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FEDERAL RESERVE BANK OF NEW YORK

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REGULATION Z--TRUTH IN LENDING

To All State Member Banks, and Others Concerned,
in the Second Federal Reserve District:

Enclosed is a pamphlet containing the new Regulation Z, Truth in Lending, of the Board of Governors of the Federal Reserve System, which becomes effective July 1. The regulation and the Consumer Credit Protection Act, which the regulation implements, are printed on the white pages in the center section of the pamphlet; the buff-colored pages contain other information relating to the regulation.

For those State member banks with one or more branches, also enclosed are sufficient copies of the pamphlet to provide for distribution of one to each branch.

Additional copies of the pamphlet will be furnished upon request.

Alfred Hayes,
President.

What you ought to know about

FEDERAL RESERVE
REGULATION



Truth In Lending Consumer Credit Cost Disclosure

THIS NEW FEDERAL LEGISLATION GOES INTO EFFECT JULY 1, 1969

Errata Sheet for this Pamphlet

Errors appear on three of the buff-colored pages of this pamphlet, as follows:

1. Foot of page 22: Section 226.7 should read section 226.8.
2. Foot of page 26: Paragraphs (b) and (c) of section 226.7 should read paragraphs (b) and (d) of section 226.8.
3. Last line of page 27: Two references to (c)(6) should both read (d)(2).

About This Pamphlet

If you extend consumer credit, then you must become familiar with Regulation Z on Truth in Lending. You will be responsible, as a creditor, for complying with the Regulation.

This pamphlet tells you how Regulation Z affects your business. It tells you what you must let your customers know when you offer or extend them consumer credit—including agricultural credit and real estate credit.

Here is what you'll find on the following pages:

- List of Federal Agencies that will enforce Regulation Z—as well as give you more information.
- Questions and Answers—answers to some of the questions you may ask. There are six sections: (1) general questions (2) finance charges and annual percentage rate (3) open end credit (4) loans and other types of credit (5) real estate credit and rescission (6) the advertising of credit. At the end of each answer you will find a reference to the section of Regulation Z that applies.
- Model forms to guide you.
- Example of a table.
- Regulation Z and the Law reprinted in its entirety—in center section.

Please note that the outside pamphlet material has been stated as simply and clearly as possible. **However, for exact information on what you must do to comply with the law, you must read thoroughly the applicable sections of Regulation Z.**

This new Regulation comes into effect on July 1, 1969, and covers exactly what you must disclose in writing to your customers and clients when you extend, arrange or just offer them credit.

Its Purpose

The purpose of Regulation Z is to let borrowers and customers know the cost of your credit so that they can compare your costs with those of other credit sources and avoid the uninformed use of credit. Regulation Z does not fix maximum, minimum, or any charges for credit.

Two Important Points to Bear in Mind

The *finance charge* and the *annual percentage rate* are really the two most important disclosures required by this regulation. They tell your customer, at a glance, how much he is paying for his credit and its relative cost in percentage terms.

The Businesses Affected

Regulation Z applies to: banks, savings and loan associations, department stores, credit card issuers, credit unions, automobile dealers, consumer finance companies, residential mortgage brokers, and craftsmen—such as plumbers and electricians. It also applies to doctors, dentists and other professional people, and hospitals. In fact to any individual or organization that extends or arranges credit for which a finance charge is or may be payable or which is repayable in more than four installments.

Material in this pamphlet has been prepared by the Board of Governors of the Federal Reserve System.

Enforcement

Specific responsibilities for enforcement of Regulation Z are divided among nine Federal agencies. A complete list of these agencies and the types of businesses they cover follows this section.

Penalties Under The Truth in Lending Act

If you fail to make disclosures as required under this legislation, your customer may sue you for twice the amount of the finance charge—for a minimum of \$100, up to a maximum of \$1000—plus court costs and attorney's fees. And if you willfully or knowingly disobey the law or Regulation Z and are convicted you could be fined up to \$5000, or be imprisoned for one year, or both.

New Credit Forms and The Ones You Use Now

If you have taken the proper steps to get any needed new credit forms before July 1, 1969, and find they cannot be delivered to you by that date, then you may be able to use your existing forms. But they must show clearly the information a customer must be given under Regulation Z. You may do this by adding to or altering your forms. However, after December 31, 1969, you may no longer do this.

Annual Percentage Rate—Tables

Figuring out the annual percentage rate of the cost of credit on individual transactions can be very complex in some instances. Chart makers can furnish you with specialized tables to meet your business needs. If you do not have special tables, and wish to obtain a set of tables that apply to all creditors you may write to your nearest Federal Reserve Bank or to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

From these sets of tables you can determine annual percentage rates or the amount of the finance charge for a given rate. Volume I, which costs \$1, provides four tables:

- FRB100—M Covering up to 60 monthly payments with rates from
2% to 61.75%
- FRB200—M Covering 61 to 120 monthly payments with rates from
2% to 41.75%
- FRB300—M Covering 121 to 480 monthly payments with rates from
2% to 21.75%
- FRB100—W Covering up to 104 weekly payments with rates from
2% to 61.75%

Volume II, also available at the cost of \$1, gives another set of tables with instructions, for use with Volume I above. It will help you work out annual percentage rates on irregular payment or multiple advance transactions.

Further Information

If you want more information or have any questions after studying this pamphlet, including Regulation Z, you can get help from the Federal agencies listed on the next page. You'll find trade associations and Chambers of Commerce helpful, too.

Federal Agencies

From the list that follows, you will be able to tell which Federal Agency covers your particular business. Any questions you have should be directed to that agency. These agencies are also responsible for enforcing Regulation Z.

National Banks

Comptroller of the Currency
United States Treasury Department
Washington, D. C. 20220

State Member Banks

Federal Reserve Bank serving the area in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Supervising Examiner for the District in which the non-member insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

The FHLB's Supervising Agent in the Federal Home Loan Bank District in which the institution is located.

Federal Credit Unions

Regional Office of the Bureau of Federal Credit Unions, serving the area in which the Federal Credit Union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D. C. 20428

Creditors Subject to Interstate Commerce Commission

Office of Proceedings
Interstate Commerce Commission
Washington, D. C. 20523

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor.

Retail, Department Stores, Consumer Finance Companies, and All Other Creditors

Truth in Lending
Federal Trade Commission
Washington, D. C. 20580



Some general questions and answers

Q: What types of credit are covered under Regulation Z?

A: Generally, credit you extend to people for personal, family, household or agricultural uses, not exceeding \$25,000.

(Reg. Z/226.2 (k))

But *ALL* real estate credit transactions for these purposes are covered regardless of the amount.

(Reg. Z/226.3 (c))

Q: What types of credit are not covered?

A: The following are not affected by Regulation Z: (Reg. Z/226.3)

1. Business and commercial credit—except agricultural credit.
2. Credit to Federal, State and local governments. (However, governmental units extending credit to individuals are affected by this law.)
3. Transactions in securities and commodities accounts with a broker dealer registered with the Securities & Exchange Commission.
4. Transactions under certain public utility tariffs.
5. Credit over \$25,000—except real estate transactions.

Q: Can a State law be substituted for Regulation Z?

A: Yes it can, provided The Federal Reserve Board makes that determination as provided by law. Any determination made will be published

(Reg. Z/226.12). Creditors should be guided by Reg. Z/226.6 (b) and (c) in the meantime.

Q: What happens if I not only follow Regulation Z but also elect to follow inconsistent State law?

A: In these cases the State disclosure may be shown on a separate sheet. They may also be shown on the same statement as the Federal disclosures. But in this event they must appear separately and below the Federal disclosure, clearly marked that they are inconsistent with the Federal disclosures, and separated by a dividing line. Regulation Z is very specific on these points. (Reg. Z/226.6 (c))

Q: Is any special terminology prescribed?

A: Yes, certain terminology is specified that must be used in making disclosures required by the Regulation. (Reg. Z/226.6 (a); Reg. Z/226.7 (b) (c); Reg. Z/226.8 (b) (c) (d); Reg. Z/226.9 (b); Reg. Z/226.11 (c))

Q: Do disclosures have to be made in the order they appear in the Regulation?

A: No, but they must be listed in an order which will be meaningful to your customer. The examples of forms illustrate ways in which this may be done. (See pages 18 to 29 of this pamphlet.) (Reg. Z/226.6 (a))

Q: What terms are used to describe credit transactions in the Regulation?

A: The Regulation divides all consumer credit transactions into two broad categories; open-end credit, and credit other than open-end. These are discussed in subsequent sections of these Questions and Answers.

Q: How long do I have to keep records?

A: You should keep evidence of compliance for two years. (Reg. Z/226.6 (i))

Q: Will anyone inspect my records?

A: If asked by the proper agency you must show your records relating to disclosure and evidence of compliance. (Reg. Z/226.6 (i))



Some questions and answers on the finance charge and annual percentage rate

Q: What is the finance charge?

A: It is the total of all costs which your customer must pay, directly or indirectly for obtaining credit. (Reg. Z/226.4)

Q: What costs are included in the finance charge?

A: Here are some of the more common items that you must include in your finance charge. See Reg. Z/226.4 for others and for qualifications which apply.

1. Interest.
2. Loan fee.
3. Finders fee or similar charge.
4. Time price differential.
5. Amount paid as a discount.
6. Service, transaction or carrying charge.
7. Points.
8. Appraisal fee (except in real estate transactions).
9. Premium for credit life or other insurance, should you make this a condition for giving credit.
10. Investigation or credit report fee (except in real estate transactions).

Q: Are all costs part of the finance charge?

A: No, some costs which would be paid if credit were not employed may be excluded. However, you must itemize and show them to your customer. (Reg. Z/226.4 gives a complete list.) Here are a few examples:

1. Taxes.
2. License fees.
3. Registration fees.
4. Certain title fees and other legal fees.
5. Some real estate closing fees.

Q: In what form is the finance charge to be shown to the customer?

A: It must be clearly typed or written, stating the dollars and cents total and the annual percentage rate. The words "finance charge" and "annual percentage rate" must stand out especially clear. (Reg. Z/226.6 (a))
In the sale of dwellings, the total dollar finance charge need not be stated, although the annual percentage rate must be included.

Q: What is the annual percentage rate?

A: Simply put, it is the relative cost of credit in percentage terms.
(Reg. Z/226.5 (e))

Q: Are maximum or minimum rates specified in Regulation Z?

A: No. Regulation Z does not fix maximum, minimum, or any charges for credit. But it requires that you show whatever rate you do charge.

Q: Do you ever have a choice about how you state the annual percentage rate?

A: Before Jan. 1, 1971 you have the option to disclose the annual percentage rate in dollar terms. For example—" \$11 finance charge per year per \$100 of unpaid balance." However, beginning Jan. 1, 1971, the rate *must* be stated as a percentage. (Reg. Z/226.6 (j))

Q: How accurate must the annual percentage rate be?

A: Accurate to the nearest one quarter of one percent. (Reg. Z/226.5)

Q: How is the annual percentage rate computed?

A: It depends on whether the credit is *open end* (Reg. Z/226.5 (a)) or *other than open end* credit. (Reg. Z/226.5 (b))



Some questions and answers about open end credit

Q: What is open end credit?

A: Typically it covers most credit cards and revolving charge accounts in retail stores, where finance charges are usually made on unpaid amounts each month. (Reg. Z/226.2 (r); Reg. Z/226.7)

Q: What must an open end credit customer be told under this law?

A: If it is a *new* account, then your customer must receive these specific items in writing to the extent applicable: (Reg. Z/226.7 (a))

1. The conditions under which the finance charge may be imposed and the period in which payment can be made without incurring a finance charge.
2. The method used in determining the balance on which the finance charge is to be made.
3. How the actual finance charge is calculated.
4. The periodic rates used and the range of balances to which each applies.
5. The conditions under which additional charges may be made along with details of how they are calculated.
6. Descriptions of any lien which you may acquire on a customer's property.
7. The minimum payment that must be made on each billing.

Q: What about customers who already have open end accounts on July 1, 1969?

A: The same information must be sent to them by July 31 if the account has an unpaid balance on July 1. Where no balance is owed on that date, the same information must be supplied on or before the first billing that

follows use of the account. (Reg. Z/226.7 (f))

Q: Are periodic statements necessary on open end accounts?

A: Yes, but only where there is an unpaid balance over \$1 or where a finance charge is made. (Reg. Z/226.7 (b))

Q: What sort of information must accompany a monthly statement?

A: Where applicable, you must give customers this information:
(Reg. Z/226.7 (b))

1. The unpaid balance at the start of the billing period.
2. The amount and date of each extension of credit and identification of each item bought.
3. Payments made by a customer and other credits: this includes returns, rebates and adjustments.
4. The finance charge shown in dollars and cents.
5. The rates used in calculating the finance charge plus the range of balances to which they apply.
6. The annual percentage rate.
7. The unpaid balance on which the finance charge was calculated.
8. The closing date of the billing cycle and the unpaid balance at that time.

Q: Where must this information appear?

A: Some items must appear on the actual face of the statement. Others may be shown on the reverse side; or, on a separate form enclosed in the same envelope. (Reg. Z/226.7 (c))

Q: How is the annual percentage rate determined on open end credit?

A: The finance charge is divided by the unpaid balance to which it applies.

This gives the rate per month or whatever time period is used.

The result is multiplied by 12 or the other number of time periods used by you during the year. (Reg. Z/226.5 (a))

Here's an example:

A typical charge of $1\frac{1}{2}\%$ is made on an unpaid balance where bills are sent out monthly. The annual percentage rate would be twelve times $1\frac{1}{2}\%$ or 18%.

Other methods for calculating the annual percentage rate on open end credit are detailed in Reg. Z/226.5 (a) and Reg. Z/226.7 (b) (6).



Some questions and answers about credit other than open end

Q: What types of credit are included?

A: Both loans and sales credit—in every case for a specified period of time where the total amount, number of payments, and due dates are agreed upon by you and your customer. Typically, it is used in buying or financing the purchase of “big ticket” items. A good example is a loan from a finance company to buy an automobile. Another example is credit extended by a store to buy a washing machine, a television set, or other major appliance. It also includes a single payment loan. (Reg. Z/226.8)

Q: What must the credit customer be told in these types of transactions?

A: You must present to your customer in writing the following information as applicable, plus additional information relating to the type of credit extended. (Reg. Z/226.8 (b))

1. The total dollar amount of the finance charge; except in the case of a credit transaction to finance purchase of a dwelling.
2. The date on which the finance charge begins to apply, if this is different from the date of the transaction.
3. The annual percentage rate. (For exception see Reg. Z/226.8 (b) (2) (i) (ii))
4. The number, amounts and due dates of payments.
5. The total payments—except in the case of first mortgages on dwelling purchases.
6. The amount you charge for any default, delinquency, etc. or method you use for calculating that amount.

7. Description of any security you will hold.
8. Description of any penalty charge for prepayment of principal.
9. How the unearned part of the finance charge is calculated in the case of prepayment. Charges deducted from any rebate or refund must be stated.

Q: Are there any other things customers must be told?

A: That depends on the transaction—whether it is a loan or a credit sale:

Q: In the case of a loan, what do I have to tell my customers?

A: In addition to the information given your customer, as previously indicated, you must also provide this information: (Reg. Z/226.8 (d))

1. The amount of credit to be given to your customer. This includes all charges which are part of the amount of credit extended but are not a part of the finance charge. This information must be itemized.
2. Amounts that are deducted as prepaid finance charges and required deposit balances.

Q: Regarding credit sales, what additional information do I give these customers?

A: Again, you must give your customers all the information in the answer to the second question in this section, and the following additional information as applicable: (Reg. Z/226.8 (c))

1. The cash price
2. The down payment, including trade-in
3. The difference between the two
4. All other charges, itemized, that are included in the amount financed but not part of the finance charge
5. The unpaid balance
6. Amounts deducted as prepaid finance charges or required deposit balances
7. The amount financed
8. The total cash price, finance and all other charges. (This does not apply to the sale of a dwelling.)

Q: When must customers receive all this information on loan or credit sales?

A: Before the credit is extended. (Reg. Z/226.8 (a))

Q: Must this information be given to customers in writing?

A: Yes. You must include the information on the face of the note or other instrument evidencing the obligation, or on a separate sheet that identifies the transaction. (Reg. Z/226.8 (a))

Q: Are monthly statements required?

A. No. But if you do send out monthly statements, you must show clearly

the annual percentage rate, and the period in which a payment must be made to avoid late charges. (Reg. Z/226.8 (n))

Q: How is the annual percentage rate calculated on loans or credit other than open end?

A: By the actuarial method—payments are applied first to interest due and any remainder is then applied to reduce principal. (Reg. Z/226.5 (b))

Q. What are examples of the actuarial method?

A: Here are two simple examples:

1. A bank loan of \$100 repayable in equal monthly installments over one year is made, at a 6% add-on finance charge. The annual percentage rate would be 11%. The borrower would repay \$106 over one year. He would only have use of the full \$100 until he made his first payment, and less and less each month as payments are made. The effect is that the actual annual percentage rate is almost twice the add-on percentage rate.
2. Using the same example as above with the 6% finance charge discounted in advance. The annual percentage rate would be 11½% because the customer would only receive \$94 and have to repay \$100. He would have full use of only \$94 of the loan up to the time he makes his first payment.

Q: But isn't the actuarial method very complicated?

A: Yes, it is. Recognizing this, the Federal Reserve Board has prepared tables showing the annual percentage rate based on the finance charge and the number of weekly or monthly payments to be made. These tables are available from the Federal Reserve Board and Federal Reserve Banks at a nominal cost. (Reg. Z/226.5 (c))

Q: Must I use the Board's Annual Percentage Rate tables?

A: No. You may wish to purchase specially prepared tables for your type of business from one of several table or chart publishers. Trade associations and financial institutions can be helpful also. (Reg. Z/226.5 (c) (2))

Q: Must the creditor always show the annual percentage rate?

A: Generally yes, except that on credit other than open end credit, if the finance charge is \$5 or less, and applies to credit of \$75 or less, it need not be shown. The same exception applies to a finance charge of \$7.50 or less on credit of more than \$75. (Reg. Z/226.8 (b) (2) (i) & (ii))

Z

Some questions and answers about real estate

Q: Is real estate credit covered under Regulation Z?

A: Yes. All real estate credit *in any amount* is covered under this Regulation when it is to an individual and not for business purposes, unless the business purpose is agriculture.

Q: Does real estate credit cover more than mortgages?

A: Yes, very definitely. Any credit transaction that involves any type of security interest in real estate of a consumer is covered.
(Reg. Z/226.2 (w), (x) (y) & (z))

Q: Are there any special provisions that apply to real estate credit?

A: Two basic points:

1. You do not have to show the total dollar amount of the finance charge on a credit sale or first mortgage loan to finance the purchase of the customer's dwelling. (Reg. Z/226.8 (c) (8) and (d) (3))
2. In many instances, your customer has the right to cancel a credit arrangement within three business days if his residence is used as collateral for credit. (Reg. Z/226.9)

Q: Must a creditor inform his customer of the right to cancel?

A: Yes. He must furnish the Notice prescribed by the Regulation.
(Reg. Z/226.9 (b))

Q: What must the customer do to cancel a transaction under the Regulation?

A: A customer may cancel a transaction

1. By signing and dating the Notice to customer required by Federal law, which he receives from the creditor, *and* either
(a) mailing the Notice to the creditor at the address shown on the Notice,

- or* (b) delivering the Notice to the creditor at the address shown on the Notice either personally or by messenger (or by other agents),
- or* 2. by sending a telegram to the creditor at the address shown on the Notice. A brief description of the transaction which the customer wishes to cancel should be included in the telegram.
- or* 3. by preparing a letter (or other writing) which includes a brief description of the transaction which he wishes to cancel, *and* either (a) mailing the letter (or other writing) to the creditor at the address shown on the Notice.
- or* (b) delivering the letter (or other writing) to the creditor at the address shown on the Notice either personally or by messenger (or by other agents).

Q: What if the customer telephones that he is going to cancel?

A: *A telephone call to the creditor may not be used to cancel a transaction; WRITTEN notice of cancellation is required.* If the customer takes one of the above steps to cancel within the three day period, he has effectively cancelled the transaction.

Q: What if I haven't received the notice of cancellation in three days?

A: You should allow time for a mailed letter or telegram sent within the three day period to be delivered, and determine that your customer has not cancelled the transaction.

Q: Does this right of cancellation apply to a first mortgage on a residence?

A: A first mortgage to finance the purchase of your customer's residence carries no right to cancel. *However*, a first mortgage for any other purpose and a second mortgage on the same residence may be cancelled.
(Reg. Z/226.9 (g))

Q: What happens regarding cancellation in the case of a mechanic's lien or similar security interest acquired by a craftsman who works on credit?

A: Take a craftsman, for example, who charges his customers a finance charge or allows payment in more than four installments. His customer does have a right to cancel, but only within three business days. Unless there is an emergency the craftsman should wait three days before starting work.
(Reg. Z/226.9 (c))

Q: Suppose a customer needs emergency repairs and cannot wait for three days?

A: A customer may waive his right to cancel a credit agreement if credit is needed to meet a bonafide personal financial emergency and if failure to start repairs would endanger him, his family, or his property.
(Reg. Z/226.9 (e))

Continued on page 17 of this section, following the printed Regulation (white pages).

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

TRUTH IN LENDING

REGULATION



(12 CFR 226)
Effective July 1, 1969

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REGULATION



(12 CFR 226)
Effective July 1, 1969

TRUTH IN LENDING

REGULATION *

SECTION 226.1—AUTHORITY, SCOPE, PURPOSE, ETC.

(a) **Authority, scope, and purpose.** (1) This Part comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to Title I (Truth in Lending Act) and Title V (General Provisions) of the Consumer Credit Protection Act (Public Law 90-321; 82 Stat. 146 et seq.) Except as otherwise provided herein, this Part applies to all persons who in the ordinary course of business regularly extend, or offer to extend, or arranges, or offer to arrange, for the extension of consumer credit as defined in paragraph (k) of § 226.2.

(2) This Part implements the Act, the purpose of which is to assure that every customer who has need for consumer credit is given meaningful information with respect to the cost of that credit which, in most cases, must be expressed in the dollar amount of finance charge, and as an annual percentage rate computed on the unpaid balance of the amount financed. Other relevant credit information must also be disclosed so that the customer may readily compare the various credit terms available to him from different sources and avoid the uninformed use of credit. This Part

also implements the provision of the Act under which a customer has a right in certain circumstances to cancel a credit transaction which involves a lien on his residence. Advertising of consumer credit terms must comply with specific requirements, and certain credit terms may not be advertised unless the creditor usually and customarily extends such terms. Neither the Act nor this Part is intended to control charges for consumer credit, or interfere with trade practices except to the extent that such practices may be inconsistent with the purpose of the Act.

(b) **Administrative enforcement.** (1) As set forth more fully in section 108 of the Act, administrative enforcement of the Act and this part with respect to certain creditors is assigned to the Comptroller of the Currency, Board of Directors of the Federal Deposit Insurance Corporation, Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), Director of the Bureau of Federal Credit Unions, Interstate Commerce Commission, Civil Aeronautics Board, Secretary of Agriculture, and Board of Governors of the Federal Reserve System.

(2) Except to the extent that administrative enforcement is specifically committed to other authorities, compliance with the requirements imposed under the Act and this part will be enforced by the Federal Trade Commission.

* This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 226, cited as 12 CFR 226. The words "this Part", as used herein, mean Regulation Z.

(c) **Penalties and liabilities.** Section 112 of the Act provides for criminal liability for willful and knowing failure to comply with any requirement imposed under the Act and this Part, and section 130 of the Act provides for civil liability on the part of any creditor who fails to disclose any information required under Chapter 2 of the Act and under the corresponding provisions of this Part. Pursuant to section 108 of the Act, violations of the Act or this Part constitute violations of other Federal laws which may provide further penalties.

SECTION 226.2—DEFINITIONS AND RULES OF CONSTRUCTION

For the purposes of this Part, unless the context indicates otherwise, the following definitions and rules of construction apply:

(a) **“Act”** refers to the Truth in Lending Act (Title I of the Consumer Credit Protection Act).

(b) **“Advertisement”** means any commercial message in any newspaper, magazine, leaflet, flyer or catalog, on radio, television or public address system, in direct mail literature or other printed material, on any interior or exterior sign or display, in any window display, in any point-of-transaction literature or price tag which is delivered or made available to a customer or prospective customer in any manner whatsoever.

(c) **“Agricultural purpose”** means a purpose related to the production, harvest, exhibition, marketing, transportation, processing, or manufacture of agricultural products by a natural person who cultivates, plants, propagates, or nurtures those agricultural products. “Agricultural products” includes agricultural, horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish, and any products thereof, including processed and manufactured products, and any and all products raised or produced on farms and any processed or manufactured products thereof.

(d) **“Amount financed”** means the amount of credit of which the customer will have the actual use determined in accordance with paragraphs (c)(7) and (d)(1) of § 226.8.

(e) **“Annual percentage rate”** means the annual percentage rate, of finance charge determined in accordance with § 226.5.

(f) **“Arrange for the extension of credit”** means to provide or offer to provide consumer credit

which is or will be extended by another person under a business or other relationship pursuant to which the person arranging such credit receives or will receive a fee, compensation, or other consideration for such service or has knowledge of the credit terms and participates in the preparation of the contract documents required in connection with the extension of credit. It does not include honoring a credit card or similar device where no finance charge is imposed at the time of that transaction.

(g) **“Billing cycle”** means the time interval between regular periodic billing statement dates. Such intervals may be considered equal intervals of time unless a billing date varies more than 4 days from the regular date.

(h) **“Board”** refers to the Board of Governors of the Federal Reserve System.

(i) **“Cash price”** means the price at which the creditor offers, in the ordinary course of business, to sell for cash the property or services which are the subject of a consumer credit transaction. It may include the cash price of accessories or services related to the sale such as delivery, installation, alterations, modifications, and improvements, and may include taxes to the extent imposed on the cash sale, but shall not include any other charges of the types described in § 226.4.

(j) **“Comparative Index of Credit Cost”** means the relative measure of the cost of credit under an open end credit account, computed in accordance with § 226.11, and is the expression of the “average effective annual percentage rate of return” and the “projected rate of return” which appear in section 127(a)(5) of the Act.

(k) **“Consumer credit”** means credit offered or extended to a natural person, in which the money, property, or service which is the subject of the transaction is primarily for personal, family, household, or agricultural purposes and for which either a finance charge is or may be imposed or which, pursuant to an agreement, is or may be payable in more than 4 instalments. “Consumer loan” is one type of “consumer credit.”

(l) **“Credit”** means the right granted by a creditor to a customer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment therefor. (See also paragraph (bb) of this section.)

(m) **“Creditor”** means a person who in the ordinary course of business regularly extends or

arranges for the extension of consumer credit, or offers to extend or arrange for the extension of such credit.

(n) **"Credit sale"** means any sale with respect to which consumer credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or for a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

(o) **"Customer"** means a natural person to whom consumer credit is offered or to whom it is or will be extended, and includes a comaker, endorser, guarantor, or surety for such natural person who is or may be obligated to repay the extension of consumer credit.

(p) **"Dwelling"** means a residential-type structure which is real property and contains one or more family housing units, or a residential condominium unit wherever situated.

(q) **"Finance charge"** means the cost of credit determined in accordance with § 226.4.

(r) **"Open end credit"** means consumer credit extended on an account pursuant to a plan under which (1) the creditor may permit the customer to make purchases or obtain loans, from time to time, directly from the creditor or indirectly by use of a credit card, check, or other device, as the plan may provide; (2) the customer has the privilege of paying the balance in full or in instalments; and (3) a finance charge may be computed by the creditor from time to time on an outstanding unpaid balance. The term does not include negotiated advances under an open end real estate mortgage or a letter of credit.

(s) **"Organization"** means a corporation, trust, estate, partnership, cooperative, association, government, or governmental subdivision, agency, or instrumentality.

(t) **"Period"** means a day, week, month, or other subdivision of a year.

(u) **"Periodic rate"** means a percentage rate of finance charge which, under an open end credit plan, is or may be imposed by a creditor against a balance for a period. (See also § 226.5(a)(3).)

(v) **"Person"** means a natural person or an organization.

(w) **"Real property"** means property which is real property under the law of the State in which it is located.

(x) **"Real property transaction"** means an extension of credit in connection with which a security interest in real property is or will be retained or acquired.

(y) **"Residence"**, means any real property in which the customer resides or expects to reside. The term includes a parcel of land on which the customer resides or expects to reside.

(z) **"Security interest"** and **"security"** mean any interest in property which secures payment or performance of an obligation. The terms include, but are not limited to, security interests under the Uniform Commercial Code, real property mortgages, deeds of trust, and other consensual or confessed liens whether or not recorded, mechanic's, materialmen's, artisan's, and other similar liens, vendor's liens in both real and personal property, the interest of a seller in a contract for the sale of real property, any lien on property arising by operation of law, and any interest in a lease when used to secure payment or performance of an obligation.

(aa) **"State"** means any State, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

(bb) Unless the context indicates otherwise, "credit" shall be construed to mean "consumer credit," "loan" to mean "consumer loan," and "transaction" to mean "consumer credit transaction."

(cc) A transaction shall be considered consummated at the time a contractual relationship is created between a creditor and a customer irrespective of the time of performance of either party.

(dd) Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the intent of any provision of this part may be drawn from them.

SECTION 226.3—EXEMPTED TRANSACTIONS

This Part does not apply to the following:

(a) **Business or governmental credit.** Extensions of credit to organizations, including governments, or for business or commercial purposes, other than agricultural purposes.

(b) **Certain transactions in security or commodities accounts.** Transactions in securities or commodities accounts with a broker-dealer registered with the Securities and Exchange Commission.

(c) **Non-real property credit over \$25,000.** Credit transactions, other than real property transactions, in which the amount financed¹ exceeds \$25,000, or in which the transaction is pursuant to an express written commitment by the creditor to extend credit in excess of \$25,000.

(d) **Certain public utility bills.** Transactions under public utility tariffs involving services provided through pipe, wire, or other connected facilities, if the charges for such public utility services, the charges for delayed payment, and any discount allowed for early payment are filed with, reviewed by, or regulated by an agency of the Federal Government, a State, or a political subdivision thereof.

SECTION 226.4—DETERMINATION OF FINANCE CHARGE

(a) **General rule.** Except as otherwise provided in this section, the amount of the finance charge in connection with any transaction shall be determined as the sum of all charges, payable directly or indirectly by the customer, and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, whether paid or payable by the customer, the seller, or any other person on behalf of the customer to the creditor or to a third party, including any of the following types of charges:

(1) Interest, time price differential, and any amount payable under a discount or other system of additional charges.

(2) Service, transaction, activity, or carrying charge.²

(3) Loan fee, points, finder's fee, or similar charge.

(4) Fee for an appraisal, investigation, or credit report.

(5) Charges or premiums for credit life, accident, health, or loss of income insurance, written

¹ For this purpose, the amount financed is the amount which is required to be disclosed under § 226.8 (c) (7), or (d) (1), as applicable, or would be so required if the transaction were subject to this Part.

² These charges include any charges imposed by the creditor in connection with a checking account to the extent that such charges exceed any charges the customer is required to pay in connection with such an account when it is not being used to extend credit.

in connection with³ any credit transaction unless

(i) the insurance coverage is not required by the creditor and this fact is clearly and conspicuously disclosed in writing to the customer; and

(ii) any customer desiring such insurance coverage gives specific dated and separately signed affirmative written indication of such desire after receiving written disclosure to him of the cost of such insurance.

(6) Charges or premiums for insurance, written in connection with⁴ any credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, unless a clear, conspicuous, and specific statement in writing is furnished by the creditor to the customer setting forth the cost of the insurance if obtained from or through the creditor and stating that the customer may choose the person through which the insurance is to be obtained.⁵

(7) Premium or other charge for any other guarantee or insurance protecting the creditor against the customer's default or other credit loss.

(8) Any charge imposed by a creditor upon another creditor for purchasing or accepting an obligation of a customer if the customer is required to pay any part of that charge in cash, as an addition to the obligation, or as a deduction from the proceeds of the obligation.

(b) **Itemized charges excludable.** If itemized and disclosed to the customer, any charges of the following types need not be included in the finance charge:

(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

³ A policy of insurance owned by the customer, which is assigned to the creditor or otherwise made payable to the creditor to satisfy a requirement imposed by the creditor, is not insurance "written in connection with" a credit transaction if the policy was not purchased by the customer for the purpose of being used in connection with that extension of credit.

⁴ A policy of insurance owned by the customer, which is assigned to the creditor or otherwise made payable to the creditor to satisfy a requirement imposed by the creditor, is not insurance "written in connection with" a credit transaction if the policy was not purchased by the customer for the purpose of being used in connection with that extension of credit.

⁵ A creditor's reservation or exercise of the right to refuse to accept an insurer offered by the customer, for reasonable cause, does not require inclusion of the premium in the finance charge.

(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in subparagraph (1) of this paragraph which would otherwise be payable.

(3) Taxes not included in the cash price.

(4) License, certificate of title, and registration fees imposed by law.

(c) **Late payment, delinquency, default, and reinstatement charges.** A late payment, delinquency, default, reinstatement, or other such charge is not a finance charge if imposed for actual unanticipated late payment, delinquency, default or other such occurrence.

(d) **Overdraft charges.** A charge imposed by a bank for paying checks which overdraw or increase an overdraft in a checking account is not a finance charge unless the payment of such checks and the imposition of such finance charge were previously agreed upon in writing.

(e) **Excludable charges, real property transactions.** The following charges in connection with any real property transaction, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this Part, shall not be included in the finance charge with respect to that transaction:

(1) Fees or premiums for title examination, abstract of title, title insurance, or similar purposes and for required related property surveys.

(2) Fees for preparation of deeds, settlement statements, or other documents.

(3) Amounts required to be placed or paid into an escrow or trustee account for future payments of taxes, insurance, and water, sewer, and land rents.

(4) Fees for notarizing deeds and other documents.

(5) Appraisal fees.

(6) Credit reports.

(f) **Prohibited offsets.** Interest, dividends, or other income received or to be received by the customer on deposits or on investments in real or personal property in which a creditor holds a security interest shall not be deducted from the amount of the finance charge or taken into consideration in computing the annual percentage rate.

(g) **Demand obligations.** Obligations other than those debited to an open end credit account which are payable on demand shall be considered to have a maturity of one-half year for the purpose of computing the amount of the finance charge and the annual percentage rate, except that where such an obligation is alternatively payable upon a stated maturity, the stated maturity shall be used for the purpose of such computations.

(h) **Computation of insurance premiums.** If any insurance premium is required to be included as a part of the finance charge, the amount to be included shall be the premium for coverage extending over the period of time the creditor will require the customer to maintain such insurance. For this purpose, rates and classifications applicable at the time the credit is extended shall be applied over the full time during which coverage is required, unless the creditor knows or has reason to know that other rates or classifications will be applicable, in which case such other rates or classifications shall be used to the extent appropriate.

SECTION 226.5—DETERMINATION OF ANNUAL PERCENTAGE RATE

(a) **General rule—open end credit accounts.** The annual percentage rates for open end credit accounts shall be computed so as to permit disclosure with an accuracy at least to the nearest quarter of 1 per cent. Such rate or rates shall be determined in accordance with § 226.7(a)(4) for purposes of disclosure before opening an account, § 226.10(c)(4) for purposes of advertising, and in the following manner for purposes of disclosure on periodic statements:

(1) Where the finance charge is exclusively the product of the application of one or more periodic rates

(i) by multiplying each periodic rate by the number of periods in a year; or

(ii) at the creditor's option, if the finance charge is the result of the application of two or more periodic rates, by dividing the total finance charge for the billing cycle by the sum of the balances to which the periodic rates were applied and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year.

(2) Where the creditor imposes all periodic finance charges in amounts based on specified ranges or brackets of balances, the periodic rate

shall be determined by dividing the amount of the finance charge for the period by the amount of the median balance within the range or bracket of balances to which it is applicable, and the annual percentage rate shall be determined by multiplying that periodic rate (expressed as a percentage) by the number of periods in a year. Such ranges or brackets of balances shall be subject to the limitations prescribed in subdivision (iv) of paragraph (c)(2) of this section.

(3) Where the finance charge is or includes a minimum, fixed, or other charge not due to the application of a periodic rate, and

(i) exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, by dividing the total finance charge for the billing cycle by the amount of the balance to which applicable and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year; or

(ii) does not exceed 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, by multiplying each applicable periodic rate by the number of periods in a year, irrespective of the imposition of such minimum, fixed, or other charge.

(b) **General rule—other credit.** Except as otherwise provided in this section, the annual percentage rate applicable to any extension of credit, other than open end credit, shall be that nominal annual percentage rate determined as follows:

(1) In accordance with the actuarial method of computation so that it may be disclosed with an accuracy at least to the nearest quarter of 1 per cent. The mathematical equation and technical instructions for determining the annual percentage rate in accordance with the requirements of this paragraph are set forth in Supplement I to Regulation Z which is incorporated in this Part by reference. Supplement I to Regulation Z may be obtained from any Federal Reserve Bank or from the Board in Washington D.C., 20551, upon written request.

(2) At the option of the creditor, by application of the United States Rule so that it may be disclosed with an accuracy at least to the nearest quarter of 1 per cent. Under this rule, the finance charge is computed on the unpaid balance for the actual time the balance remains unpaid and

if the amount of a payment is insufficient to pay the accumulated finance charge, the unpaid accumulated finance charge continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the amount financed.

(c) **Charts and tables.** (1) The Regulation Z Annual Percentage Rate Tables produced by the Board may be used to determine the annual percentage rate, and any such rate determined from these tables in accordance with instructions contained therein will comply with the requirements of this section. Volume I contains table FRB—100-M covering 1 to 60 monthly payments, table FRB—200-M covering 61 to 120 monthly payments, table FRB—300-M covering 121 to 480 monthly payments, and table FRB—100-W covering 1 to 104 weekly payments. Volume I also contains instructions for use of the tables in regular transactions and most irregular transactions which involve only odd first and final payments and odd first payment periods. Volume II contains factor tables and instructions for their use in connection with the tables in Volume I in the computation of annual percentage rates in any type of irregular payment or payment period transaction and in transactions involving multiple advances. Each volume is available from the Board in Washington, D.C., 20551, and the Federal Reserve Banks.

(2) Any chart or table other than the Board's Regulation Z Annual Percentage Rate Tables also may be utilized for the purpose of determining the annual percentage rate provided:

(i) It is prepared in accordance with the general rule set forth in paragraph (b)(1) or (2) of this section;

(ii) It bears the name and address of the person responsible for its production, an identification number assigned to it by that person which shall be the same for each chart or table so produced with like numerical content and configuration and, if prepared for use in connection with irregular transactions, an identification of the method of computation ("Actuarial" or "U.S. Rule");

(iii) Except as provided in subdivision (iv) of this subparagraph, it permits determination of the annual percentage rate to the nearest one-quarter of 1 per cent for the range of rates covered by the chart or table; and

(iv) If applicable to ranges or brackets of balances, it discloses the amount of the finance

charge and the annual percentage rate on the median balance within each range or bracket of balances where a creditor imposes the same finance charge for all balances within a specified range or bracket of balances, and provided further that if the annual percentage rate determined on the median balance understates the annual percentage rate determined on the lowest balance in that range or bracket by more than 8 per cent of the rate on the lowest balance, then the annual percentage rate for that range or bracket shall be computed upon any balance lower than the median balance within that range so that any understatement will not exceed 8 per cent of the rate on the lowest balance within that range or bracket of balances.

(3) In the event an error in disclosure of the amount of a finance charge or an annual percentage rate occurs because of a corresponding error in a chart or table acquired or produced in good faith by the creditor, that error in disclosure shall not, in itself, be considered a violation of this Part provided that upon discovery of the error, that creditor makes no further disclosure based on that chart or table and promptly notifies the Board or a Federal Reserve Bank in writing of the error and identifies the inaccurate chart or table by giving the name and address of the person responsible for its production and its identification number.

(d) **Minor irregularities.** In determining the annual percentage rate a creditor may, at his option, consider the payment irregularities set forth in this paragraph as if they were regular in amount or time, as applicable, provided that the transaction to which they relate is otherwise payable in equal instalments scheduled at equal intervals.

(1) If the period from the date on which the finance charge begins to accrue and the date the final payment is due is not less than 3 months in the case of weekly payments, 6 months in the case of biweekly or semimonthly payments, or 1 year in the case of monthly payments, either or both of the following:

(i) The amount of 1 payment other than any downpayment is not more than 50 per cent greater nor 50 per cent less than the amount of a regular payment; or

(ii) The interval between the date on which the finance charge begins to accrue and the date the first payment is due is not less than 5 days for

an obligation otherwise payable in weekly instalments, not less than 10 days for an obligation otherwise payable in biweekly or semi-monthly instalments, or not less than 20 days for an obligation otherwise payable in monthly instalments.

(2) If the period from the date on which the finance charge begins to accrue and the date the final payment is due is less than 3 months in the case of weekly payments, 6 months in the case of biweekly or semimonthly payments, or 1 year in the case of monthly payments, either or both of the following:

(i) The amount of 1 payment other than any downpayment is not more than 25 per cent greater nor 25 per cent less than the amount of a regular payment; or

(ii) The interval between the date on which the finance charge begins to accrue and the date the first payment is due is not less than 6 days for an obligation otherwise payable in weekly instalments, not less than 12 days for an obligation otherwise payable in biweekly or semimonthly instalments, or not less than 25 days for an obligation otherwise payable in monthly instalments.

(e) **Approximation of annual percentage rate—other credit.** In an exceptional instance when circumstances may leave a creditor with no alternative but to determine an annual percentage rate applicable to an extension of credit other than open end credit by a method other than those prescribed in paragraphs (b) or (c) of this section, the creditor may utilize the constant ratio method of computation provided such use is limited to the exceptional instance and is not for the purpose of circumvention or evasion of the requirements of this Part. Any provision of State law authorizing or requiring the use of the constant ratio method or any method of computing a percentage rate other than those prescribed in paragraphs (b) and (c) of this section does not justify failure of the creditor to comply with the provisions of those paragraphs, as applicable.

SECTION 226.6—GENERAL DISCLOSURE REQUIREMENTS

(a) **Disclosures; general rule.** The disclosures required to be given by this Part shall be made clearly, conspicuously, in meaningful sequence, in accordance with the further requirements of this section, and at the time and in the terminology

prescribed in applicable sections. Where the terms "finance charge" and "annual percentage rate" are required to be used, they shall be printed more conspicuously than other terminology required by this Part. Except with respect to the requirements of § 226.10, all numerical amounts and percentages shall be stated in figures and shall be printed in not less than the equivalent of 10 point type, .075 inch computer type, or elite size typewritten numerals, or shall be legibly handwritten.

(b) **Inconsistent State requirements.** With respect to disclosures required by this Part, State law is inconsistent with the requirements of the Act and this Part, within the meaning of section 111(a) of the Act, to the extent that it

(1) Requires a creditor to make disclosures different from the requirements of this Part with respect to form, content, terminology, or time of delivery;

(2) Requires disclosure of the amount of the finance charge determined in any manner other than that prescribed in § 226.4; or

(3) Requires disclosure of the annual percentage rate of the finance charge determined in any manner other than that prescribed in § 226.5.

(c) **Additional information.** At the creditor's option, additional information or explanations may be supplied with any disclosure required by this Part, but none shall be stated, utilized, or placed so as to mislead or confuse the customer or contradict, obscure, or detract attention from the information required by this Part to be disclosed. Any creditor who elects to make disclosures specified in any provision of State law which, under paragraph (b) of this section, is inconsistent with the requirements of the Act and this Part may

(1) Make such inconsistent disclosures on a separate paper apart from the disclosures made pursuant to this Part, or

(2) Make such inconsistent disclosures on the same statement on which disclosures required by this Part are made; provided:

(i) All disclosures required by this Part appear separately and above any other disclosures,

(ii) Disclosures required by this Part are identified by a clear and conspicuous heading indicating that they are made in compliance with Federal law, and

(iii) All inconsistent disclosures appear separately and below a conspicuous demarcation line, and are identified by a clear and con-

spicuous heading indicating that the statements made thereafter are inconsistent with the disclosure requirements of the Federal Truth in Lending Act.

(d) **Multiple creditors; joint disclosure.** If there is more than one creditor in a transaction, each creditor shall be clearly identified and shall be responsible for making only those disclosures required by this Part which are within his knowledge and the purview of his relationship with the customer. If two or more creditors make a joint disclosure, each creditor shall be clearly identified. The disclosures required under paragraphs (b) and (c) of § 226.8 shall be made by the seller if he extends or arranges for the extension of credit. Otherwise disclosures shall be made as required under paragraphs (b) and (d) of § 226.8.

(e) **Multiple customers; disclosure to one.** In any transaction other than a transaction which may be rescinded under the provisions of § 226.9, if there is more than one customer, the creditor need furnish a statement of disclosures required by this Part to only one of them other than an endorser, comaker, guarantor, or a similar party.

(f) **Unknown information estimate.** If at the time disclosures must be made, an amount or other item of information required to be disclosed, or needed to determine a required disclosure, is unknown or not available to the creditor, and the creditor has made a reasonable effort to ascertain it, the creditor may use an estimated amount or an approximation of the information, provided the estimate or approximation is clearly identified as such, is reasonable, is based on the best information available to the creditor, and is not used for the purpose of circumventing or evading the disclosure requirements of this Part.

(g) **Effect of subsequent occurrence.** If information disclosed in accordance with this Part is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this Part.⁶

⁶ Such acts, occurrences, or agreements include the failure of the customer to perform his obligations under the contract and such actions by the creditor as may be proper to protect his interests in such circumstances. Such failure may result in the liability of the customer to pay delinquency charges, collection costs, or expenses of the creditor for perfection or acquisition of any security interest or amounts advanced by the creditor on behalf of the customer in connection with insurance, repairs to or preservation of collateral.

(h) **Overstatement.** The disclosure of the amount of the finance charge or a percentage which is greater than the amount of the finance charge or percentage required to be disclosed under this Part does not in itself constitute a violation of this Part: *Provided*, That the overstatement is not for the purpose of circumvention or evasion of disclosure requirements.

(i) **Preservation and inspection of evidence of compliance.** Evidence of compliance with the requirements imposed under this Part, other than advertising requirements under § 226.10, shall be preserved by the creditor for a period of not less than 2 years after the date each disclosure is required to be made. Each creditor shall, when directed by the appropriate administrative enforcement authority designated in section 108 of the Act, permit that authority or its duly authorized representative to inspect its relevant records and evidence of compliance with this Part.

(j) **Percentage rate as dollars per hundred.** Prior to January 1, 1971, any rate required under this Part to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars using the term "dollars finance charge per year per \$100 of unpaid balance." (For example, an add-on finance charge of 4 per cent per year on an obligation payable in 36 equal monthly instalments is equivalent to an annual percentage rate, rounded to the nearest quarter of 1 per cent, of 7.50 per cent which may be stated as "\$7.50 finance charge per year per \$100 of unpaid balance.")

(k) **Transition period.** Any creditor who can demonstrate that he has taken bona fide steps, prior to July 1, 1969, to obtain printed forms which are necessary to comply with requirements of this Part may, until such forms are received but in no event later than December 31, 1969, utilize existing supplies of printed forms for the purpose of complying with the disclosure requirements of this Part, other than the requirements of paragraph (b) of § 226.9: *Provided*, That such forms are altered or supplemented as necessary to assure that all of the items of information the creditor is required to disclose to the customer are set forth clearly and conspicuously.

SECTION 226.7—OPEN END CREDIT ACCOUNTS—SPECIFIC DISCLOSURES

(a) **Opening new account.** Before the first transaction is made on any open end credit account, the creditor shall disclose to the customer in a single written statement, which the customer may retain, in terminology consistent with the requirements of paragraph (b) of this section, each of the following items, to the extent applicable:

(1) The conditions under which a finance charge may be imposed, including an explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge may be imposed.

(3) The method of determining the amount of the finance charge, including the method of determining any minimum, fixed, check service, transaction, activity, or similar charge, which may be imposed as a finance charge.

(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(5) If the creditor so elects, the Comparative Index of Credit Cost in accordance with § 226.11.

(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended on the account, and a description or identification of the type of the interest or interests which may be so retained or acquired.

(8) The minimum periodic payment required.

(b) **Periodic statements required.** Except in the case of an account which the creditor deems to be uncollectable or with respect to which delinquency collection procedures have been instituted, the creditor of any open end credit account shall mail or deliver to the customer, for each billing cycle at the end of which there is an outstanding debit balance in excess of \$1 in that account or with respect to which a finance charge is imposed, a statement or statements which the customer may retain, setting forth in accordance with paragraph (c) of this section each of the following items to the extent applicable:

(1) The outstanding balance in the account at the beginning of the billing cycle, using the term "previous balance."

(2) The amount and date of each extension of credit or the date such extension of credit is debited to the account during the billing cycle and, unless previously furnished, a brief identification⁷ of any goods or services purchased or other extension of credit.

(3) The amounts credited to the account during the billing cycle for payments, using the term "payments," and for other credits including returns, rebates of finance charges, and adjustments, using the term "credits," and unless previously furnished, a brief identification⁸ of each of the items included in such other credits.

(4) The amount of any finance charge, using the term "finance charge," debited to the account during the billing cycle, itemized and identified to show the amounts, if any, due to the application of periodic rates and the amount of any other charge included in the finance charge, such as a minimum, fixed, check service, transaction, activity, or similar charge,⁹ using appropriate descriptive terminology.

(5) Each periodic rate, using the term "periodic rate" (or "rates"), that may be used to compute the finance charge (whether or not applied during the billing cycle), and the range of balances to which it is applicable.

(6) The annual percentage rate or rates determined under § 226.5(a), using the term "annual percentage rate" (or "rates"), and, where there is more than one rate, the amount of the balance to which each rate is applicable. Where the creditor of the open end credit account imposes finance charges with respect to specific transactions during the billing cycle, such charges shall be combined with all other finance charges imposed during the billing cycle, and the annual percentage rate to be disclosed shall be determined by:

- (i) Dividing the sum of all of the finance charges imposed during the billing cycle by the sum of the balances to which the periodic rates apply (or by the average of daily balances if a daily periodic rate is used), plus the sum of the amounts financed to which the specific transaction charges apply, and
- (ii) Multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year.

(7) If the creditor so elects, the Comparative Index of Credit Cost in accordance with § 226.11.

(8) The balance on which the finance charge was computed, and a statement of how that balance was determined. If the balance is determined without first deducting all credits during the billing cycle, that fact and the amount of such credits shall also be disclosed.

(9) The closing date of the billing cycle and the outstanding balance in the account on that date, using the term "new balance," accompanied by the statement of the date by which, or the period, if any, within which, payment must be made to avoid additional finance charges.

(c) **Location of disclosures.** The disclosures required by paragraph (b) of this section shall be made on the face of the periodic statement, on its reverse side, or on the periodic statement supplemented by separate statement forms provided they are enclosed together and delivered to the customer at the same time, and further provided that

(1) The disclosure required by paragraph (b)(1) of this section, the amounts or respective totals of the amounts required to be disclosed under paragraph (b)(2), (3), and (4) of this section, and the disclosure required under paragraph (b)(6) and (9) of this section shall appear on the face of the periodic statement. If the amounts and dates of the charges and credits required to be disclosed under paragraph (b)(2) and (3) of this section are not itemized on the face or reverse side of the periodic statement, they shall be disclosed on a separate statement or separate slips which shall accompany the periodic statement and identify each charge and credit and show the date and amount thereof. If the disclosures required under paragraph (b)(4) are not itemized on the face or reverse side of the periodic statement, they shall be disclosed on a separate statement which shall accompany the periodic statement.

(2) The disclosures required by paragraph (b)(5)

⁷ Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.

⁸ Identification may be made on an accompanying slip or by symbol relating to an identification list printed on the statement.

⁹ These charges include any charges imposed by the creditor for the issuance, payment, or handling of checks, for account maintenance or otherwise, to the extent that such charges exceed any similar charges the customer is required to pay when an account is not being used to extend credit.

and (6) of this section and a reference to the amounts required to be disclosed under paragraph (b)(4) and (8) of this section, if not disclosed together on the face or the reverse side of the periodic statement, shall appear together on the face of a single supplemental statement which shall accompany the periodic statement.

(3) The face of the periodic statement shall contain one of the following notices, as applicable: "NOTICE: See reverse side for important information" or "NOTICE: See accompanying statement(s) for important information" or "NOTICE: See reverse side and accompanying statement(s) for important information;" and

(4) The disclosures shall not be separated so as to confuse or mislead the customer or obscure or detract attention from the information required to be disclosed.

(d) **Finance charge imposed at time of transaction.** Any creditor, other than the creditor of the open end credit account, who imposes a finance charge at the time of honoring a customer's credit card, any other device, or form of identification for a purchase of property or services or for a cash advance to be debited to the customer's open end credit account shall make the disclosures required under paragraphs (b)(2) and (d) of § 226.8, *Credit other than open end—specific disclosures*, at the time of that transaction, and the annual percentage rate to be disclosed shall be determined by dividing the amount of the finance charge by the amount financed and multiplying the quotient (expressed as a percentage) by 12. If disclosure is made under this paragraph, the creditor of the open end credit account need make no further disclosure with respect to the finance charge on that transaction.

(e) **Change in terms.** If any change is to be made in terms of an open end credit account plan previously disclosed to the customer, the creditor shall mail or deliver to the customer written disclosure of such proposed change not less than 30 days prior to the effective date of such change or 30 days prior to the beginning of the billing cycle within which such change will become effective, whichever is the earlier date.

(f) **Open end credit accounts existing on July 1, 1969.** In the case of any open end credit account in existence and in which a balance remains unpaid on July 1, 1969, and which balance is deemed to be collectible and not subject to delinquency

collection procedures, the items described in paragraph (a) of this section, to the extent applicable, shall be disclosed in a notice mailed or delivered to the customer not later than July 31, 1969. If a customer subsequently utilizes such an account in existence on July 1, 1969, in which no balance remained unpaid on that date, and a notice required by paragraph (a) of this section has not previously been furnished that customer, then such notice shall be mailed or delivered to that customer before or with the next billing on that account.

SECTION 226.8—CREDIT OTHER THAN OPEN END—SPECIFIC DISCLOSURES

(a) **General rule.** Any creditor when extending credit other than open end credit shall, in accordance with § 226.6 and to the extent applicable, make the disclosures required by this section with respect to any transaction consummated on or after July 1, 1969. Except as provided in paragraphs (g) and (h) of this section, such disclosures shall be made before the transaction is consummated. At the time disclosures are made, the creditor shall furnish the customer with a duplicate of the instrument or a statement by which the required disclosures are made and on which the creditor is identified. All of the disclosures shall be made together on either

(1) The note or other instrument evidencing the obligation on the same side of the page and above or adjacent to the place for the customer's signature; or

(2) One side of a separate statement which identifies the transaction.

(b) **Disclosures in sale and nonsale credit.** In any transaction subject to this section, the following items, as applicable, shall be disclosed:

(1) The date on which the finance charge begins to accrue if different from the date of the transaction.

(2) The finance charge expressed as an annual percentage rate, using the term "annual percentage rate," except in the case of a finance charge

(i) which does not exceed \$5 and is applicable to an amount financed not exceeding \$75, or

(ii) which does not exceed \$7.50 and is applicable to an amount financed exceeding \$75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate, nor may any other percentage rate be disclosed if none

is stated in reliance upon subdivisions (i) or (ii) of this subparagraph.

(3) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness and, except in the case of a loan secured by a first lien or equivalent security interest on a dwelling made to finance the purchase of that dwelling and except in the case of a sale of a dwelling, the sum of such payments using the term, "total of payments."¹⁰ If any payment is more than twice the amount of an otherwise regularly scheduled equal payment, the creditor shall identify the amount of such payment by the term "balloon payment" and shall state the conditions, if any, under which that payment may be refinanced if not paid when due.

(4) The amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments.

(5) A description or identification of the type of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates or, if such property is not identifiable, an explanation of the manner in which the creditor retains or may acquire a security interest in such property which the creditor is unable to identify. In any such case where a clear identification of such property cannot properly be made on the disclosure statement due to the length of such identification, the note, other instrument evidencing the obligation, or separate disclosure statement shall contain reference to a separate pledge agreement, or a financing statement, mortgage, deed of trust, or similar document evidencing the security interest, a copy of which shall be furnished to the customer by the creditor as promptly as practicable. If after-acquired property will be subject to the security interest, or if other or future indebtedness is or may be secured by any such property, this fact shall be clearly set forth in conjunction with the description or identification of the type of security interest held, retained or acquired.

(6) A description of any penalty charge that may be imposed by the creditor or his assignee for prepayment of the principal of the obligation

¹⁰ The disclosures required by this sentence need not be made with respect to interim student loans made pursuant to federally insured student loan programs under Public Law 89-329, Title IV Part B of the Higher Education Act of 1965, as amended.

(such as a real estate mortgage) with an explanation of the method of computation of such penalty and the conditions under which it may be imposed.

(7) Identification of the method of computing any unearned portion of the finance charge in the event of prepayment of the obligation and a statement of the amount or method of computation of any charge that may be deducted from the amount of any rebate of such unearned finance charge that will be credited to the obligation or refunded to the customer.

(c) **Credit sales.** In the case of a credit sale, in addition to the items required to be disclosed under paragraph (b) of this section, the following items, as applicable, shall be disclosed:

(1) The cash price of the property or service purchased, using the term "cash price."

(2) The amount of the downpayment itemized, as applicable, as downpayment in money, using the term "cash downpayment," downpayment in property, using the term "trade-in" and the sum, using the term "total downpayment."

(3) The difference between the amounts described in subparagraphs (1) and (2) of this paragraph, using the term "unpaid balance of cash price."

(4) All other charges, individually itemized, which are included in the amount financed but which are not part of the finance charge.

(5) The sum of the amounts determined under subparagraphs (3) and (4) of this paragraph, using the term "unpaid balance."

(6) Any amounts required to be deducted under paragraph (e) of this section using, as applicable, the terms "prepaid finance charge" and "required deposit balance," and, if both are applicable, the total of such items using the term "total prepaid finance charge and required deposit balance."

(7) The difference between the amounts determined under subparagraphs (5) and (6) of this paragraph, using the term "amount financed."

(8) Except in the case of a sale of a dwelling:

(i) The total amount of the finance charge, with description of each amount included, using the term "finance charge," and

(ii) The sum of the amounts determined under subparagraphs (1), (4), and (8)(i) of this paragraph, using the term "deferred payment price."

(d) **Loans and other nonsale credit.** In the case of a loan or extension of credit which is not a

credit sale, in addition to the items required to be disclosed under paragraph (b) of this section, the following items, as applicable, shall be disclosed:

(1) The amount of credit, excluding items set forth in paragraph (e) of this section, which will be paid to the customer or for his account or to another person on his behalf, including all charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge, using the term "amount financed."

(2) Any amount referred to in paragraph (e) of this section required to be excluded from the amount in subparagraph (1) of this paragraph, using, as applicable, the terms "prepaid finance charge" and "required deposit balance," and, if both are applicable, the total of such items using the term, "total prepaid finance charge and required deposit balance."

(3) Except in the case of a loan secured by a first lien or equivalent security interest on a dwelling and made to finance the purchase of that dwelling, the total amount of the finance charge,¹¹ with description of each amount included, using the term "finance charge."

(e) **Finance charge payable separately or withheld; required deposit balances.** The following amounts shall be disclosed and deducted in a credit sale in accordance with paragraph (c)(6) of this section, and in other extensions of credit shall be excluded from the amount disclosed under paragraph (d)(1) of this section, and shall be disclosed in accordance with paragraph (d)(2) of this section:

(1) Any finance charge paid separately, in cash or otherwise, directly or indirectly to the creditor or with the creditor's knowledge to another person, or withheld by the creditor from the proceeds of the credit extended.¹²

(2) Any deposit balance or any investment which the creditor requires the customer to make, maintain, or increase in a specified amount or proportion as a condition to the extension of credit except:

(i) An escrow account under paragraph (e)(3) of § 226.4,

(ii) A deposit balance which will be wholly applied toward satisfaction of the customer's obligation in the transaction,

(iii) A deposit balance or investment which was in existence prior to the extension of credit and which is offered by the customer as security for that extension of credit, and

(iv) A deposit balance or investment which was acquired or established from the proceeds of an extension of credit made for that purpose upon written request of the customer.

(f) **First lien to finance construction of dwelling.**

In any case where a first lien or equivalent security interest in real property is retained or acquired by a creditor in connection with the financing of the initial construction of a dwelling, or in connection with a loan to satisfy that construction loan and provide permanent financing of that dwelling, whether or not the customer previously owned the land on which that dwelling is to be constructed, such security interest shall be considered a first lien against that dwelling to finance the purchase of that dwelling.

(g) **Orders by mail or telephone.** If a creditor receives a purchase order or a request for an extension of credit by mail, telephone, or written communication without personal solicitation, the disclosures required under this section may be made any time not later than the date the first payment is due, provided:

(1) In the case of credit sales, the cash price, the downpayment, the finance charge, the deferred payment price, the annual percentage rate, and the number, frequency, and amount of payments are set forth in or are determinable from the creditor's catalog or other printed material distributed to the public; or

(2) In the case of loans or other extensions of credit, the amount of the loan, the finance charge, the total scheduled payments, the number, frequency, and amount of payments, and the annual percentage rate for representative amounts or ranges of credit are set forth in or are determinable from the creditor's printed material distributed to the public, in the contract of loan, or in other printed material delivered or made available to the customer.

(h) **Series of sales.** If a credit sale is one of a series of transactions made pursuant to an agree-

¹¹ The disclosure required by this subparagraph need not be made with respect to interim student loans made pursuant to federally insured student loan programs under Public Law 89-329, Title IV Part B of the Higher Education Act of 1965, as amended.

¹² Finance charges deducted or excluded as provided by this paragraph shall, nevertheless, be included in determining the finance charge under § 226.4.

ment providing for the addition of the amount financed plus the finance charge for the current sale to an existing outstanding balance, then the disclosures required under this section for the current sale may be made at any time not later than the date the first payment for that sale is due, provided:

(1) The customer has approved in writing both the annual percentage rate or rates and the method of treating any unearned finance charge on an existing outstanding balance in computing the finance charge or charges; and

(2) The creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sale price including any finance charges attributable thereto. For the purposes of this subparagraph, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

(i) **Advances under loan commitments.** If a loan is one of a series of advances made pursuant to a written agreement under which a creditor is or may be committed to extend credit to a customer up to a specified amount, and the customer has approved in writing the annual percentage rate or rates, the method of computing the finance charge or charges, and any other terms, the agreement shall be considered a single transaction, and the disclosures required under this section at the creditor's option need be made only at the time the agreement is executed.

(j) **Refinancing, consolidating, or increasing.** If any existing extension of credit is refinanced, or two or more existing extensions of credit are consolidated, or an existing obligation is increased, such transaction shall be considered a new transaction subject to the disclosure requirements of this Part. For the purpose of such disclosure, any unearned portion of the finance charge which is not credited to the existing obligation shall be added to the new finance charge and shall not be included in the new amount financed. Any increase in an existing obligation to reimburse the creditor for undertaking the customer's obligation in perfecting, protecting or preserving the security shall not be considered a new transaction subject to this Part. Any advance for agricultural purposes made under an open end real estate mortgage or similar lien shall not be considered a new trans-

action subject to the disclosure requirements of this section, provided:

(1) The maturity of the advance does not exceed 2 years;

(2) No increase is made in the annual percentage rate previously disclosed; and

(3) All disclosures required by this Part were made at the time the security interest was acquired by the creditor or at any time prior to the first advance made on or following the effective date of this part.

(k) **Assumption of an obligation.** Any creditor who accepts a subsequent customer as an obligor under an existing obligation shall make the disclosures required by this part to that customer before he becomes so obligated. If the obligation so assumed is secured by a first lien or equivalent security interest on a dwelling, and the assumption is made for the subsequent customer to acquire that dwelling, that obligation shall be considered a loan made to finance the purchase of that dwelling.

(l) **Deferrals or extensions.** In the case of an obligation other than an obligation upon which the amount of the finance charge is determined by the application of a percentage rate to the unpaid balance, if the creditor imposes a charge or fee for deferral or extension, the creditor shall disclose to the customer

(1) The amount deferred or extended;

(2) The date to which, or the time period for which payment is deferred or extended; and

(3) The amount of the charge or fee for the deferral or extension.

(m) **Series of single payment obligations.** Any extension of credit involving a series of single payment obligations shall be considered a single transaction subject to the disclosure requirements of this Part.

(n) **Permissible periodic statements.** If a creditor transmits a periodic billing statement¹³ other than a delinquency notice, payment coupon book, or payment passbook, or a statement, billing, or advice relating exclusively to amounts to be paid by the customer as escrows for payment of taxes, insurance, and water, sewer, and land rents, it shall be in a form which the customer may retain and shall set forth

¹³ Any statement, notice, or reminder of payment due on any transaction payable in instalments which is mailed or delivered periodically to the customer in advance of the due date of the instalment shall be a periodic billing statement for the purpose of this paragraph.

(1) The annual percentage rate or rates; and
 (2) The date by which, or the period, if any, within which payment must be made in order to avoid late payment or delinquency charges.

(o) **Discount for prompt payment.** Except as provided under § 226.3(d), the amount of any discount allowed for payment of a single payment obligation on or before a specified date, or charge for delaying payment after a specified date, shall be disclosed on the billing statement as a finance charge imposed on the least amount payable in satisfaction of the obligation (amount financed) for the period of time between the specified date and the due date of the obligation, or in the absence of a designated due date, the date the billing cycle ends. Except as provided in paragraph (b)(2) of this section, each such billing statement shall, in addition to stating the amount of that "finance charge," using that term, state the "annual percentage rate," using that term, computed so that it may be disclosed with an accuracy to the nearest quarter of 1 per cent and determined by (1) dividing the amount of the finance charge by the amount financed; (2) dividing the quotient so obtained by the number of days between the specified date and the due date of the obligation, or in the absence of a designated due date, the date the billing cycle ends; and (3) multiplying the quotient so obtained (expressed as a percentage) by 365. (For example, a \$1,000 purchase of grain, subject to terms of 2%/10 days, net 30 days, results in a "finance charge" of \$20 and an amount financed \$980 for a period of 20 days. The "annual percentage rate" is 37.24% which may be rounded to 37.25% or 37¼%.)

SECTION 226.9—RIGHT TO RESCIND CERTAIN TRANSACTIONS

(a) **General rule.** Except as otherwise provided in this section, in the case of any credit transaction in which a security interest is or will be retained or acquired in any real property which is used or is expected to be used as the principal residence of the customer, the customer shall have the right to rescind that transaction until midnight of the third business day¹⁴ following the date of con-

¹⁴ For the purposes of this section, a business day is any calendar day except Sunday, or the following business holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving, and Christmas.

summation of that transaction or the date of delivery of the disclosures required under this section and all other material disclosures required under this Part, whichever is later, by notifying the creditor by mail, telegram, or other writing of his intention to do so. Notification by mail shall be considered given at the time mailed; notification by telegram shall be considered given at the time filed for transmission; and notification by other writing shall be considered given at the time delivered to the creditor's designated place of business.

(b) **Notice of opportunity to rescind.** Whenever a customer has the right to rescind a transaction under paragraph (a) of this section, the creditor shall give notice of that fact to the customer by furnishing the customer with two copies of the notice set out below, one of which may be used by the customer to cancel the transaction. Such notice shall be printed in capital and lower case letters of not less than 12 point bold-faced type on one side of a separate statement which identifies the transaction to which it relates. Such statement shall also set forth the entire paragraph (d) of this section, "Effect of rescission." If such paragraph appears on the reverse side of the statement, the face of the statement shall state: "See reverse side for important information about your right of rescission." Before furnishing copies of the notice to the customer, the creditor shall complete both copies with the name of the creditor, the address of the creditor's place of business, the date of consummation of the transaction, and the date, not earlier than the third business day following the date of the transaction, by which the customer may give notice of cancellation.

Notice to customer required by Federal law:

You have entered into
(date)

a transaction on
which may result in a lien, mortgage, or other security interest on your home. You have a legal right under Federal law to cancel this transaction, if you desire to do so, without any penalty or obligation within three business days from the above date or any later date on which all material disclosures required under the Truth in Lending Act have been given to you. If you so cancel the transaction, any lien, mortgage, or other security interest on your home arising from this transaction

is automatically void. You are also entitled to receive a refund of any downpayment or other consideration if you cancel. If you decide to cancel this transaction, you may do so by notifying

(Name of creditor)

at (Address of creditor's place of business) by mail or telegram sent not later than midnight of

(date)

You may also use any other form of written notice identifying the transaction if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I hereby cancel this transaction.

(date)

(customer's signature)

(c) **Delay of performance.** Except as provided in paragraph (e) of this section, the creditor in any transaction subject to this section shall not perform, or cause or permit the performance of, any of the following actions until after the rescission period has expired and he has reasonably satisfied himself that the customer has not exercised his right of rescission:

- (1) Disburse any money other than in escrow;
- (2) Make any physical changes in the property of the customer;
- (3) Perform any work or service for the customer; or
- (4) Make any deliveries to the residence of the customer if the creditor has retained or will acquire a security interest other than one arising by operation of law.

(d) **Effect of rescission.** When a customer exercises his right to rescind under paragraph (a) of this section, he is not liable for any finance or other charge, and any security interest becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the customer any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the customer, the customer may retain possession of it. Upon the performance of the creditor's obligations under

this section, the customer shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the customer shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the customer, at the option of the customer. If the creditor does not take possession of the property within 10 days after tender by the customer, ownership of the property vests in the customer without obligation on his part to pay for it.

(e) **Waiver of right of rescission.** A customer may modify or waive his right to rescind a transaction subject to the provisions of this section provided:

- (1) The extension of credit is needed in order to meet a bona fide immediate personal financial emergency of the customer;
- (2) The customer has determined that a delay of 3 business days in performance of the creditor's obligation under the transaction will jeopardize the welfare, health or safety of natural persons or endanger property which the customer owns or for which he is responsible; and
- (3) The customer furnishes the creditor with a separate dated and signed personal statement describing the situation requiring immediate remedy and modifying or waiving his right of rescission. The use of printed forms for this purpose is prohibited.

(f) **Joint ownership.** For the purpose of this section, "customer" shall include two or more customers where joint ownership is involved, and the following shall apply:

- (1) The right of rescission of the transaction may be exercised by any one of them, in which case the effect of rescission in accordance with paragraph (d) of this section applies to all of them; and
- (2) Any waiver of the right of rescission provided in paragraph (f) of this section is invalid unless signed by all of them.

(g) **Exceptions to general rule.** This section does not apply to:

- (1) 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.
- (2) A security interest which is a first lien retained or acquired by a creditor in connection with

the financing of the initial construction of the residence of the customer, or in connection with a loan committed prior to completion of the construction of that residence to satisfy that construction loan and provide permanent financing of that residence, whether or not the customer previously owned the land on which that residence is to be constructed.

(3) Any lien by reason of its subordination at any time subsequent to its creation, if that lien was exempt from the provisions of this section when it was originally created.

(4) Any advance for agricultural purposes made pursuant to paragraph (j) of § 226.8 under an open end real estate mortgage or similar lien, provided the disclosure required under paragraph (b) of this section was made at the time the security interest was acquired by the creditor or at any time prior to the first advance made on or following the effective date of this Part.

SECTION 226.10—ADVERTISING CREDIT TERMS

(a) **General rule.** No advertisement to aid, promote, or assist directly or indirectly any extension of credit may state

(1) That a specific amount of credit or instalment amount can be arranged unless the creditor usually and customarily arranges or will arrange credit amounts or instalments for that period and in that amount; or

(2) That no downpayment or that a specified downpayment will be accepted in connection with any extension of credit, unless the creditor usually and customarily accepts or will accept downpayments in that amount.

(b) **Catalogs and multi-page advertisements.** If a catalog or other multiple-page advertisement sets forth or gives information in sufficient detail to permit determination of the disclosures required by this section in a table or schedule of credit terms, such catalog or multiple-page advertisement shall be considered a single advertisement provided:

(1) The table or schedule and the disclosures made therein are set forth clearly and conspicuously, and

(2) Any statement of credit terms appearing in any place other than in that table or schedule of credit terms clearly and conspicuously refers to the page or pages on which that table or schedule

appears, unless that statement discloses all of the credit terms required to be stated under this section. For the purpose of this subparagraph, cash price is not a credit term.

(c) **Advertising of open end credit.** No advertisement to aid, promote, or assist directly or indirectly the extension of open end credit may set forth any of the terms described in paragraph (a) of § 226.7, the Comparative Index of Credit Cost, or that no downpayment, a specified downpayment, or a specified periodic payment is required or any of the following items unless it also clearly and conspicuously sets forth all the following items in terminology prescribed under paragraph (b) of § 226.7:

(1) An explanation of the time period, if any, within which any credit extended may be paid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge may be imposed.

(3) The method of determining the amount of the finance charge, including the determination of any minimum, fixed, check service, transaction, activity, or similar charge, which may be imposed as a finance charge.

(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(5) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(6) The minimum periodic payment required.

(d) **Advertising of credit other than open end.** No advertisement to aid, promote, or assist directly or indirectly any credit sale including the sale of residential real estate, loan, or other extension of credit, other than open end credit, subject to the provisions of this Part, shall state

(1) The rate of a finance charge unless it states the rate of that charge expressed as an "annual percentage rate," using that term;

(2) The amount of the downpayment required or that no downpayment is required, the amount of any instalment payment, the dollar amount of any finance charge, the number of instalments or the period of repayment, or that there is no charge for credit, unless it states all of the following items in terminology prescribed under § 226.8:

(i) the cash price or the amount of the loan, as applicable.

(ii) the amount of the downpayment required or that no downpayment is required, as applicable.

(iii) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

(iv) the amount of the finance charge expressed as an annual percentage rate. The exemptions from disclosure of an annual percentage rate permitted in paragraph (b)(2) of § 226.8 shall not apply to this subdivision.

(v) Except in the case of the sale of a dwelling or a loan secured by a first lien on a dwelling to purchase that dwelling, the deferred payment price or the sum of the payments, as applicable.

SECTION 226.11—COMPARATIVE INDEX OF CREDIT COST FOR OPEN END CREDIT

(a) **General rule.** Any creditor who elects to disclose the Comparative Index of Credit Cost on open end credit accounts

(1) Shall compute the Comparative Index of Credit Cost in accordance with paragraph (b) of this section.

(2) Shall recompute the Comparative Index of Credit Cost in accordance with paragraph (b) of this section based upon any new open end credit account terms to be adopted and shall disclose the new Comparative Index of Credit Cost in accordance with paragraph (c)(2) of this section concurrently with the notice required under paragraph (c) of § 226.7.

(3) Shall, when making such disclosure under the provisions of subparagraphs (a)(5) and (b)(7) of § 226.7, make the disclosure to all open end credit account customers; and

(4) Shall not utilize such disclosure so as to mislead, or confuse the customer or contradict, obscure, or detract attention from the required disclosures.

(b) **Computation of Comparative Index of Credit Cost.** The Comparative Index of Credit Cost for each open end credit plan shall be computed by applying the creditor's terms of that plan to the following hypothetical factors:

(1) A single transaction in the amount of \$100 is debited on the first day of a billing cycle to an open end credit account having no previous balance.

(2) The creditor imposes all finance charges including periodic, fixed, minimum or other charges applicable to such account in amounts and on dates consistent with his policy of imposing such charges upon open end credit accounts.

(3) The exact amount of the required minimum periodic payment is paid on the last day of each subsequent and successive billing cycle until the amount of the single transaction, together with applicable finance charges, is paid in full.

(4) The Comparative Index of Credit Cost shall be expressed and disclosed as a percentage accurate to the nearest quarter of 1 per cent and shall be determined by dividing the total amount of the finance charges imposed by the sum of the daily balances and multiplying the quotient so obtained (expressed as a percentage) by 365.

(c) **Form of disclosure.** Any creditor who elects to disclose the Comparative Index of Credit Cost shall:

(1) Make the disclosure in the form of the following statement: "Our Comparative Index of Credit Cost under the terms of our open end credit account plan is ___% per year, computed on the basis of a single transaction of \$100 debited on the first day of a billing cycle to an account having no previous balance, and paid in required minimum consecutive instalments on the last day of each succeeding billing cycle until the transaction and all finance charges are paid in full. The actual percentage cost of credit on your account may be higher or lower depending on the dates and amounts of charges and payments."

(2) Disclose any newly computed Comparative Index of Credit Cost in the form of the statement prescribed in subparagraph (1) of this paragraph, except that the statement shall be preceded by the words "Effective as of _____ (date) _____," and the words "will be" shall be substituted for the word "is" in the second line of the statement.

SECTION 226.12—EXEMPTION OF CERTAIN STATE REGULATED TRANSACTIONS

(a) **Exemption for State regulated transactions.** In accordance with the provisions of Supplement II to Regulation Z (§ 226.12—Supplement), any State may make application to the Board for exemption of any class of transactions within that State from the requirements of Chapter 2 of the Act and the corresponding provisions of this Part: *Provided, That*

(1) Under the law of that State, that class of transactions is subject to requirements substantially similar to those imposed under Chapter 2 of the Act and the corresponding provisions of this Part; and

(2) There is adequate provision for enforcement.

(b) **Procedures and criteria.** On or before July 1, 1969, the Board will promulgate and publish

Supplement II to Regulation Z (§ 226.12—Supplement) in which will be set forth, as established by the Board, the procedures and criteria under which any State may apply for the determination provided for in paragraph (a) of this section. Upon publication of Supplement II of Regulation Z application may be made to the Board for such determination.

STATUTORY APPENDIX

Titles I and V of Act of May 29, 1968

§ 1. Short title of entire Act

This Act may be cited as the Consumer Credit Protection Act.

**TITLE I—CONSUMER CREDIT COST
DISCLOSURE**

Chapter	Section
1. GENERAL PROVISIONS.....	101
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CHAPTER 1—GENERAL PROVISIONS

Sec.

- 101. Short title.
- 102. Findings and declaration of purpose.
- 103. Definitions and rules of construction.
- 104. Exempted transactions.
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- 106. Determination of finance charge.
- 107. Determination of annual percentage rate.
- 108. Administrative enforcement.
- 109. Views of other agencies.
- 110. Advisory committee.
- 111. Effect on other laws.
- 112. Criminal liability for willful and knowing violation.
- 113. Penalties inapplicable to governmental agencies.
- 114. Reports by Board and Attorney General.

§ 101. Short title

This title may be cited as the Truth in Lending Act.

§ 102. Findings and declaration of purpose

The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare

more readily the various credit terms available to him and avoid the uninformed use of credit.

§ 103. Definitions and rules of construction

(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

(b) The term "Board" refers to the Board of Governors of the Federal Reserve System.

(c) The term "organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(d) The term "person" means a natural person or an organization.

(e) The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(f) The term "creditor" refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

(g) The term "credit sale" refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

(h) The adjective "consumer", used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.

(i) The term "open end credit plan" refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(j) The term "State" refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

§ 104. Exempted transactions

This title does not apply to the following:

(1) Credit transactions involving extensions of credit for business or commercial purposes, or to government or governmental agencies or instrumentalities, or to organizations.

(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

§ 105. Regulations

The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

§ 106. Determination of finance charge

(a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit,

including any of the following types of charges which are applicable:

(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

(2) Service or carrying charge.

(3) Loan fee, finder's fee, or similar charge.

(4) Fee for an investigation or credit report.

(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

(2) The premium payable for any insur-

ance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

(3) Taxes.

(4) Any other type of charge which is not for credit and the exclusion of which from the finance charge is approved by the Board by regulation.

(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

(1) Fees or premiums for title examination, title insurance, or similar purposes.

(2) Fees for preparation of a deed, settlement statement, or other documents.

(3) Escrows for future payments of taxes and insurance.

(4) Fees for notarizing deeds and other documents.

(5) Appraisal fees.

(6) Credit reports.

§ 107. Determination of annual percentage rate

(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

(1) in the case of any extension of credit other than under an open end credit plan, as

(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a)(1)(A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

(e) In the case of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

§ 108. Administrative enforcement

(a) Compliance with the requirements imposed under this title shall be enforced under

(1) section 8 of the Federal Deposit Insurance Act, in the case of

(A) national banks, by the Comptroller of the Currency.

(B) member banks of the Federal Re-

serve System (other than national banks), by the Board.

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation

of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

§ 109. Views of other agencies

In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

§ 110. Advisory committee

The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

§ 111. Effect on other laws

(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this

title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

(c) In any action or proceeding in any court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

§ 112. Criminal liability for willful and knowing violation

Whoever willfully and knowingly

(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107 (a)(1)(A), or

(3) otherwise fails to comply with any requirement imposed under this title.

shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

§ 113. Penalties inapplicable to governmental agencies

No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

§ 114. Reports by Board and Attorney General

Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

[U.S.C., title 15, sec. 1601-1613.]

CHAPTER 2—CREDIT TRANSACTIONS

Sec.

121. General requirement of disclosure.

122. Form of disclosure; additional information.

123. Exemption for State-regulated transactions.

124. Effect of subsequent occurrence.

125. Right of rescission as to certain transactions.

126. Content of periodic statements.

127. Open end consumer credit plans.

128. Sales not under open end credit plans.

129. Consumer loans not under open end credit plans.

130. Civil liability.

131. Written acknowledgment as proof of receipt.

§ 121. General requirement of disclosure

(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

§ 122. Form of disclosure; additional information

(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

§ 123. Exemption for State-regulated transactions

The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

§ 124. Effect of subsequent occurrence

If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

§ 125. Right of rescission as to certain transactions

(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor, in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within ten days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

(c) Notwithstanding any rule of evidence, written acknowledgment of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section does no more than create a rebuttable presumption of delivery thereof.

(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

§ 126. Content of periodic statements

If a creditor transmits periodic statements in connection with any extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall set forth each of the following items:

(1) The annual percentage rate of the total finance charge.

(2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.

(3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

§ 127. Open end consumer credit plans

(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

(1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge will be imposed.

(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(5) If the creditor so elects,

(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan.

The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

(1) The outstanding balance in the account at the beginning of the statement period.

(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

(3) The total amount credited to the account during the period.

(4) The amount of any finance charge added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage

rate (determined under section 107(a)(2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107(a)(2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a)(5).

(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

(9) The outstanding balance in the account at the end of the period.

(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

§ 128. Sales not under open end credit plans

(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

(1) The cash price of the property or service purchased.

(2) The sum of any amounts credited as downpayment (including any trade-in).

(3) The difference between the amount re-

ferred to in paragraph (1) and the amount referred to in paragraph (2).

(4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.

(5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).

(6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.

(7) The finance charge expressed as an annual percentage rate except in the case of a finance charge

(A) which does not exceed \$5 and is applicable to an amount financed not exceeding \$75, or

(B) which does not exceed 7.50 and is applicable to an amount financed exceeding \$75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

(9) The default, delinquency, or similar charges payable in the event of late payments.

(10) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a)

may be made at any time not later than the date the first payment is due.

(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

§ 129. Consumer loans not under open end credit plans

(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

(1) The amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf.

(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge

(A) which does not exceed \$5 and is applicable to an extension of consumer

credit not exceeding \$75, or

(B) which does not exceed \$7.50 and is applicable to an extension of consumer credit exceeding \$75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

(7) The default, delinquency, or similar charges payable in the event of late payments.

(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

§ 130. Civil liability

(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than \$100 nor greater than \$1,000; and

(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

(b) A creditor has no liability under this section

if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

§ 131. Written acknowledgment as proof of receipt

Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

[U.S.C., title 15, sec. 1631-1641.]

CHAPTER 3—CREDIT ADVERTISING

Sec.

- 141. Catalogs and multiple-page advertisements.
- 142. Advertising of downpayments and installments.
- 143. Advertising of open end credit plans.
- 144. Advertising of credit other than open end plans.
- 145. Nonliability of media.

§ 141. Catalogs and multiple-page advertisements

For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

§ 142. Advertising of downpayments and installments

No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

- (1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.
- (2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

§ 143. Advertising of open end credit plans

No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

- (1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.
- (2) The method of determining the balance upon which a finance charge will be imposed.
- (3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.
- (4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

§ 144. Advertising of credit other than open end plans

(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title; other than an open end credit plan.

(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

- (1) The cash price or the amount of the loan as applicable.
- (2) The downpayment, if any.
- (3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.
- (4) The rate of the finance charge expressed as an annual percentage rate.

§ 145. Nonliability of media

There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

[U.S.C., title 15, sec. 1661-1665.]

* * *

TITLE V—GENERAL PROVISIONS

Sec.

501. Severability.

502. Captions and catchlines for reference only.

503. Grammatical usages.

504. Effective dates.

§ 501. Severability

If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

§ 502. Captions and catchlines for reference only

Captions and catchlines are intended solely as

aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

§ 503. Grammatical usages

In this Act:

(1) The word "may" is used to indicate that an action either is authorized or is permitted.

(2) The word "shall" is used to indicate that an action is both authorized and required.

(3) The phrase "may not" is used to indicate that an action is both unauthorized and forbidden.

(4) Rules of law are stated in the indicative mood.

§ 504. Effective dates

(a) Except as otherwise specified, the provisions of this Act take effect upon enactment.

(b) Chapters 2 and 3 of title I take effect on July 1, 1969.

(c) Title III takes effect on July 1, 1970.

[U.S.C., title 15, sec. 1601 note.]



Some questions and answers about the advertising of credit

Q: Does Regulation Z affect credit advertising?

A: Yes it does. It affects all advertising to aid or promote any extension of consumer credit regardless of who the advertiser may be. An association, for example, which advertises that its members extend consumer credit is subject to the advertising provisions of Regulation Z.

Q: What kinds of advertising are affected?

A: All types of advertising: television, radio, newspapers, magazines, leaflets, flyers, catalogs, public address announcements, direct mail literature, window displays, billboards, etc. (Reg. Z/226.2 (b))

Q: How does Regulation Z affect your advertising as a creditor?

A: Generally, you may not advertise that the down payment, installment plan or amount of credit can be arranged unless you usually arrange terms of this type. (Reg. Z/226.10 (a))

Q: How else is credit advertising affected?

A: If it is open end credit see Reg. Z/226.10 (c). For credit *other* than open end see Reg. Z/226.10 (d). If you advertise in catalogs, see Reg. Z/226.10 (b). But generally you are not permitted to advertise any specific credit term unless all other terms involved are stated clearly and can be easily seen.

Typical formats of disclosures under Regulation Z are shown on the following pages for demonstration only. They are not intended for the requirements of your business. For full information, please refer to the provisions of the Regulation.

EXHIBIT A

Example of a retailer's statement, prepared by a manual billing operation, for an account on which the finance charge is determined by a single periodic rate or a minimum charge of 50 cents applicable to balances under a specific amount. It also assumes that the finance charge is computed on the previous balance before deducting payments and/or credits. Separate slips shall accompany each statement, identifying all charges and credits and showing the dates and amounts thereof.

Any Store U.S.A.

MAIN STREET—ANY CITY, U.S.A.

(Customer's name here)

AMT. PAID \$ _____

TO INSURE PROPER CREDIT RETURN THIS PORTION WITH YOUR PAYMENT

PREVIOUS BALANCE	FINANCE CHARGE 50 CENT MINIMUM	PAYMENTS	CREDITS	PURCHASES	NEW BALANCE	MINIMUM PAYMENT
<p>FINANCE CHARGE IS COMPUTED BY A "PERIODIC RATE" OF % PER MONTH (OR A MINIMUM CHARGE OF 50 CENTS FOR BALANCES UNDER \$) WHICH IS AN ANNUAL PERCENTAGE RATE OF % APPLIED TO THE PREVIOUS BALANCE WITHOUT DEDUCTING CURRENT PAYMENTS AND/OR CREDITS APPEARING ON THIS STATEMENT.</p> <p style="text-align: center;">NOTICE</p> <p>PLEASE SEE ACCOMPANYING STATEMENT(S) FOR IMPORTANT INFORMATION.</p>	▲					
<p>PAYMENTS, CREDITS OR CHARGES, RECEIVED AFTER THE DATE SHOWN ABOVE THE ARROW, WHICH IS THE CLOSING DATE OF THIS BILLING CYCLE, WILL APPEAR ON YOUR NEXT STATEMENT. TO AVOID ADDITIONAL FINANCE CHARGES PAY THE "NEW BALANCE" BEFORE THIS DATE NEXT MONTH.</p>					▲	

ANY STORE, U.S.A. MAIN STREET, ANY CITY, U.S.A.

This form, when properly completed, will show how a creditor may comply with the disclosure requirements of the provisions of paragraphs (b) and (c) of §226.7 of Regulation Z for the type of credit extended in this example. This form is intended solely for purposes of demonstration and it is not the only format which will permit a creditor to comply with disclosure requirements of Regulation Z.

**ILLUSTRATION OF FEDERAL DISCLOSURES ON A PERIODIC STATEMENT
FOR A RETAIL OPEN END CREDIT ACCOUNT**

(Section 226.7)

Applicable Disclosures Shown on Exhibit A (opposite page)	Regulation Z Reference (226.7)
1. "Previous Balance"	(b) (1) & (c) (1)
2. Purchases	(b) (2) & (c) (1)
3. "Payments"	(b) (3) & (c) (1)
4. "Credits"	(b) (3) & (c) (1)
5. "Finance Charge" (showing minimum charge)	(b) (4) & (c) (1)
6. "Periodic Rate" (showing balance to which applicable)	(b) (5) & (c) (2)
7. "Annual Percentage Rate"	(b) (6) & (c) (1)
8. Balance on which Finance Charge Was Computed (with explanation of how balance was determined)	(b) (8) & (c) (2)
9. Closing Date of the Billing Cycle	(b) (9) & (c) (1)
10. Balance at Closing Date, "New Balance"	(b) (9) & (c) (1)
11. Date or Period for Payment to Avoid Additional Finance Charges	(b) (9) & (c) (1)

Other Disclosures Applicable to Example but not Illustrated on Exhibit A

(These disclosures would be made on separate slips which would
accompany statement but which are not illustrated here.)

1. Date of Each Purchase (b) (2) & (c) (1)
2. Brief Identification of Each Purchase (b) (2) & Footnote 7
3. Brief Identification of Credits Other Than Payments (b) (3) & Footnote 8

Other Disclosures Not Applicable to Example Illustrated on Exhibit A

Regulation Z prescribes other disclosures to be made on open end credit account periodic statements which are not applicable to the illustrated example, such as, where there is more than one periodic rate (b)(5), more than one annual percentage rate (b)(6), charges for insurance 226.4 (a)(5) and (6), etc.

EXHIBIT B

Example of a retailer's descriptive statement, prepared by an automated billing operation, for an account on which the finance charge is determined by a single periodic rate or a minimum charge of 50 cents applicable to balances under a specified amount. It also assumes that the finance charge is computed on the previous balance before deducting payments and/or credits.

(FACE OF FORM)

Any Store U.S.A.

MAIN STREET—ANY CITY, U.S.A.

(Customer's name here)

YOUR ACCOUNT NUMBER IS _____

TO INSURE PROPER CREDIT RETURN THIS PORTION WITH PAYMENT

BILLING DATES		To Your PREVIOUS BALANCE	We Added Your FINANCE CHARGE 50¢ MINIMUM	We Deducted Your		We Added Your PURCHASES
NEXT MO.	THIS MO.			PAYMENTS	CREDITS	

TRANSACTION NO.	DATE	STORE	DEPT. NO.	DEPARTMENT NAME	CHARGES	PAYMENTS & CREDITS

To Avoid Additional Finance Charges, Pay The "New Balance" Before Your Billing Date Next Month.	This Is Your NEW BALANCE	This Is Your MINIMUM PAYMENT	ANNUAL PERCENTAGE RATE %
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NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

(REVERSE SIDE OF FORM)

PAYMENTS, CREDITS OR CHARGES RECEIVED AFTER YOUR BILLING DATE "THIS MONTH" WILL APPEAR ON YOUR NEXT STATEMENT. YOUR FINANCE CHARGE IS COMPUTED BY A SINGLE PERIODIC RATE OF _____% (OR A MINIMUM CHARGE OF 50 CENTS FOR BALANCES UNDER \$ _____) WHICH IS AN ANNUAL PERCENTAGE RATE OF _____% APPLIED TO YOUR "PREVIOUS BALANCE" WITHOUT DEDUCTING CURRENT PAYMENTS AND/OR CREDITS APPEARING ON THE FACE OF THIS STATEMENT.

DEPT. NO.	DEPT. NAME	DEPT. NO.	DEPT. NAME	DEPT. NO.	DEPT. NAME
1	MEN'S ACCESSORIES (Shirts, Ties, Socks, etc.)				
2	MEN'S CLOTHING (Suits, Sportcoats, Outerwear, etc.)				

(In this form of billing, this side of the statement contains a listing of all departments and a brief description of the merchandise sold in each.)

ANY STORE, U.S.A., MAIN ST., ANY CITY, U.S.A.

This form, when properly completed, will show how a creditor may comply with the disclosure requirements of the provisions of paragraphs (b) and (c) of §226.7 of Regulation Z for the type of credit extended in this example. This form is intended solely for purposes of demonstration and it is not the only format which will permit a creditor to comply with disclosure requirements of Regulation Z.

ANOTHER ILLUSTRATION OF FEDERAL DISCLOSURES ON A PERIODIC
STATEMENT FOR A RETAIL OPEN END CREDIT ACCOUNT

(Section 226.7)

Applicable Disclosures Shown on Exhibit B (opposite page)	Regulation Z Reference (226.7)
1. "Previous Balance"	(b) (1) & (c) (1)
2. Purchases	(b) (2) & (c) (1)
3. "Payments"	(b) (3) & (c) (1)
4. "Credits"	(b) (3) & (c) (1)
5. "Finance Charge" (showing minimum charge)	(b) (4) & (c) (1)
6. "Annual Percentage Rate"	(b) (6) & (c) (1)
7. Balance on Which Finance Charge was Computed	(b) (8) & (c) (2)
8. Closing Date of the Billing Cycle	(b) (9) & (c) (1)
9. Balance at Closing Date, "New Balance"	(b) (9) & (c) (1)
10. Date or Period for Payment to Avoid Additional Finance Charge	(b) (9) & (c) (1)
11. Date of Each Purchase	(b) (2) & (c) (1)
12. Brief Identification of Each Purchase by Symbol Relating to an Identification List Printed on the Reverse Side	(b) (2) & Footnote 7
13. Brief Identification of Credits Other Than Payments by Symbol Relating to an Identification List Printed on the Reverse Side	(b) (3) & Footnote 8

Other Disclosures Applicable to Example Which Appear on Reverse Side of Exhibit B

1. "Periodic Rate" (showing balance to which applicable) (b) (5) & (c) (2)
2. "Annual Percentage Rate" (b) (6) & (c) (2)
3. Reference to the Finance Charge (showing minimum charge). (b) (4) & (c) (2)
4. Reference to the Balance on Which Finance Charge
 was Computed (with explanation of how balance
 was determined) (b) (8) & (c) (2)
5. Identification List to Identify Transactions (b) (2) and (3)

Other Disclosures Not Applicable to Example Illustrated on Exhibit B

Regulation Z prescribes other disclosures to be made on open end credit account periodic statements which are not applicable to the illustrated example, such as, where there is more than one periodic rate (b) (5), more than one annual percentage rate (b) (6), charges for insurance 226.4 (a) (5) and (6), etc.

**ILLUSTRATIONS OF FEDERAL DISCLOSURES
ON A RETAIL INSTALLMENT CONTRACT**

(Section 226.8)

Applicable Disclosures Shown on Exhibit C (opposite page)	Regulation Z Reference (226.8)
1. "Cash Price"	(c)(1)
2. "Cash Downpayment"	(c)(2)
3. "Trade-In"	(c)(2)
4. "Total Downpayment"	(c)(2)
5. "Unpaid Balance of Cash Price"	(c)(3)
6. Other Charges Individually Itemized (not finance charges)	(c)(4)
7. "Amount Financed"	(c)(7)
8. "Finance Charge"	(c)(8)(i)
9. "Deferred Payment Price"	(c)(8)(ii)
10. Date Finance Charge Begins to Accrue	(b)(1)
11. "Annual Percentage Rate"	(b)(2)
12. Number, Amount, and Due Dates of Payments	(b)(3)
13. "Total of Payments"	(b)(3)
14. Identification of Security Interest	(b)(5)
15. Identification of Property to Which Security Interest Relates	(b)(5)
16. Method of Computing Any Unearned Portion of the Finance Charge	(b)(7)
17. Identification of Creditor	(a)
18. Charges for Credit Life, Accident, Health or Loss of Income Insurance	226.4(a)(5)

Other Disclosures Not Applicable to Example Illustrated on Exhibit C

Regulation Z prescribes other disclosures to be made in connection with credit sales depending on the terms of the transaction and type of security interest taken by the creditor. For example:

	§226.8
"Prepaid Finance Charge"	(c)(6)
"Required Deposit Balance"	(c)(6)
"Balloon Payment"	(b)(3)
Default, Delinquency or Similar Charges	(b)(4)
After Acquired Property	(b)(5)
Security for Future Indebtedness	(b)(5)
Penalty Charge	(b)(6)
Unearned Finance Charge	(b)(7)
Property Insurance	226.4(a)(6)
Real Property Security	226.9

EXHIBIT D

Example of disclosures on a promissory note for non-sale credit for which a finance charge is added to the amount financed and the obligation is repayable in installments.

PROMISSORY NOTE

(City) (State) _____ 19____

For value received, undersigned maker(s), jointly and severally, promise to pay to the order of _____ at the above place _____ dollars (\$_____) in _____ consecutive monthly payments of \$_____, each beginning one month from the date hereof and thereafter on the same date of each subsequent month until paid in full. Any unpaid balance may be paid, at any time, without penalty and any unearned finance charge will be refunded based on the "Rule of 78's". In the event that maker(s) default(s) on any payment, a charge of _____ may be assessed.

1. Proceeds	\$ _____
2. _____ (Other charges, itemized)	_____
3. Amount financed (1 + 2)	\$ _____
4. FINANCE CHARGE	_____
5. Total of payments	\$ _____
ANNUAL PERCENTAGE RATE	_____ %

Signed _____

This form, when properly completed, will show how a creditor may comply with the disclosure requirements of the provisions of paragraphs (b) and (d) of §226.8 of Regulation Z for the type of credit extended in this example. This form is intended solely for purposes of demonstration and it is not the only format which will permit a creditor to comply with disclosure requirements of Regulation Z.

**ILLUSTRATION OF FEDERAL DISCLOSURES ON A PROMISSORY
NOTE FOR A LOAN
(Section 226.8)**

Applicable Disclosures Shown on Exhibit D (opposite page)	Regulation Z Reference (226.8)
1. "Amount Financed"	(d) (1)
2. Other Charges Individually Itemized (not finance charges)	(d) (1)
3. "Finance Charge"	(d) (3)
4. "Annual Percentage Rate"	(b) (2)
5. Number, Amount, Due Dates of Payments	(b) (3)
6. "Total of Payments"	(b) (3)
7. Charges for Default or Late Payment	(b) (4)
8. Method of Computing Any Unearned Finance Charge	(b) (7)
9. Identification of Creditor	(a)

Other Disclosures Not Applicable to Example Shown in Exhibit D

See comment under similar heading on Page 23.

EXHIBIT E

DISCLOSURE STATEMENT OF LOAN

BORROWERS (NAMES AND ADDRESSES): _____ LENDER: _____ LOAN NO. _____ Date _____

 _____ (STREET ADDRESS)
 _____ (CITY) (STATE) (ZIP)

TOTAL OF PAYMENTS \$	FINANCE CHARGE \$	AMOUNT FINANCED \$	ANNUAL PERCENTAGE RATE: %	CREDIT LIFE INSURANCE CHARGE \$	DISABILITY INSURANCE CHARGE \$	PROPERTY INSURANCE CHARGE \$	
PAYABLE IN: CONSECUTIVE MONTHLY INSTALLMENTS	DUE DATE OF PAYMENTS			AMOUNT OF PAYMENTS			RECORDING FEE \$
	FIRST:	OTHERS: SAME DAY OF EACH MONTH	FINAL:	FIRST: \$	OTHERS: \$	FINAL: \$	

INSURANCE

PROPERTY INSURANCE, if written in connection with this loan, may be obtained by borrower through any person of his choice. If borrower desires property insurance to be obtained through the creditor, the cost will be \$_____ for the term of the credit.

CREDIT LIFE AND DISABILITY INSURANCE is not required to obtain this loan. No charge is made for credit insurance and no credit insurance is provided unless the borrower signs the appropriate statement below:

- (a) The cost for Credit Life Insurance alone will be \$_____ for the term of the credit.
- (b) The cost for Credit Life and Disability Insurance will be \$_____ for the term of the credit.

I desire Credit Life and Disability Insurance.

I desire Credit Life Insurance only.

I DO NOT want Credit Life or Disability Insurance.

(Date) (Signature) (Date) (Signature) (Date) (Signature)

REBATE FOR PREPAYMENT IN FULL. If the loan contract is prepaid in full by cash, a new loan, refinancing or otherwise before the final installment date, the borrower shall receive a rebate of precomputed interest computed under the Rule of 78's.

DEFAULT CHARGE. [The creditor should set forth the amount, or method of computing the amount, of any default, delinquency, or similar charges payable in the event of late payments.]

SECURITY

DESCRIPTION

A. This Loan is Secured By a Security Agreement of Even Date covering.....

The Security Agreement will secure future or other indebtedness and will cover after-acquired property.

- Motor Vehicle(s): Make- Serial No:
- Household Goods & Appliances of the following description:.....
-
-
- Other: (Describe)

B. This Loan is Unsecured.

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT.

Borrower:

Witness:

This form, when properly completed, will show how a creditor may comply with the disclosure requirements of the provisions of paragraphs (b) and (c) of §226.7 of Regulation Z for the type of credit extended in this example. This form is intended solely for purposes of demonstration and it is not the only format which will permit a creditor to comply with disclosure requirements of Regulation Z.

**ILLUSTRATION OF FEDERAL DISCLOSURES ON A SEPARATE
STATEMENT FOR A LOAN REPAYABLE IN INSTALLMENTS**

(Section 226.8)

Applicable Disclosures Shown on Exhibit E (opposite page)	Regulation Z Reference (226.8)
1. Identification of Transaction	(a)
2. "Amount Financed" including itemized charges other than finance charges. (Note §226.4(b))	(d) (1)
3. "Finance Charge"	(d) (3)
4. "Annual Percentage Rate"	(b) (2)
5. Number, Amount, and Due Date of Payments	(b) (3)
6. "Total of Payments"	(b) (3)
7. Default, Delinquency, or Similar Charge	(b) (4)
8. Identification of Security Interest	(b) (5)
9. Identification of Property to Which Security Interest Relates	(b) (5)
10. Method of Computing Any Unearned Portion of the Finance Charge	(b) (7)
11. After-acquired Property Subject to Security Interest	(b) (5)
12. Security for Future Indebtedness	(b) (5)
13. Identification of Creditor	(a)
14. Credit Life, Accident, and Health Insurance	§226.4 (a) (5)
15. Property and Liability Insurance	§226.4 (a) (6)

Other Disclosures Not Applicable to Example Shown in Exhibit E

Regulation Z prescribes other disclosures to be made in connection with loan credit which are not applicable to the illustrated example, such as, prepaid finance charge (c)(6), required deposit balance (c)(6), and balloon payment (b)(3), etc.

EXHIBIT F

NOTICE OF RIGHT OF RESCISSION

The following form is the form of notice of the right to rescind a transaction required to be given to customers under certain circumstances set forth in Section 226.9 of Regulation Z. This exhibit is set in capitals and lower case letters of 12 point bold faced type, the minimum size permissible under Regulation Z.

(Identification of Transaction)

Notice To Customer Required By Federal Law:

You have entered into a transaction on _____ which may
(Date)

result in a lien, mortgage, or other security interest on your home. You have a legal right under federal law to cancel this transaction, if you desire to do so, without any penalty or obligation within three business days from the above date or any later date on which all material disclosures required under the Truth in Lending Act have been given to you. If you so cancel the transaction, any lien, mortgage, or other security interest on your home arising from this transaction is automatically void. You are also entitled to receive a refund of any downpayment or other consideration if you cancel. If you decide to cancel this transaction, you may do so by notifying

(Name of Creditor)

at _____

(Address of Creditor's Place of Business)

by mail or telegram sent not later than midnight of _____. You
(Date)

may also use any other form of written notice identifying the transaction if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I hereby cancel this transaction.

(Date) (Customer's signature)

EXHIBIT F

The following paragraph may appear on the face or the reverse side of the notice shown on the opposite page. If it appears on the reverse side of the notice, the face of the notice shall state, "See reverse side for important information about your right of rescission."

EFFECT OF RESCISSION. When a customer exercises his right to rescind under paragraph (a) of this section, he is not liable for any finance or other charge, and any security interest becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the customer any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the customer, the customer may retain possession of it. Upon the performance of the creditor's obligations under this section, the customer shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the customer shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the customer, at the option of the customer. If the creditor does not take possession of the property within 10 days after tender by the customer, ownership of the property vests in the customer without obligation on his part to pay for it.

EXHIBIT G

SAMPLE PAGE FROM TABLE FOR COMPUTING ANNUAL PERCENTAGE RATE FOR LEVEL MONTHLY PAYMENT PLANS

EXAMPLE

Finance charge = \$35.00; Total amount financed = \$200; Number of monthly payments = 24.

SOLUTION

Step 1—Divide the finance charge by the total amount financed and multiply by \$100. This gives the finance charge per \$100 of amount financed. That is, $\$35.00 \div \$200 = .1750 \times \$100 = \17.50 .

Step 2—Follow down the left hand column of the table to the line for 24 months. Follow across this line until you find the nearest number to \$17.50. In this example \$17.51 is closest to \$17.50. Reading up the column of figures shows an annual percentage rate of 16%.

NUMBER OF PAYMENTS	ANNUAL PERCENTAGE RATE															
	14.00%	14.25%	14.50%	14.75%	15.00%	15.25%	15.50%	15.75%	16.00%	16.25%	16.50%	16.75%	17.00%	17.25%	17.50%	17.75%
	(FINANCE CHARGE PER \$100 OF AMOUNT FINANCED)															
1	1.17	1.19	1.21	1.23	1.25	1.27	1.29	1.31	1.33	1.35	1.37	1.40	1.42	1.44	1.46	1.48
2	1.75	1.78	1.82	1.85	1.88	1.91	1.94	1.97	2.00	2.04	2.07	2.10	2.13	2.16	2.19	2.22
3	2.34	2.38	2.43	2.47	2.51	2.55	2.59	2.64	2.68	2.72	2.76	2.80	2.85	2.89	2.93	2.97
4	2.93	2.99	3.04	3.09	3.14	3.20	3.25	3.30	3.36	3.41	3.46	3.51	3.57	3.62	3.67	3.73
5	3.53	3.59	3.65	3.72	3.78	3.84	3.91	3.97	4.04	4.10	4.16	4.23	4.29	4.35	4.42	4.48
6	4.12	4.20	4.27	4.35	4.42	4.49	4.57	4.64	4.72	4.79	4.87	4.94	5.02	5.09	5.17	5.24
7	4.72	4.81	4.89	4.98	5.06	5.15	5.23	5.32	5.40	5.49	5.58	5.66	5.75	5.83	5.92	6.00
8	5.32	5.42	5.51	5.61	5.71	5.80	5.90	6.00	6.09	6.19	6.29	6.38	6.48	6.58	6.67	6.77
9	5.92	6.03	6.14	6.25	6.35	6.46	6.57	6.68	6.78	6.89	7.00	7.11	7.22	7.32	7.43	7.54
10	6.53	6.65	6.77	6.88	7.00	7.12	7.24	7.36	7.48	7.60	7.72	7.84	7.96	8.08	8.19	8.31
11	7.14	7.27	7.40	7.53	7.66	7.79	7.92	8.05	8.18	8.31	8.44	8.57	8.70	8.83	8.96	9.09
12	7.74	7.89	8.03	8.17	8.31	8.45	8.59	8.74	8.88	9.02	9.16	9.30	9.45	9.59	9.73	9.87
13	8.36	8.51	8.66	8.81	8.97	9.12	9.27	9.43	9.58	9.73	9.89	10.04	10.20	10.35	10.50	10.66
14	8.97	9.13	9.30	9.46	9.63	9.79	9.96	10.12	10.29	10.45	10.62	10.78	10.95	11.11	11.28	11.45
15	9.59	9.76	9.94	10.11	10.29	10.47	10.64	10.82	11.00	11.17	11.35	11.53	11.71	11.88	12.06	12.24
16	10.20	10.39	10.58	10.77	10.95	11.14	11.33	11.52	11.71	11.90	12.09	12.28	12.46	12.65	12.84	13.03
17	10.82	11.02	11.22	11.42	11.62	11.82	12.02	12.22	12.42	12.62	12.83	13.03	13.23	13.43	13.63	13.83
18	11.45	11.66	11.87	12.08	12.29	12.50	12.72	12.93	13.14	13.35	13.57	13.78	13.99	14.21	14.42	14.64
19	12.07	12.30	12.52	12.74	12.97	13.19	13.41	13.64	13.86	14.09	14.31	14.54	14.76	14.99	15.22	15.44
20	12.70	12.93	13.17	13.41	13.64	13.88	14.11	14.35	14.59	14.82	15.06	15.30	15.54	15.77	16.01	16.25
21	13.33	13.58	13.82	14.07	14.32	14.57	14.82	15.06	15.31	15.56	15.81	16.06	16.31	16.56	16.81	17.07
22	13.96	14.22	14.48	14.74	15.00	15.26	15.52	15.78	16.04	16.30	16.57	16.83	17.09	17.36	17.62	17.88
23	14.59	14.87	15.14	15.41	15.68	15.96	16.23	16.50	16.78	17.05	17.32	17.60	17.88	18.15	18.43	18.70
24	15.23	15.51	15.80	16.08	16.37	16.65	16.94	17.22	17.51	17.80	18.09	18.37	18.66	18.95	19.24	19.53
25	15.87	16.17	16.46	16.76	17.06	17.35	17.65	17.95	18.25	18.55	18.85	19.15	19.45	19.75	20.05	20.36
26	16.51	16.82	17.13	17.44	17.75	18.06	18.37	18.68	18.99	19.30	19.62	19.93	20.24	20.56	20.87	21.19
27	17.15	17.47	17.80	18.12	18.44	18.76	19.09	19.41	19.74	20.06	20.39	20.71	21.04	21.37	21.69	22.02
28	17.80	18.13	18.47	18.80	19.14	19.47	19.81	20.15	20.48	20.82	21.16	21.50	21.84	22.18	22.52	22.86
29	18.45	18.79	19.14	19.49	19.83	20.18	20.53	20.89	21.23	21.58	21.94	22.29	22.64	22.99	23.35	23.70
30	19.10	19.45	19.81	20.17	20.54	20.90	21.26	21.62	21.99	22.35	22.72	23.08	23.45	23.81	24.18	24.55
31	19.75	20.12	20.49	20.87	21.24	21.61	21.99	22.37	22.74	23.12	23.50	23.88	24.26	24.64	25.02	25.40
32	20.40	20.79	21.17	21.56	21.95	22.33	22.72	23.11	23.50	23.89	24.28	24.68	25.07	25.46	25.86	26.25
33	21.06	21.46	21.85	22.25	22.65	23.06	23.46	23.86	24.26	24.67	25.07	25.48	25.88	26.29	26.70	27.11
34	21.72	22.13	22.54	22.95	23.37	23.78	24.19	24.61	25.03	25.44	25.86	26.28	26.70	27.12	27.54	27.97
35	22.38	22.80	23.23	23.65	24.08	24.51	24.94	25.36	25.79	26.23	26.66	27.09	27.52	27.96	28.39	28.83
36	23.04	23.48	23.92	24.35	24.80	25.24	25.68	26.12	26.57	27.01	27.46	27.90	28.35	28.80	29.25	29.70
37	23.70	24.16	24.61	25.06	25.51	25.97	26.42	26.88	27.34	27.80	28.26	28.72	29.18	29.64	30.10	30.57
38	24.37	24.84	25.30	25.77	26.24	26.70	27.17	27.64	28.11	28.59	29.06	29.53	30.01	30.49	30.96	31.44
39	25.04	25.52	26.00	26.48	26.96	27.44	27.92	28.41	28.89	29.38	29.87	30.36	30.85	31.34	31.83	32.32
40	25.71	26.20	26.70	27.19	27.69	28.18	28.68	29.18	29.68	30.18	30.68	31.18	31.68	32.19	32.69	33.20
41	26.39	26.89	27.40	27.91	28.41	28.92	29.44	29.95	30.46	30.97	31.49	32.01	32.52	33.04	33.56	34.08
42	27.06	27.58	28.10	28.62	29.15	29.67	30.19	30.72	31.25	31.78	32.31	32.84	33.37	33.90	34.44	34.97
43	27.74	28.27	28.81	29.34	29.88	30.42	30.96	31.50	32.04	32.58	33.13	33.67	34.22	34.76	35.31	35.86
44	28.42	28.97	29.52	30.07	30.62	31.17	31.72	32.28	32.83	33.39	33.95	34.51	35.07	35.63	36.19	36.76
45	29.11	29.67	30.23	30.79	31.36	31.92	32.49	33.06	33.63	34.20	34.77	35.35	35.92	36.50	37.08	37.66
46	29.79	30.36	30.94	31.52	32.10	32.68	33.26	33.84	34.43	35.01	35.60	36.19	36.78	37.37	37.96	38.56
47	30.48	31.07	31.66	32.25	32.84	33.44	34.03	34.63	35.23	35.83	36.43	37.04	37.64	38.25	38.86	39.46
48	31.17	31.77	32.37	32.98	33.59	34.20	34.81	35.42	36.03	36.65	37.27	37.88	38.50	39.13	39.75	40.37
49	31.86	32.48	33.09	33.71	34.34	34.96	35.59	36.21	36.84	37.47	38.10	38.74	39.37	40.01	40.65	41.29
50	32.55	33.18	33.82	34.45	35.09	35.73	36.37	37.01	37.65	38.30	38.94	39.59	40.24	40.89	41.55	42.20
51	33.25	33.89	34.54	35.19	35.84	36.49	37.15	37.81	38.46	39.12	39.79	40.45	41.11	41.78	42.45	43.12
52	33.95	34.61	35.27	35.93	36.60	37.27	37.94	38.61	39.28	39.96	40.63	41.31	41.99	42.67	43.36	44.04
53	34.65	35.32	36.00	36.68	37.36	38.04	38.72	39.41	40.10	40.79	41.48	42.17	42.87	43.57	44.27	44.97
54	35.35	36.04	36.73	37.42	38.12	38.82	39.52	40.22	40.92	41.63	42.33	43.04	43.75	44.47	45.18	45.90
55	36.05	36.76	37.46	38.17	38.88	39.60	40.31	41.03	41.74	42.47	43.19	43.91	44.64	45.37	46.10	46.83
56	36.76	37.48	38.20	38.92	39.65	40.38	41.11	41.84	42.57	43.31	44.05	44.79	45.53	46.27	47.02	47.77
57	37.47	38.20	38.94	39.68	40.42	41.16	41.91	42.65	43.40	44.15	44.91	45.66	46.42	47.18	47.94	48.71
58	38.18	38.93	39.68	40.43	41.19	41.95	42.71	43.47	44.23	45.00	45.77	46.54	47.32	48.09	48.87	49.65
59	38.89	39.66	40.42	41.19	41.96	42.74	43.51	44.29	45.07	45.85	46.64	47.42	48.21	49.01	49.80	50.60
60	39.61	40.39	41.17	41.95	42.74	43.53	44.32	45.11	45.91	46.71	47.51	48.31	49.12	49.92	50.73	51.55

The table shown on the opposite page (Exhibit G) is one page out of the tables compiled by the Federal Reserve Board to assist creditors in figuring out the annual percentage rate of the cost of credit, or the amount of the finance charge for a given rate. These tables are described on page 4 of this pamphlet.

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