

**FEDERAL RESERVE BANK OF DALLAS**  
**DALLAS, TEXAS 75222**

Circular No. 75-43  
March 26, 1975

**FEDERAL TRUTH-IN-LENDING STATEMENT**

**TO ALL BANKS AND OTHERS  
CONCERNED IN THE ELEVENTH  
FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has issued for comment a Federal Truth-in-Lending Statement to assist homebuyers in understanding the terms of their mortgage. This form would be combined with forms that have been proposed by the Department of Housing and Urban Development to implement the disclosure requirements of the Real Estate Settlement Procedures Act of 1974.

The Board's press release and Federal Register document are printed on the reverse of this circular and the following pages. Any comments should be submitted in writing to the Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, by April 16, 1975.

Sincerely yours,

**T. W. Plant**

**First Vice President**



# FEDERAL RESERVE

press release

For immediate release

March 18, 1975

The Board of Governors of the Federal Reserve System today published for comment a disclosure form, under the Truth in Lending Act, to assist homebuyers in understanding the terms of their mortgage.

The proposed new form will be used, along with forms already published for comment by the Housing and Urban Development Department, to implement the disclosure of settlement and credit cost requirements of the Real Estate Settlement Procedures Act of 1974. The forms, as finally adopted, are to be given to homebuyers in advance of and at the time of settlement in credit transactions under the Real Estate Settlement Procedures Act.

This Act requires in part that homebuyers be supplied with all information required to be disclosed by the Truth in Lending Act. The Federal Reserve Board is the rulemaking body under the Truth in Lending Act, and has therefore prepared the Truth in Lending portion of the Uniform Disclosure/Settlement Statement required by the new legislation.

The proposed new Truth in Lending form is accompanied by proposed instructions for its use. Comment will be received in writing by the Secretary of the Board through April 16.

A copy of the Board's proposal is attached.

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## CHAPTER II--FEDERAL RESERVE SYSTEM

### SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[24 C. F. R PART 82]

#### REAL ESTATE SETTLEMENT PROCEDURES

##### Notice of Proposed Rule Making

The Real Estate Settlement Procedures Act of 1974 (P. L. 93-533) requires the disclosure of settlement and credit costs on standardized forms to be given to home buyers in advance of and at the time of settlement in a transaction which involves a federally related mortgage loan. Section 4 of this statute (12 U. S. C. § 2603) specifically requires that such forms include all information and data required to be disclosed by the Federal Truth in Lending Act. The Secretary of Housing and Urban Development on February 18, 1975, published for comment the settlement cost portions of these forms and referenced the fact that the Board would subsequently be publishing the Truth in Lending portion of the Uniform Disclosure/Settlement Statement. Pursuant to the authority under P. L. 93-533, the concurrence of the Secretary of Housing and Urban Development, and the Board's authority under the Truth in Lending Act (15 U. S. C. § 1604), the following form is published for comment. This form is proposed to be added as the last page of the combined form dealing with both settlement and credit costs in federally related mortgage loans, which was proposed by HUD on February 18, 1975.

It is anticipated that following the analysis of responsive comments, the Board will recommend to the Secretary of Housing and Urban Development the format of the Truth in Lending form to be included in the combined form. It is also anticipated that the Secretary of Housing and Urban Development will subsequently incorporate these Truth in Lending

disclosures into a finally adopted combined Uniform Disclosure/Settlement Statement.

FEDERAL TRUTH-IN-LENDING STATEMENT  
(As part of Uniform Disclosure/Settlement Form)

\*Indicates a rate or amount that is estimated and may change at time of closing.

- 1. a. The principal amount of the loan is \$ \_\_\_\_\_
- b. Plus other amounts financed:
  - 1. Property insurance premiums \$ \_\_\_\_\_
  - 2. \_\_\_\_\_ \$ \_\_\_\_\_
  - 3. \_\_\_\_\_ \$ \_\_\_\_\_
- c. Total amount borrowed \$ \_\_\_\_\_
- d. Less any Prepaid Finance Charges:
  - 1. Origination fee or points paid by borrower \$ \_\_\_\_\_
  - 2. Loan discount or points paid by seller if passed on to buyer \$ \_\_\_\_\_
  - 3. Interest from \_\_\_\_\_ to \_\_\_\_\_ \$ \_\_\_\_\_
  - 4. Mortgage guaranty insurance \$ \_\_\_\_\_
  - 5. \_\_\_\_\_ \$ \_\_\_\_\_
  - 6. \_\_\_\_\_ \$ \_\_\_\_\_
- e. Amount Financed \$ \_\_\_\_\_
- 2. a. The FINANCE CHARGE consists of:
  - 1. Interest (simple annual rate of \_\_\_\_\_%) \$ \_\_\_\_\_
  - 2. Total prepaid finance charges (1d) \$ \_\_\_\_\_
  - 3. \_\_\_\_\_ \$ \_\_\_\_\_
  - 4. \_\_\_\_\_ \$ \_\_\_\_\_
- b. Total FINANCE CHARGE \$ \_\_\_\_\_
- 3. a. The ANNUAL PERCENTAGE RATE on the amount financed is \_\_\_\_\_%
- b. If the contract includes a provision for variation in the interest rate, describe \_\_\_\_\_

4. The borrower will pay principal and interest in (number) equal (monthly, quarterly) instalments of \$ \_\_\_\_\_ each and a final payment of \$ \_\_\_\_\_. The total of payments is \$ \_\_\_\_\_. The first payment will be due on \_\_\_\_\_ and the final payment on \_\_\_\_\_ and \_\_\_\_\_
5. The finance charge begins to accrue on \_\_\_\_\_ (date)
6. In the event of late payment or delinquency, the creditor may assess charges of \_\_\_\_\_
7. a. Conditions and penalties for prepaying this loan: \_\_\_\_\_  
b. Identification of method of rebate of unearned finance charges: \_\_\_\_\_
8. Property damage insurance with extended coverage in the amount of \$ \_\_\_\_\_ is required in connection with the loan. This insurance may be purchased from any company, subject to rejection by the lender for reasonable cause, but may be purchased through the lender at an estimated cost of \$ \_\_\_\_\_ for a term of \_\_\_\_\_ years.
9. The security for this loan shall be \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
10. In the event that this transaction is subject to the right of rescission as provided by the Truth in Lending Act, a separate notification of the right of rescission must be given to the borrower(s).
11. Acknowledgment of Receipt of this  advance or  settlement Disclosure: The undersigned borrower(s) acknowledge receipt of the above disclosure.

_____	_____	_____	_____
Date	Buyer/Borrower	Date	Buyer/Borrower
_____	_____	_____	_____
Date	Seller	Date	Lender

## Instructions for Federal Truth in Lending Statement

The above form is the Federal Truth in Lending disclosure portion of the Uniform Disclosure/Settlement and Truth in Lending Statement to be provided by the Department of Housing and Urban Development in connection with the Real Estate Settlement Procedures Act (P. L. 93-533).

This form is not intended to be totally comprehensive of all charges and terms that may be incident to a given Federally related mortgage loan. Blank lines have been inserted in several instances where it is anticipated that additional charges or terms may be included by the creditor. In the event that additional charges or information may not be fully accommodated in these blank lines, a creditor may include such information or charges on the reverse side of this form, provided that the form is clearly marked at the bottom: "See reverse side for important information." In the event that items listed on the proposed form are not applicable to a given transaction, these lines may be marked with the abbreviation "N/A" for not applicable.

As indicated, the creditors may make bona fide estimates in connection with charges on which exact dollar amounts or rates are unknown at the time of the disclosure (§ 226.6(f)). Such estimates must be replaced with exact information, if known, at settlement.

### Item 1

Item 1(a) is provided to show the principal amount of the loan.

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**Note:** All sectional references in the instructions are to Regulation Z issued by the Board of Governors of the Federal Reserve System.

Item 1(b). Property insurance premiums under 1(b) are included in the amount financed if they are financed as part of the credit transaction and the other conditions of § 226.4(a)(6) have been met (See item 8). The blank lines 2 and 3 are intended to include similar items, which are financed, such as those under the terms of § 226.4(b) or (e).

Item 1(c). This item is the sum of 1(a) and 1(b).

Item 1(d). This item is intended for disclosure of all prepaid finance charges, (§ 226.4(a), § 226.8(d)(2) and § 226.8(e)(1)).

Line 1 is provided to show the origination fee or points paid directly by the borrower, such as the one point permitted in VA transactions.

Line 2 is provided to show those loan discounts or points paid by the seller when passed on to the borrower either directly or indirectly through the selling price (§ 226.406).

Line 3 is provided to show the prepayment of any accruing interest charge on the contract until the first monthly payment is due. The blank spaces are provided to show the dates for which such interest accrues.

Line 4 is provided to show the payment of mortgage guaranty insurance premiums, such as FHA and MGIC, accruing prior to the first monthly payment.

The blank lines 5 and 6 are provided to show any additional prepaid finance charges.

Item 1(e). This item is provided to show the difference between item 1(c) and 1(d) (§ 226.8(d)(7)/226.8(d)(1)).

Item 2

This item is provided to show the components of the finance charge, such as the amount of contract interest, all prepaid finance charges, continuing premiums for mortgage guaranty insurance, and discounts to cash customers as well as to show the total amount of the finance charge (§ 226.4(a)). Line 1 permits, at the creditor's option, the disclosure of the contract rate of interest where such interest is computed by the application of a simple annual rate. None of these disclosures are required of the creditor in a first purchase money mortgage transaction (§ 226.8(d)(3)).

Item 3

Item 3(a) is provided to show the annual percentage rate as determined in accordance with § 226.5(b). Item 3(b) is provided to show variable interest provisions (§ 226.8(b)(8)).<sup>1/</sup>

Item 4

This item provides for the disclosure of the repayment terms. The total of payments is an optional disclosure in purchase money first mortgage transactions (§ 226.8(b)(3)). The blank line following the end of item 4 is provided to show any required information or disclosure with respect to balloon payments or other payment irregularities.

Item 5

This item is provided to show the date on which the finance charge begins to accrue if that date differs from the date shown at the top of the form (§ 226.8(b)(1)).

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<sup>1/</sup> Item 3(b) is included to accommodate the proposed amendment § 226.8(b)(8).



Item 6

This item is provided for the disclosure of any late payment, delinquency or reinstatement charges (§ 226.4(c) and § 226.8(b)(4)).

Item 7

Item 7(a) is provided for disclosure of conditions or penalties charged in the event of prepayment of a loan on which interest is computed on the unpaid principal balance (§ 226.8(b)(6)). Item 7(b) is provided to identify the method of rebate of unearned finance charges in the event of prepayment in full of instalment obligations which include precomputed finance charges (§ 226.8(b)(7)).

Item 8

This item is provided to show property damage insurance required as an incident to the credit transaction (§ 226.4(a)(6)). Premiums for such insurance when purchased from the creditor may be excluded from the finance charge when this disclosure is made, including the disclosure of the customer's option.

Item 9

This item is provided to show the creditor's security interests (§ 226.2(z) and § 226.8(b)(5)).

Item 10

This item is included to reference disclosure of the right of rescission in transactions to which this right relates (§ 226.9). The right of rescission does not apply to the creation, retention or assumption of a first lien or equivalent security interest to finance the acquisition of a dwelling in which the customer resides or expects to reside (§ 226.9(g)(1)).

Item 11

This item provides for an optional acknowledgment of the disclosure statement and differentiates between the form given in advance of settlement and the form given on the day of settlement.

This notice is published pursuant to Section 553(b) of Title 5 United States Code, and § 262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 C.F.R. 262.2(a)). To aid in the consideration of these matters by the Board, interested persons are invited to submit relevant data, views, or arguments in writing to the Office of the Secretary, the Board of Governors of the Federal Reserve System, Washington, D. C., 20551, to be received not later than April 16, 1975. Such material will be made available upon request, except as provided in 12 C.F.R. § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors, March 17, 1975.

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Griffith L. Garwood  
Assistant Secretary of the Board

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