for example) and that has a lien exceeding the value of the trade-in, the total sale price is affected by the amount of any cash provided. (See comment 2(a)(18)-3.) To illustrate, assume a consumer finances the purchase of an automobile with a cash price of \$20,000. Another vehicle used as a trade-in has a value of \$8,000 but has an existing lien of \$10,000, leaving a \$2,000 deficit that the consumer must finance.

i. If the consumer pays \$1,500 in cash, the creditor may apply the cash first to the lien, leaving a \$500 deficit, and reflect a downpayment of \$0. The total sale price would include the \$20,000 cash price, an additional \$500 financed under §1026.18(b)(2), and the amount of the finance charge. Alternatively, the creditor may reflect a downpayment of \$1,500 and finance the \$2,000 deficit. In that case, the total sale price would include the sum of the \$20,000 cash price, the \$2,000 lien payoff amount as an additional amount financed, and the amount of the finance charge.

ii. If the consumer pays \$3,000 in cash, the creditor may apply the cash first to extinguish the lien and reflect the remainder as a downpayment of \$1,000. The total sale price would reflect the \$20,000 cash price and the amount of the finance charge. (The cash payment extinguishes the trade-in deficit and no charges are added under §1026.18(b)(2).) Alternatively, the creditor may elect to reflect a downpayment of \$3,000 and finance the \$2,000 deficit. In that case, the total sale price would include the sum of the \$20,000 cash price, the \$2,000 lien payoff amount as an additional amount financed, and the amount of the finance charge.

**Pt. 1026, Supp. I****18(k) Prepayment**

1. *Disclosure required.* The creditor must give a definitive statement of whether or not a prepayment penalty will be imposed or a prepayment rebate will be given.

i. The fact that no prepayment penalty will be imposed may not simply be inferred from the absence of a prepayment penalty disclosure; the creditor must indicate that prepayment will not result in a prepayment penalty.

ii. If a prepayment penalty or prepayment rebate is possible for one type of prepayment, even though not for all, a positive disclosure is required. This applies to any type of prepayment, whether voluntary or involuntary as in the case of prepayments resulting from acceleration.

iii. Any difference in prepayment rebate or prepayment penalty policy, depending on whether prepayment is voluntary or not, must not be disclosed with the segregated disclosures.

2. *Rebate-penalty disclosure.* A single transaction may involve both a precomputed finance charge and a finance charge computed by application of a rate to the unpaid balance (for example, mortgages with mortgage-guarantee insurance). In these cases, disclosures about both prepayment rebates and prepayment penalties are required. Sample form H-15 in appendix H to this part illustrates a mortgage transaction in which both rebate and penalty disclosures are necessary.

3. *Prepaid finance charge.* The existence of a prepaid finance charge in a transaction does not, by itself, require a disclosure under § 1026.18(k). A prepaid finance charge is not considered a prepayment penalty under § 1026.18(k)(1), nor does it require a disclosure under § 1026.18(k)(2). At its option, however, a creditor may consider a prepaid finance charge to be under § 1026.18(k)(2). If a disclosure is made under § 1026.18(k)(2) with respect to a prepaid finance charge or other finance charge, the creditor may further identify that finance charge. For example, the disclosure may state that the borrower "will not be entitled to a refund of the prepaid finance charge" or some other term that describes the finance charge.

**Paragraph 18(k)(1)**

1. *Examples of prepayment penalties.* For purposes of § 1026.18(k)(1), the following are examples of prepayment penalties:

i. A charge determined by treating the loan balance as outstanding for a period of time after prepayment in full and applying the interest rate to such "balance," even if the charge results from interest accrual amortization used for other payments in the transaction under the terms of the loan contract. "Interest accrual amortization" refers to the method by which the amount of inter-

**12 CFR Ch. X (1-1-24 Edition)**

est due for each period (e.g., month) in a transaction's term is determined. For example, "monthly interest accrual amortization" treats each payment as made on the scheduled, monthly due date even if it is actually paid early or late (until the expiration of any grace period). Thus, under the terms of a loan contract providing for monthly interest accrual amortization, if the amount of interest due on May 1 for the preceding month of April is \$3,000, the loan contract will require payment of \$3,000 in interest for the month of April whether the payment is made on April 20, on May 1, or on May 10. In this example, if the consumer prepays the loan in full on April 20 and if the accrued interest as of that date is \$2,000, then assessment of a charge of \$3,000 constitutes a prepayment penalty of \$1,000 because the amount of interest actually earned through April 20 is only \$2,000.

ii. A fee, such as an origination or other loan closing cost, that is waived by the creditor on the condition that the consumer does not prepay the loan. However, the term prepayment penalty does not include a waived bona fide third-party charge imposed by the creditor if the consumer pays all of a covered transaction's principal before the date on which the principal is due sooner than 36 months after consummation. For example, assume that at consummation, the creditor waives \$3,000 in closing costs to cover bona fide third-party charges but the terms of the loan agreement provide that the creditor may recoup the \$3,000 in waived charges if the consumer repays the entire loan balance sooner than 36 months after consummation. The \$3,000 charge is not a prepayment penalty. In contrast, for example, assume that at consummation, the creditor waives \$3,000 in closing costs to cover bona fide third-party charges but the terms of the loan agreement provide that the creditor may recoup \$4,500 in part to recoup waived charges, if the consumer repays the entire loan balance sooner than 36 months after consummation. The \$3,000 that the creditor may impose to cover the waived bona fide third-party charges is not a prepayment penalty, but the additional \$1,500 charge is a prepayment penalty and must be disclosed pursuant to § 1026.37(k)(1).

iii. A minimum finance charge in a simple interest transaction.

2. *Fees that are not prepayment penalties.* For purposes of § 1026.18(k)(1), fees which are not prepayment penalties include, for example:

i. Fees imposed for preparing and providing documents when a loan is paid in full, if such fees are imposed whether or not the loan is prepaid. Examples include a loan payoff statement, a reconveyance document, or another document releasing the creditor's security interest in the dwelling that secures the loan.

**Consumer Financial Protection Bureau****Pt. 1026, Supp. I**

## ii. Loan guarantee fees.

## Paragraph 18(k)(2)

1. *Rebate of finance charge.* i. This applies to any finance charges that do not take account of each reduction in the principal balance of an obligation. This category includes, for example:

A. Precomputed finance charges such as add-on charges. This includes computing a refund of an unearned finance charge, such as precomputed interest, by a method that is less favorable to the consumer than the actuarial method, as defined by section 933(d) of the Housing and Community Development Act of 1992, 15 U.S.C. 1615(d). For purposes of computing a refund of unearned interest, if using the actuarial method defined by applicable State law results in a refund that is greater than the refund calculated by using the method described in section 933(d) of the Housing and Community Development Act of 1992, creditors should use the State law definition in determining if a refund is a prepayment penalty.

B. Charges that take account of some but not all reductions in principal, such as mortgage guarantee insurance assessed on the basis of an annual declining balance, when the principal is reduced on a monthly basis.

ii. No description of the method of computing earned or unearned finance charges is required or permitted as part of the segregated disclosures under §1026.18(k)(2).

## 18(l) Late Payment

1. *Definition.* This paragraph requires a disclosure only if charges are added to individual delinquent installments by a creditor who otherwise considers the transaction ongoing on its original terms. Late payment charges do not include:

i. The right of acceleration.

ii. Fees imposed for actual collection costs, such as repossession charges or attorney's fees.

iii. Deferral and extension charges.

iv. The continued accrual of simple interest at the contract rate after the payment due date. However, an increase in the interest rate is a late payment charge to the extent of the increase.

2. *Content of disclosure.* Many state laws authorize the calculation of late charges on the basis of either a percentage or a specified dollar amount, and permit imposition of the lesser or greater of the 2 charges. The disclosure made under §1026.18(l) may reflect this alternative. For example, stating that the charge in the event of a late payment is 5% of the late amount, not to exceed \$5.00, is sufficient. Many creditors also permit a grace period during which no late charge will be assessed; this fact may be disclosed as directly related information. (See the commentary to §1026.17(a).)

## 18(m) Security Interest

1. *Purchase money transactions.* When the collateral is the item purchased as part of, or with the proceeds of, the credit transaction, §1026.18(m) requires only a general identification such as "the property purchased in this transaction." However, the creditor may identify the property by item or type instead of identifying it more generally with a phrase such as "the property purchased in this transaction." For example, a creditor may identify collateral as "a motor vehicle," or as "the property purchased in this transaction." Any transaction in which the credit is being used to purchase the collateral is considered a purchase money transaction and the abbreviated identification may be used, whether the obligation is treated as a loan or a credit sale.

2. *Nonpurchase money transactions.* In non-purchase money transactions, the property subject to the security interest must be identified by item or type. This disclosure is satisfied by a general disclosure of the category of property subject to the security interest, such as "motor vehicles," "securities," "certain household items," or "household goods." (Creditors should be aware, however, that the Federal credit practices rules, as well as some state laws, prohibit certain security interests in household goods.) At the creditor's option, however, a more precise identification of the property or goods may be provided.

3. *Mixed collateral.* In some transactions in which the credit is used to purchase the collateral, the creditor may also take other property of the consumer as security. In those cases, a combined disclosure must be provided, consisting of an identification of the purchase money collateral consistent with comment 18(m)-1 and a specific identification of the other collateral consistent with comment 18(m)-2.

4. *After-acquired property.* An after-acquired property clause is not a security interest to be disclosed under §1026.18(m).

5. *Spreader clause.* The fact that collateral for pre-existing credit with the institution is being used to secure the present obligation constitutes a security interest and must be disclosed. (Such security interests may be known as "spreader" or "dragnet" clauses, or as "cross-collateralization" clauses.) A specific identification of that collateral is unnecessary but a reminder of the interest arising from the prior indebtedness is required. The disclosure may be made by using language such as "collateral securing other loans with us may also secure this loan." At the creditor's option, a more specific description of the property involved may be given.

6. *Terms used in disclosure.* No specified terminology is required in disclosing a security interest. Although the disclosure may, at the

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

creditor's option, use the term *security interest*, the creditor may designate its interest by using, for example, *pledge, lien, or mortgage*.

7. *Collateral from third party.* In certain transactions, the consumer's obligation may be secured by collateral belonging to a third party. For example, a loan to a student may be secured by an interest in the property of the student's parents. In such cases, the security interest is taken in connection with the transaction and must be disclosed, even though the property encumbered is owned by someone other than the consumer.

**18(n) Insurance and Debt Cancellation**

1. *Location.* This disclosure may, at the creditor's option, appear apart from the other disclosures. It may appear with any other information, including the amount financed itemization, any information prescribed by state law, or other supplementary material. When this information is disclosed with the other segregated disclosures, however, no additional explanatory material may be included.

2. *Debt cancellation.* Creditors may use the model credit insurance disclosures only if the debt cancellation coverage constitutes insurance under state law. Otherwise, they may provide a parallel disclosure that refers to debt cancellation coverage.

**18(o) Certain Security Interest Charges**

1. *Format.* No special format is required for these disclosures; under §1026.4(e), taxes and fees paid to government officials with respect to a security interest may be aggregated, or may be broken down by individual charge. For example, the disclosure could be labeled "filing fees and taxes" and all funds disbursed for such purposes may be aggregated in a single disclosure. This disclosure may appear, at the creditor's option, apart from the other required disclosures. The inclusion of this information on a statement required under the Real Estate Settlement Procedures Act is sufficient disclosure for purposes of Truth in Lending.

**Paragraph 18(p) Contract Reference**

1. *Content.* Creditors may substitute, for the phrase "appropriate contract document," a reference to specific transaction documents in which the additional information is found, such as "promissory note" or "retail installment sale contract." A creditor may, at its option, delete inapplicable items in the contract reference, as for example when the contract documents contain no information regarding the right of acceleration.

**18(q) Assumption Policy**

1. *Policy statement.* In many mortgages, the creditor cannot determine, at the time dis-

closure must be made, whether a loan may be assumable at a future date on its original terms. For example, the assumption clause commonly used in mortgages sold to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation conditions an assumption on a variety of factors such as the creditworthiness of the subsequent borrower, the potential for impairment of the lender's security, and execution of an assumption agreement by the subsequent borrower. In cases where uncertainty exists as to the future assumability of a mortgage, the disclosure under §1026.18(q) should reflect that fact. In making disclosures in such cases, the creditor may use phrases such as "subject to conditions," "under certain circumstances," or "depending on future conditions." The creditor may provide a brief reference to more specific criteria such as a due-on-sale clause, although a complete explanation of all conditions is not appropriate. For example, the disclosure may state, "Someone buying your home may be allowed to assume the mortgage on its original terms, subject to certain conditions, such as payment of an assumption fee." See comment 17(a)(1)-5 for an example for a reference to a due-on-sale clause.

2. *Original terms.* The phrase *original terms* for purposes of §1026.18(q) does not preclude the imposition of an assumption fee, but a modification of the basic credit agreement, such as a change in the contract interest rate, represents different terms.

**18(r) Required Deposit**

1. *Disclosure required.* The creditor must inform the consumer of the existence of a required deposit. (Appendix H provides a model clause that may be used in making that disclosure.) Section 1026.18(r) describes 3 types of deposits that need not be considered required deposits. Use of the phrase "need not" permits creditors to include the disclosure even in cases where there is doubt as to whether the deposit constitutes a required deposit.

2. *Pledged account mortgages.* In these transactions, a consumer pledges as collateral funds that the consumer deposits in an account held by the creditor. The creditor withdraws sums from that account to supplement the consumer's periodic payments. Creditors may treat these pledged accounts as required deposits or they may treat them as consumer buydowns in accordance with the commentary to §1026.17(c)(1).

3. *Escrow accounts.* The escrow exception in §1026.18(r) applies, for example, to accounts for such items as maintenance fees, repairs, or improvements, whether in a realty or a nonrealty transaction. (See the commentary to §1026.17(c)(1) regarding the use of escrow accounts in consumer buydown transactions.)

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

4. *Interest-bearing accounts.* When a deposit earns at least 5 percent interest per year, no disclosure is required under §1026.18(r). This exception applies whether the deposit is held by the creditor or by a third party.

5. *Morris Plan transactions.* A deposit under a Morris Plan, in which a deposit account is created for the sole purpose of accumulating payments and this is applied to satisfy entirely the consumer's obligation in the transaction, is not a required deposit.

6. *Examples of amounts excluded.* The following are among the types of deposits that need not be treated as required deposits:

i. Requirement that a borrower be a customer or a member even if that involves a fee or a minimum balance.

ii. Required property insurance escrow on a mobile home transaction.

iii. Refund of interest when the obligation is paid in full.

iv. Deposits that are immediately available to the consumer.

v. Funds deposited with the creditor to be disbursed (for example, for construction) before the loan proceeds are advanced.

vi. [Reserved]

vii. Escrow of loan proceeds to be released when the repairs are completed.

### 18(s) Interest Rate and Payment Summary for Mortgage Transactions

1. *In general.* Section 1026.18(s) prescribes format and content for disclosure of interest rates and monthly (or other periodic) payments for reverse mortgages and certain transactions secured by dwellings that are personal property but not cooperative units. The information in §1026.18(s)(2) through (4) is required to be in the form of a table, except as otherwise provided, with headings and format substantially similar to model clause H-4(E), H-4(F), H-4(G), or H-4(H) in appendix H to this part. A disclosure that does not include the shading shown in a model clause but otherwise follows the model clause's headings and format is substantially similar to that model clause. Where §1026.18(s)(2) through (4) or the applicable model clause requires that a column or row of the table be labeled using the word "monthly" but the periodic payments are not due monthly, the creditor should use the appropriate term, such as "bi-weekly" or "quarterly." In all cases, the table should have no more than five vertical columns corresponding to applicable interest rates at various times during the loan's term; corresponding payments would be shown in horizontal rows. Certain loan types and terms are defined for purposes of §1026.18(s) in §1026.18(s)(7).

2. *Amortizing loans.* Loans described as amortizing in §§1026.18(s)(2)(i) and 1026.18(s)(3) include interest-only loans if they do not also permit negative amortization. (For rules relating to loans with balloon pay-

ments, see §1026.18(s)(5)). If an amortizing loan is an adjustable-rate mortgage with an introductory rate (less than the fully-indexed rate), creditors must provide a special explanation of introductory rates. See §1026.18(s)(2)(iii).

3. *Negative amortization.* For negative amortization loans, creditors must follow the rules in §§1026.18(s)(2)(ii) and 1026.18(s)(4) in disclosing interest rates and monthly payments. Loans with negative amortization also require special explanatory disclosures about rates and payments. See §1026.18(s)(6). Loans with negative amortization include "payment option" loans, in which the consumer is permitted to make minimum payments that will cover only some of the interest accruing each month. See also comment 17(c)(1)-12, regarding graduated-payment adjustable-rate mortgages.

4. *Scope of coverage in relation to §1026.19(e) and (f).* Section 1026.18(s) applies to transactions secured by real property or a dwelling, other than transactions that are subject to §1026.19(e) and (f). Those provisions apply to closed-end transactions secured by real property or a cooperative unit, other than reverse mortgages. Accordingly, §1026.18(s) governs only closed-end reverse mortgages and closed-end transactions secured by a dwelling, other than a cooperative, that is personal property (such as a mobile home that is not deemed real property under State or other applicable law).

#### 18(s)(2) Interest Rates

#### 18(s)(2)(i) Amortizing Loans

##### Paragraph 18(s)(2)(i)(A)

1. *Fixed rate loans—payment increases.* Although the interest rate will not change after consummation for a fixed-rate loan, some fixed-rate loans may have periodic payments that increase after consummation. For example, the terms of the legal obligation may permit the consumer to make interest-only payments for a specified period such as the first five years after consummation. In such cases, the creditor must include the increased payment under §1026.18(s)(3)(ii)(B) in the payment row, and must show the interest rate in the column for that payment, even though the rate has not changed since consummation. See also comment 17(c)(1)-13, regarding growth equity mortgages.

##### Paragraph 18(s)(2)(i)(B)

1. *Adjustable-rate mortgages and step-rate mortgages.* Creditors must disclose more than one interest rate for adjustable-rate mortgages and step-rate mortgages, in accordance with §1026.18(s)(2)(i)(B). Creditors must assume that an adjustable-rate mortgage's interest rate will increase after consummation

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

as rapidly as possible, taking into account the terms of the legal obligation.

2. *Maximum interest rate during first five years—adjustable-rate mortgages and step-rate mortgages.* The creditor must disclose the maximum rate that could apply during the first five years after consummation. If there are no interest rate caps other than the maximum rate required under §1026.30, then the creditor should disclose only the rate at consummation and the maximum rate. Such a table would have only two columns.

i. For an adjustable-rate mortgage, the creditor must take into account any interest rate caps when disclosing the maximum interest rate during the first five years. The creditor must also disclose the earliest date on which that adjustment may occur.

ii. If the transaction is a step-rate mortgage, the creditor should disclose the rate that will apply after consummation. For example, the legal obligation may provide that the rate is 6 percent for the first two years following consummation, and then increases to 7 percent for at least the next three years. The creditor should disclose the maximum rate during the first five years as 7 percent and the date on which the rate is scheduled to increase to 7 percent.

3. *Maximum interest rate at any time.* The creditor must disclose the maximum rate that could apply at any time during the term of the loan and the earliest date on which the maximum rate could apply.

i. For an adjustable-rate mortgage, the creditor must take into account any interest rate caps in disclosing the maximum interest rate. For example, if the legal obligation provides that at each annual adjustment the rate may increase by no more than 2 percentage points, the creditor must take this limit into account in determining the earliest date on which the maximum possible rate may be reached.

ii. For a step-rate mortgage, the creditor should disclose the highest rate that could apply under the terms of the legal obligation and the date on which that rate will first apply.

**Paragraph 18(s)(2)(i)(C)**

1. *Payment increases.* For some loans, the payment may increase following consummation for reasons unrelated to an interest rate adjustment. For example, an adjustable-rate mortgage may have an introductory fixed rate for the first five years following consummation and permit the borrower to make interest-only payments for the first three years. The disclosure requirement of §1026.18(s)(2)(i)(C) applies to all amortizing loans, including interest-only loans, if the consumer's payment can increase in the manner described in §1026.18(s)(3)(i)(B), even if it is not the type of loan covered by §1026.18(s)(3)(i). Thus, §1026.18(s)(2)(i)(C) requires that the creditor disclose the interest

rate that corresponds to the first payment that includes principal as well as interest, even though the interest rate will not adjust at that time. In such cases, if the loan is an interest-only loan, the creditor also must disclose the corresponding periodic payment pursuant to §1026.18(s)(3)(ii). The table would show, from left to right: The interest rate and payment at consummation with the payment itemized to show that the payment is being applied to interest only; the interest rate and payment when the interest-only option ends; the maximum interest rate and payment during the first five years; and the maximum possible interest rate and payment. The disclosure requirements of §1026.18(s)(2)(i)(C) do not apply to minor payment variations resulting solely from the fact that months have different numbers of days.

**18(s)(2)(ii) Negative Amortization Loans**

1. *Rate at consummation.* In all cases the interest rate in effect at consummation must be disclosed, even if it will apply only for a short period such as one month.

2. *Rates for adjustable-rate mortgages.* The creditor must assume that interest rates rise as quickly as possible after consummation, in accordance with any interest rate caps under the legal obligation. For adjustable-rate mortgages with no rate caps except a lifetime maximum, creditors must assume that interest rate reaches the maximum at the first adjustment. For example, assume that the legal obligation provides for an interest rate at consummation of 1.5 percent. One month after consummation, the interest rate adjusts and will adjust monthly thereafter, according to changes in the index. The consumer may make payments that cover only part of the interest accrued each month, until the date the principal balance reaches 115 percent of its original balance, or until the end of the fifth year after consummation, whichever comes first. The maximum possible rate is 10.5 percent. No other limits on interest rates apply. The minimum required payment adjusts each year, and may increase by no more than 7.5 percent over the previous year's payment. The creditor should disclose the following rates and the dates when they are scheduled to occur: A rate of 1.5 percent for the first month following consummation and the minimum payment; a rate of 10.5 percent, and the corresponding minimum payment taking into account the 7.5 percent limit on payment increases, at the beginning of the second year; and a rate of 10.5 percent and the corresponding minimum payment taking into account the 7.5 percent payment increase limit, at the beginning of the third year. The creditor also must disclose the rate of 10.5 percent, the fully amortizing payment, and the date on which the consumer must first

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

make such a payment under the terms of the legal obligation.

### 18(s)(2)(iii) Introductory Rate Disclosure for Amortizing Adjustable-Rate Mortgage

1. *Introductory rate.* In some adjustable-rate mortgages, creditors may set an initial interest rate that is lower than the fully indexed rate at consummation. For amortizing loans with an introductory rate, creditors must disclose the information required in § 1026.18(s)(2)(iii) directly below the table.

#### Paragraph 18(s)(2)(iii)(B)

1. *Place in sequence.* “Designation of the place in sequence” refers to identifying the month or year, as applicable, of the change in the rate resulting from the expiration of an introductory rate by its place in the sequence of months or years, as applicable, of the transaction’s term. For example, if a transaction has a discounted rate for the first three years, § 1026.18(s)(2)(iii)(B) requires a statement such as, “In the fourth year, even if market rates do not change, this rate will increase to \_\_\_\_%.”

#### Paragraph 18(s)(2)(iii)(C)

1. *Fully indexed rate.* The fully indexed rate is defined in § 1026.18(s)(7) as the index plus the margin at consummation. For purposes of § 1026.18(s)(2)(iii)(C), “at consummation” refers to disclosures delivered at consummation, or three business days before consummation pursuant to § 1026.19(a)(2)(ii); for early disclosures delivered within three business days after receipt of a consumer’s application pursuant to § 1026.19(a)(1), the fully indexed rate disclosed under § 1026.18(s)(2)(iii)(C) may be based on the index in effect at the time the disclosures are provided. The index in effect at consummation (or at the time of early disclosures) need not be used if a contract provides for a delay in the implementation of changes in an index value. For example, if the contract specifies that rate changes are based on the index value in effect 45 days before the change date, creditors may use any index value in effect during the 45 days before consummation (or any earlier date of disclosure) in calculating the fully indexed rate to be disclosed.

### 18(s)(3) Payments for Amortizing Loans

1. *Payments corresponding to interest rates.* Creditors must disclose the periodic payment that corresponds to each interest rate disclosed under § 1026.18(s)(2)(i)(A)–(C). The corresponding periodic payment is the regular payment for each such interest rate, without regard to any final payment that differs from others because of the rounding of periodic payments to account for payment amounts including fractions of cents. Bal-

loon payments, however, must be disclosed as provided in § 1026.18(s)(5).

2. *Principal and interest payment amounts; examples.* i. For fixed-rate interest-only transactions, § 1026.18(s)(3)(ii)(B) requires scheduled increases in the regular periodic payment amounts to be disclosed along with the date of the increase. For example, in a fixed-rate interest-only loan, a scheduled increase in the payment amount from an interest-only payment to a fully amortizing payment must be disclosed. Similarly, in a fixed-rate balloon loan, the balloon payment must be disclosed in accordance with § 1026.18(s)(5).

ii. For adjustable-rate mortgage transactions, § 1026.18(s)(3)(i)(A) requires that for each interest rate required to be disclosed under § 1026.18(s)(2)(i) (the interest rate at consummation, the maximum rate during the first five years, and the maximum possible rate) a corresponding payment amount must be disclosed.

iii. The format of the payment disclosure varies depending on whether all regular periodic payment amounts will include principal and interest, and whether there will be an escrow account for taxes and insurance.

#### Paragraph 18(s)(3)(i)(C)

1. *Taxes and insurance.* An estimated payment amount for taxes and insurance must be disclosed if the creditor will establish an escrow account for such amounts. If the escrow account will include amounts for items other than taxes and insurance, such as homeowners association dues, the creditor may but is not required to include such items in the estimate. When such estimated escrow payments must be disclosed in multiple columns of the table, such as for adjustable- and step-rate transactions, each column should use the same estimate for taxes and insurance except that the estimate should reflect changes in periodic mortgage insurance premiums or any functionally equivalent fee that are known to the creditor at the time the disclosure is made. The estimated amounts of mortgage insurance premiums or any functionally equivalent fee should be based on the declining principal balance that will occur as a result of changes to the interest rate that are assumed for purposes of disclosing those rates under § 1026.18(s)(2) and accompanying commentary. The payment amount must include estimated amounts for property taxes and premiums for mortgage-related insurance required by the creditor, such as insurance against loss of or damage to property, or against liability arising out of the ownership or use of the property, or insurance protecting the creditor against the consumer’s default or other credit loss. Premiums for credit insurance, debt suspension and debt cancellation agreements, however, should

**Pt. 1026, Supp. I**

not be included. Except for periodic mortgage insurance premiums or any functionally equivalent fee included in the escrow payment under §1026.18(s)(3)(i)(C), amounts included in the escrow payment disclosure such as property taxes and homeowner's insurance generally are not finance charges under §1026.4 and, therefore, do not affect other disclosures, including the finance charge and annual percentage rate.

2. *Mortgage insurance or any functional equivalent.* For purposes of §1026.18(s), “mortgage insurance or any functional equivalent” means the amounts identified in §1026.4(b)(5). “Mortgage guarantees” (such as a United States Department of Veterans Affairs or United States Department of Agriculture guarantee) provide coverage similar to mortgage insurance, even if not technically considered insurance under State or other applicable law. For purposes of §1026.18(s), “mortgage insurance or any functional equivalent” includes any mortgage guarantee. Payment amounts under §1026.18(s)(3)(i) should reflect the consumer’s mortgage insurance payments or any functionally equivalent fee until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. The payment amount must reflect the terms of the legal obligation, as determined by applicable State or other law. For example, assume that under applicable law, mortgage insurance must terminate after the 130th scheduled monthly payment, and the creditor collects at closing and places in escrow two months of premiums. If, under the legal obligation, the creditor will include mortgage insurance premiums in 130 payments and refund the escrowed payments when the insurance is terminated, payment amounts disclosed through the 130th payment should reflect premium payments. If, under the legal obligation, the creditor will apply the amount escrowed to the two final insurance payments, payments disclosed through the 128th payment should reflect premium payments. The escrow amount reflected on the disclosure should include mortgage insurance premiums even if they are not escrowed and even if there is no escrow account established for the transaction.

## Paragraph 18(s)(3)(i)(D)

1. *Total monthly payment.* For amortizing loans, each column should add up to a total estimated payment. The total estimated payment amount should be labeled. If periodic payments are not due monthly, the creditor should use the appropriate term such as “quarterly” or “annually.”

**12 CFR Ch. X (1-1-24 Edition)**

## 18(s)(3)(ii) Interest-Only Payments

1. *Interest-only loans that are also negative amortization loans.* The rules in §1026.18(s)(3)(ii) for disclosing payments on interest-only loans apply only if the loan is not also a negative amortization loan. If the loan is a negative amortization loan, even if it also has an interest-only feature, payments are disclosed under the rules in §1026.18(s)(4).

## Paragraph 18(s)(3)(ii)(C)

1. *Escrows.* See the commentary under §1026.18(s)(3)(i)(C) for guidance on escrows for purposes of §1026.18(s)(3)(ii)(C).

## 18(s)(4) Payments for Negative Amortization Loans

1. *Table.* Section 1026.18(s)(1) provides that tables shall include only the information required in §1026.18(s)(2)-(4). Thus, a table for a negative amortization loan must contain no more than two horizontal rows of payments and no more than five vertical columns of interest rates.

2. *Payment amounts.* The payment amounts disclosed under §1026.18(s)(4) are the minimum or fully amortizing periodic payments, as applicable, corresponding to the interest rates disclosed under §1026.18(s)(2)(ii). The corresponding periodic payment is the regular payment for each such interest rate, without regard to any final payment that differs from the rest because of the rounding of periodic payments to account for payment amounts including fractions of cents.

## Paragraph 18(s)(4)(i)

1. *Minimum required payments.* In one row of the table, the creditor must disclose the minimum required payment in each column of the table, corresponding to each interest rate or adjustment required in §1026.18(s)(2)(ii). The payments in this row must be calculated based on an assumption that the consumer makes the minimum required payment for as long as possible under the terms of the legal obligation. This row should be identified as the minimum payment option, and the statement required by §1026.18(s)(4)(i)(C) should be included in the heading for the row.

## Paragraph 18(s)(4)(iii)

1. *Fully amortizing payments.* In one row of the table, the creditor must disclose the fully amortizing payment in each column of the table, corresponding to each interest rate required in §1026.18(s)(2)(ii). The creditor must assume, for purposes of calculating the amounts in this row that the consumer makes only fully amortizing payments starting with the first scheduled payment.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

### 18(s)(5) Balloon Payments

1. *General.* A balloon payment is one that is more than two times the regular periodic payment. In a reverse mortgage transaction, the single payment is not considered a balloon payment. A balloon payment must be disclosed outside and below the table, unless the balloon payment coincides with an interest rate adjustment or a scheduled payment increase. In those cases, the balloon payment must be disclosed in the table.

### 18(s)(6) Special Disclosures for Loans With Negative Amortization

1. *Escrows.* See the commentary under §1026.18(s)(3)(i)(C) for guidance on escrows for purposes of §1026.18(s)(6). Under that guidance, because mortgage insurance payments and functionally equivalent fees decline over a loan's term, the payment amounts shown in the table should reflect the mortgage insurance payment and functionally equivalent fees that will be applicable at the time each disclosed periodic payment will be in effect. Accordingly, the disclosed mortgage insurance payment or functionally equivalent fee will be zero if it corresponds to a periodic payment that will occur after the creditor will be legally required to terminate mortgage insurance or any functional equivalent. On the other hand, because only one escrow amount is disclosed under §1026.18(s)(6) for negative amortization loans and escrows that are not itemized in the payment amounts, the single escrow amount disclosed should reflect the mortgage insurance amount or any functionally equivalent fee that will be collected at the outset of the loan's term, even though that amount will decline in the future and ultimately will be discontinued pursuant to the terms of the mortgage insurance policy.

### 18(s)(7) Definitions

1. *Negative amortization loans.* Under §1026.18(s)(7)(v), a negative amortization loan is one that requires only a minimum periodic payment that covers only a portion of the accrued interest, resulting in negative amortization. For such a loan, §1026.18(s)(4)(iii) requires creditors to disclose the fully amortizing periodic payment for each interest rate disclosed under §1026.18(s)(2)(ii), in addition to the minimum periodic payment, regardless of whether the legal obligation explicitly recites that the consumer may make the fully amortizing payment. Some loan types that result in negative amortization do not meet the definition of negative amortization loan for purposes of §1026.18(s). These include, for example, loans requiring level, amortizing payments but having a payment schedule containing gaps during which interest accrues and is added to the principal balance before regular, amortizing payments begin (or resume). For example, "seasonal

income" loans may provide for amortizing payments during nine months of the year and no payments for the other three months; the required minimum payments (when made) are amortizing payments, thus such loans are not negative amortization loans under §1026.18(s)(7)(v). An adjustable-rate loan that has fixed periodic payments that do not adjust when the interest rate adjusts also would not be disclosed as a negative amortization loan under §1026.18(s). For example, assume the initial rate is 4%, for which the fully amortizing payment is \$1500. Under the terms of the legal obligation, the consumer will make \$1500 monthly payments even if the interest rate increases, and the additional interest is capitalized. The possibility (but not certainty) of negative amortization occurring after consummation does not make this transaction a negative amortization loan for purposes of §1026.18(s). Loans that do not meet the definition of negative amortization loan, even if they may have negative amortization, are amortizing loans and are disclosed under §§1026.18(s)(2)(i) and 1026.18(s)(3).

### Section 1026.19—Certain Mortgage and Variable-Rate Transactions

#### 19(a)(1)(i) Time of Disclosures

1. *Coverage.* Section 1026.19(a) requires early disclosure of credit terms in reverse mortgage transactions subject to §1026.33 that are secured by a consumer's dwelling that are also subject to the Real Estate Settlement Procedures Act (RESPA) and its implementing Regulation X. To be covered by §1026.19(a), a transaction must be a Federally related mortgage loan under RESPA. "Federally related mortgage loan" is defined under RESPA (12 U.S.C. 2602) and Regulation X (12 CFR 1024.2(b)), and is subject to any interpretations by the Bureau.

2. *Timing and use of estimates.* The disclosures required by §1026.19(a)(1)(i) must be delivered or mailed not later than three business days after the creditor receives the consumer's written application. The general definition of "business day" in §1026.2(a)(6)—a day on which the creditor's offices are open to the public for substantially all of its business functions—is used for purposes of §1026.19(a)(1)(i). *See* comment 2(a)(6)–1. This general definition is consistent with the definition of "business day" in Regulation X—a day on which the creditor's offices are open to the public for carrying on substantially all of its business functions. *See* 12 CFR 1024.2. Accordingly, the three-business-day period in §1026.19(a)(1)(i) for making early disclosures coincides with the time period within which creditors subject to RESPA must provide good faith estimates of settlement costs. If the creditor does not know the precise credit terms, the creditor must base

**Pt. 1026, Supp. I****12 CFR Ch. X (1-1-24 Edition)**

the disclosures on the best information reasonably available and indicate that the disclosures are estimates under § 1026.17(c)(2). If many of the disclosures are estimates, the creditor may include a statement to that effect (such as “all numerical disclosures except the late-payment disclosure are estimates”) instead of separately labeling each estimate. In the alternative, the creditor may label as an estimate only the items primarily affected by unknown information. (See the commentary to § 1026.17(c)(2).) The creditor may provide explanatory material concerning the estimates and the contingencies that may affect the actual terms, in accordance with the commentary to § 1026.17(a)(1).

3. *Written application.* Creditors may rely on RESPA and Regulation X (including any interpretations issued by the Bureau) in deciding whether a “written application” has been received. In general, Regulation X defines “application” to mean the submission of a borrower’s financial information in anticipation of a credit decision relating to a federally related mortgage loan. See 12 CFR 1024.2(b). An application is received when it reaches the creditor in any of the ways applications are normally transmitted—by mail, hand delivery, or through an intermediary agent or broker. (See comment 19(b)-3 for guidance in determining whether or not the transaction involves an intermediary agent or broker.) If an application reaches the creditor through an intermediary agent or broker, the application is received when it reaches the creditor, rather than when it reaches the agent or broker.

4. *Denied or withdrawn applications.* The creditor may determine within the three-business-day period that the application will not or cannot be approved on the terms requested, as, for example, when a consumer applies for a type or amount of credit that the creditor does not offer, or the consumer’s application cannot be approved for some other reason. In that case, or if the consumer withdraws the application within the three-business-day period, the creditor need not make the disclosures under this section. If the creditor fails to provide early disclosures and the transaction is later consummated on the original terms, the creditor will be in violation of this provision. If, however, the consumer amends the application because of the creditor’s unwillingness to approve it on its original terms, no violation occurs for not providing disclosures based on the original terms. But the amended application is a new application subject to § 1026.19(a)(1)(i).

5. *Itemization of amount financed.* In many mortgage transactions, the itemization of the amount financed required by § 1026.18(c) will contain items, such as origination fees or points, that also must be disclosed as part of the good faith estimates of settlement costs required under RESPA. Creditors fur-

nishing the RESPA good faith estimates need not give consumers any itemization of the amount financed.

**19(a)(1)(ii) Imposition of Fees**

1. *Timing of fees.* The consumer must receive the disclosures required by this section before paying or incurring any fee imposed by a creditor or other person in connection with the consumer’s application for a mortgage transaction that is subject to § 1026.19(a)(1)(i), except as provided in § 1026.19(a)(1)(iii). If the creditor delivers the disclosures to the consumer in person, a fee may be imposed anytime after delivery. If the creditor places the disclosures in the mail, the creditor may impose a fee after the consumer receives the disclosures or, in all cases, after midnight on the third business day following mailing of the disclosures. For purposes of § 1026.19(a)(1)(ii), the term “business day” means all calendar days except Sundays and legal public holidays referred to in § 1026.2(a)(6). See comment 2(a)(6)-2. For example, assuming that there are no intervening legal public holidays, a creditor that receives the consumer’s written application on Monday and mails the early mortgage loan disclosure on Tuesday may impose a fee on the consumer after midnight on Friday.

2. *Fees restricted.* A creditor or other person may not impose any fee, such as for an appraisal, underwriting, or broker services, until the consumer has received the disclosures required by § 1026.19(a)(1)(i). The only exception to the fee restriction allows the creditor or other person to impose a *bona fide* and reasonable fee for obtaining a consumer’s credit history, such as for a credit report(s).

3. *Collection of fees.* A creditor complies with § 1026.19(a)(1)(ii) if:

i. The creditor receives a consumer’s written application directly from the consumer and does not collect any fee, other than a fee for obtaining a consumer’s credit history, until the consumer receives the early mortgage loan disclosure.

ii. A third party submits a consumer’s written application to a creditor and both the creditor and third party do not collect any fee, other than a fee for obtaining a consumer’s credit history, until the consumer receives the early mortgage loan disclosure from the creditor.

iii. A third party submits a consumer’s written application to a second creditor following a prior creditor’s denial of an application made by the same consumer (or following the consumer’s withdrawal), and, if a fee already has been assessed, the new creditor or third party does not collect or impose any additional fee until the consumer receives an early mortgage loan disclosure from the new creditor.

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

### 19(a)(1)(iii) Exception to Fee Restriction

1. *Requirements.* A creditor or other person may impose a fee before the consumer receives the required disclosures if it is for obtaining the consumer's credit history, such as by purchasing a credit report(s) on the consumer. The fee also must be *bona fide* and reasonable in amount. For example, a creditor may collect a fee for obtaining a credit report(s) if it is in the creditor's ordinary course of business to obtain a credit report(s). If the criteria in §1026.19(a)(1)(iii) are met, the creditor may describe or refer to this fee, for example, as an "application fee."

### 19(a)(2) Waiting Periods for Early Disclosures and Corrected Disclosures

1. *Business day definition.* For purposes of §1026.19(a)(2), "business day" means all calendar days except Sundays and the legal public holidays referred to in §1026.2(a)(6). See comment 2(a)(6)-2.

2. *Consummation after both waiting periods expire.* Consummation may not occur until both the seven-business-day waiting period and the three-business-day waiting period have expired. For example, assume a creditor delivers the early disclosures to the consumer in person or places them in the mail on Monday, June 1, and the creditor then delivers corrected disclosures in person to the consumer on Wednesday, June 3. Although Saturday, June 6 is the third business day after the consumer received the corrected disclosures, consummation may not occur before Tuesday, June 9, the seventh business day following delivery or mailing of the early disclosures.

#### Paragraph 19(a)(2)(i)

1. *Timing.* The disclosures required by §1026.19(a)(1)(i) must be delivered or placed in the mail no later than the seventh business day before consummation. The seven-business-day waiting period begins when the creditor delivers the early disclosures or places them in the mail, not when the consumer receives or is deemed to have received the early disclosures. For example, if a creditor delivers the early disclosures to the consumer in person or places them in the mail on Monday, June 1, consummation may occur on or after Tuesday, June 9, the seventh business day following delivery or mailing of the early disclosures.

#### Paragraph 19(a)(2)(ii)

1. *Conditions for redisclosure.* If, at the time of consummation, the annual percentage rate disclosed is accurate under §1026.22, the creditor does not have to make corrected disclosures under §1026.19(a)(2). If, on the other hand, the annual percentage rate disclosed is not accurate under §1026.22, the creditor must make corrected disclosures of all

changed terms (including the annual percentage rate) so that the consumer receives them not later than the third business day before consummation. For example, assume consummation is scheduled for Thursday, June 11 and the early disclosures for a regular mortgage transaction disclose an annual percentage rate of 7.00%:

i. On Thursday, June 11, the annual percentage rate will be 7.10%. The creditor is not required to make corrected disclosures under §1026.19(a)(2).

ii. On Thursday, June 11, the annual percentage rate will be 7.15%. The creditor must make corrected disclosures so that the consumer receives them on or before Monday, June 8.

2. *Content of new disclosures.* If redisclosure is required, the creditor may provide a complete set of new disclosures, or may redisclose only the changed terms. If the creditor chooses to provide a complete set of new disclosures, the creditor may but need not highlight the new terms, provided that the disclosures comply with the format requirements of §1026.17(a). If the creditor chooses to disclose only the new terms, all the new terms must be disclosed. For example, a different annual percentage rate will almost always produce a different finance charge, and often a new schedule of payments; all of these changes would have to be disclosed. If, in addition, unrelated terms such as the amount financed or prepayment penalty vary from those originally disclosed, the accurate terms must be disclosed. However, no new disclosures are required if the only inaccuracies involve estimates other than the annual percentage rate, and no variable rate feature has been added. For a discussion of the requirement to redisclose when a variable-rate feature is added, see comment 17(f)-2. For a discussion of redisclosure requirements in general, see the commentary on §1026.17(f).

3. *Timing.* When redisclosures are necessary because the annual percentage rate has become inaccurate, they must be received by the consumer no later than the third business day before consummation. (For redisclosures triggered by other events, the creditor must provide corrected disclosures before consummation. See §1026.17(f).) If the creditor delivers the corrected disclosures to the consumer in person, consummation may occur any time on the third business day following delivery. If the creditor provides the corrected disclosures by mail, the consumer is considered to have received them three business days after they are placed in the mail, for purposes of determining when the three-business-day waiting period required under §1026.19(a)(2)(ii) begins. Creditors that use electronic mail or a courier other than the postal service may also follow this approach.

## Pt. 1026, Supp. I

4. *Basis for annual percentage rate comparison.* To determine whether a creditor must make corrected disclosures under §1026.22, a creditor compares (a) what the annual percentage rate will be at consummation to (b) the annual percentage rate stated in the most recent disclosures the creditor made to the consumer. For example, assume consummation for a regular mortgage transaction is scheduled for Thursday, June 11, the early disclosures provided in May stated an annual percentage rate of 7.00%, and corrected disclosures received by the consumer on Friday, June 5 stated an annual percentage rate of 7.15%:

i. On Thursday, June 11, the annual percentage rate will be 7.25%, which exceeds the most recently disclosed annual percentage rate by less than the applicable tolerance. The creditor is not required to make additional corrected disclosures or wait an additional three business days under §1026.19(a)(2).

ii. On Thursday, June 11, the annual percentage rate will be 7.30%, which exceeds the most recently disclosed annual percentage rate by more than the applicable tolerance. The creditor must make corrected disclosures such that the consumer receives them on or before Monday, June 8.

### 19(a)(8) Consumer's Waiver of Waiting Period Before Consummation

1. *Modification or waiver.* A consumer may modify or waive the right to a waiting period required by §1026.19(a)(2) only after the creditor makes the disclosures required by §1026.18. The consumer must have a *bona fide* personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period. Whether these conditions are met is determined by the facts surrounding individual situations. The imminent sale of the consumer's home at foreclosure, where the foreclosure sale will proceed unless loan proceeds are made available to the consumer during the waiting period, is one example of a *bona fide* personal financial emergency. Each consumer who is primarily liable on the legal obligation must sign the written statement for the waiver to be effective.

2. *Examples of waivers within the seven-business-day waiting period.* Assume the early disclosures are delivered to the consumer in person on Monday, June 1, and at that time the consumer executes a waiver of the seven-business-day waiting period (which would end on Tuesday, June 9) so that the loan can be consummated on Friday, June 5:

i. If the annual percentage rate on the early disclosures is inaccurate under §1026.22, the creditor must provide a corrected disclosure to the consumer before consummation, which triggers the three-business-day waiting period in §1026.19(a)(2)(ii). After the consumer receives

## 12 CFR Ch. X (1-1-24 Edition)

the corrected disclosure, the consumer must execute a waiver of the three-business-day waiting period in order to consummate the transaction on Friday, June 5.

ii. If a change occurs that does not render the annual percentage rate on the early disclosures inaccurate under §1026.22, the creditor must disclose the changed terms before consummation, consistent with §1026.17(f). Disclosure of the changed terms does not trigger an additional waiting period, and the transaction may be consummated on June 5 without the consumer giving the creditor an additional modification or waiver.

3. *Examples of waivers made after the seven-business-day waiting period.* Assume the early disclosures are delivered to the consumer in person on Monday, June 1 and consummation is scheduled for Friday, June 19. On Wednesday, June 17, a change to the annual percentage rate occurs:

i. If the annual percentage rate on the early disclosures is inaccurate under §1026.22, the creditor must provide a corrected disclosure to the consumer before consummation, which triggers the three-business-day waiting period in §1026.19(a)(2). After the consumer receives the corrected disclosure, the consumer must execute a waiver of the three-business-day waiting period in order to consummate the transaction on Friday, June 19.

ii. If a change occurs that does not render the annual percentage rate on the early disclosures inaccurate under §1026.22, the creditor must disclose the changed terms before consummation, consistent with §1026.17(f). Disclosure of the changed terms does not trigger an additional waiting period, and the transaction may be consummated on Friday, June 19 without the consumer giving the creditor an additional modification or waiver.

### 19(a)(4) Notice

1. *Inclusion in other disclosures.* The notice required by §1026.19(a)(4) must be grouped together with the disclosures required by §1026.19(a)(1)(i) or §1026.19(a)(2). See comment 17(a)(1)-2 for a discussion of the rules for segregating disclosures. In other cases, the notice set forth in §1026.19(a)(4) may be disclosed together with or separately from the disclosures required under §1026.18. See comment 17(a)(1)-5.xvi.

### 19(b) Certain Variable-Rate Transactions

1. *Coverage.* Section 1026.19(b) applies to all closed-end variable-rate transactions that are secured by the consumer's principal dwelling and have a term greater than one year. The requirements of this section apply not only to transactions financing the initial acquisition of the consumer's principal dwelling, but also to any other closed-end variable-rate transaction secured by the

## Consumer Financial Protection Bureau

## Pt. 1026, Supp. I

principal dwelling. Closed-end variable-rate transactions that are not secured by the principal dwelling, or are secured by the principal dwelling but have a term of one year or less, are subject to the disclosure requirements of §1026.18(f)(1) rather than those of §1026.19(b). (Furthermore, “shared-equity” or “shared-appreciation” mortgages are subject to the disclosure requirements of §1026.18(f)(1) rather than those of §1026.19(b) regardless of the general coverage of those sections.) For purposes of this section, the term of a variable-rate demand loan is determined in accordance with the commentary to §1026.17(c)(5). In determining whether a construction loan that may be permanently financed by the same creditor is covered under this section, the creditor may treat the construction and the permanent phases as separate transactions with distinct terms to maturity or as a single combined transaction. For purposes of the disclosures required under §1026.18, the creditor may nevertheless treat the two phases either as separate transactions or as a single combined transaction in accordance with §1026.17(c)(6). Finally, in any assumption of a variable-rate transaction secured by the consumer’s principal dwelling with a term greater than one year, disclosures need not be provided under §§1026.18(f)(2)(ii) or 1026.19(b).

2. *Timing.* A creditor must give the disclosures required under this section at the time an application form is provided or before the consumer pays a nonrefundable fee, whichever is earlier.

i. *Intermediary agent or broker.* In cases where a creditor receives a written application through an intermediary agent or broker, however, §1026.19(b) provides a substitute timing rule requiring the creditor to deliver the disclosures or place them in the mail not later than three business days after the creditor receives the consumer’s written application. (See comment 19(b)-3 for guidance in determining whether or not the transaction involves an intermediary agent or broker.) This three-day rule also applies where the creditor takes an application over the telephone.

ii. *Telephone request.* In cases where the consumer merely requests an application over the telephone, the creditor must include the early disclosures required under this section with the application that is sent to the consumer.

iii. *Mail solicitations.* In cases where the creditor solicits applications through the mail, the creditor must also send the disclosures required under this section if an application form is included with the solicitation.

iv. *Conversion.* In cases where an open-end credit account will convert to a closed-end transaction subject to this section under a written agreement with the consumer, disclosures under this section may be given at the time of conversion. (See the commentary

to §1026.20(a) for information on the timing requirements for §1026.19(b)(2) disclosures when a variable-rate feature is later added to a transaction.)

v. *Form of electronic disclosures provided on or with electronic applications.* Creditors must provide the disclosures required by this section (including the brochure) on or with a blank application that is made available to the consumer in electronic form, such as on a creditor’s Internet Web site. Creditors have flexibility in satisfying this requirement. There are various methods creditors could use to satisfy the requirement. Whatever method is used, a creditor need not confirm that the consumer has read the disclosures. Methods include, but are not limited to, the following examples:

A. The disclosures could automatically appear on the screen when the application appears;

B. The disclosures could be located on the same web page as the application (whether or not they appear on the initial screen), if the application contains a clear and conspicuous reference to the location of the disclosures and indicates that the disclosures contain rate, fee, and other cost information, as applicable;

C. Creditors could provide a link to the electronic disclosures on or with the application as long as consumers cannot bypass the disclosures before submitting the application. The link would take the consumer to the disclosures, but the consumer need not be required to scroll completely through the disclosures; or

D. The disclosures could be located on the same web page as the application without necessarily appearing on the initial screen, immediately preceding the button that the consumer will click to submit the application.

3. *Intermediary agent or broker.* i. In certain transactions involving an “intermediary agent or broker,” a creditor may delay providing disclosures. A creditor may not delay providing disclosures in transactions involving either a legal agent (as determined by applicable law) or any other third party that is not an “intermediary agent or broker.” In determining whether or not a transaction involves an “intermediary agent or broker” the following factors should be considered:

A. The number of applications submitted by the broker to the creditor as compared to the total number of applications received by the creditor. The greater the percentage of total loan applications submitted by the broker in any given period of time, the less likely it is that the broker would be considered an “intermediary agent or broker” of the creditor during the next period.

B. The number of applications submitted by the broker to the creditor as compared to the total number of applications received by the broker. (This factor is applicable only if

**Pt. 1026, Supp. I**

the creditor has such information.) The greater the percentage of total loan applications received by the broker that is submitted to a creditor in any given period of time, the less likely it is that the broker would be considered an “intermediary agent or broker” of the creditor during the next period.

C. The amount of work (such as document preparation) the creditor expects to be done by the broker on an application based on the creditor's prior dealings with the broker and on the creditor's requirements for accepting applications, taking into consideration the customary practice of brokers in a particular area. The more work that the creditor expects the broker to do on an application, in excess of what is usually expected of a broker in that area, the less likely it is that the broker would be considered an “intermediary agent or broker” of the creditor.

ii. An example of an “intermediary agent or broker” is a broker who, customarily within a brief period of time after receiving an application, inquires about the credit terms of several creditors with whom the broker does business and submits the application to one of them. The broker is responsible for only a small percentage of the applications received by that creditor. During the time the broker has the application, it might request a credit report and an appraisal (or even prepare an entire loan package if customary in that particular area).

4. *Other variable-rate regulations.* Transactions in which the creditor is required to comply with and has complied with the disclosure requirements of the variable-rate regulations of other Federal agencies are exempt from the requirements of § 1026.19(b), by virtue of § 1026.19(d). The exception is also available to creditors that are required by State law to comply with the Federal variable-rate regulations noted above. Creditors using this exception should comply with the timing requirements of those regulations rather than the timing requirements of Regulation Z in making the variable-rate disclosures.

5. *Examples of variable-rate transactions.* i. The following transactions, if they have a term greater than one year and are secured by the consumer's principal dwelling, constitute variable-rate transactions subject to the disclosure requirements of § 1026.19(b).

A. Renewable balloon-payment instruments where the creditor is both unconditionally obligated to renew the balloon-payment loan at the consumer's option (or is obligated to renew subject to conditions within the consumer's control) and has the option of increasing the interest rate at the time of renewal. (See comment 17(c)(1)-11 for a discussion of conditions within a consumer's control in connection with renewable balloon-payment loans.)

**12 CFR Ch. X (1-1-24 Edition)**

B. Preferred-rate loans where the terms of the legal obligation provide that the initial underlying rate is fixed but will increase upon the occurrence of some event, such as an employee leaving the employ of the creditor, and the note reflects the preferred rate. The disclosures under §§1026.19(b)(1) and 1026.19(b)(2)(v), (viii), (ix), and (xii) are not applicable to such loans.

C. “Price-level-adjusted mortgages” or other indexed mortgages that have a fixed rate of interest but provide for periodic adjustments to payments and the loan balance to reflect changes in an index measuring prices or inflation. The disclosures under § 1026.19(b)(1) are not applicable to such loans, nor are the following provisions to the extent they relate to the determination of the interest rate by the addition of a margin, changes in the interest rate, or interest rate discounts: § 1026.19(b)(2)(i), (iii), (iv), (v), (vi), (vii), (viii), and (ix). (See comments 20(c)(1)(ii)-3.ii, 20(d)(1)(ii)-2.ii, and 30-1 regarding the inapplicability of variable-rate adjustment notices and interest rate limitations to price-level-adjusted or similar mortgages.)

ii. Graduated-payment mortgages and step-rate transactions without a variable-rate feature are not considered variable-rate transactions.

**Paragraph 19(b)(1)**

1. *Substitute.* Creditors who wish to use publications other than the *Consumer Handbook on Adjustable Rate Mortgages*, available on the Bureau's Web site, must make a good faith determination that their brochures are suitable substitutes to the *Consumer Handbook*. A substitute is suitable if it is, at a minimum, comparable to the *Consumer Handbook* in substance and comprehensiveness. Creditors are permitted to provide more detailed information than is contained in the *Consumer Handbook*.

2. *Applicability.* The *Consumer Handbook* need not be given for variable-rate transactions subject to this section in which the underlying interest rate is fixed. (See comment 19(b)-5 for an example of a variable-rate transaction where the underlying interest rate is fixed.)

**Paragraph 19(b)(2)**

1. *Disclosure for each variable-rate program.* A creditor must provide disclosures to the consumer that fully describe each of the creditor's variable-rate loan programs in which the consumer expresses an interest. If a program is made available only to certain customers of an institution, a creditor need not provide disclosures for that program to other consumers who express a general interest in a creditor's ARM programs. Disclosures must be given at the time an application form is provided or before the consumer