
Truth-in-Lending Disclosures for Closed-End Credit

Revised Date: 12/20/2013

General Policy Statement:

The Credit Union will comply with the Truth-in-Lending Act and its implementing regulation, Regulation Z, by providing consumer borrowers with proper Truth-in-Lending disclosures for closed-end credit in a timely manner.

Guidelines:

1. **FORM OF DISCLOSURES.** The Credit Union will provide the proper closed-end disclosures in the following manner:
 - A. **Clearly and Conspicuously in Writing.** The disclosures will be in a reasonably understandable form and legible.
 - B. **In a Form the Member May Keep.** The disclosures will be in a form that the consumer borrower may keep. This includes disclosures delivered electronically through a personal computer.
 - C. **Conspicuous Terms.** The terms “annual percentage rate” (APR, though the full use of the term must be used once) and “finance charge” when disclosed with a corresponding amount or rate will be more conspicuous than any other disclosure except the Credit Union’s name.

2. **TIME OF DISCLOSURES.**
 - A. **Generally.** The Credit Union will provide the proper closed-end disclosures to the consumer borrower before consummation of the transaction. For residential mortgages and extensions of credit secured by the member’s dwelling, the disclosures must be provided within three (3) business days after receiving the member’s written application (“business” day” is defined as the days on which the Credit Union offices are open to the membership for carrying on substantially all of its business functions). See paragraph (4). For student loans, the timing requirements in **Policy 7240** will be followed.
 - B. **Electronic Delivery.** The Credit Union may provide the disclosures to applicants electronically, subject to the Electronic Signatures in Global and National Commerce Act (E-SIGN). See Paragraph (6). The Credit Union may provide the disclosures in both paper and electronic form, and rely on the paper form to satisfy the compliance obligations. If this is done, the Credit Union would not be

required to comply with the E-SIGN consent procedures.

- C. **Mail or Telephone Orders.** When the Credit Union receives a request for credit by mail or telephone without face-to-face or direct telephone solicitation, the Credit Union may delay making the disclosures for the credit transaction until the due date of the first payment, provided the following disclosures are provided:
 - i. The cash price or the principal loan amount;
 - ii. The total sale price;
 - iii. The APR, and if the rate may increase after consummation, the following disclosures:
 - a. The circumstances under which the rate may increase;
 - b. Any limitations on the increase;
 - c. The effect of an increase; and
 - iv. The terms of repayment.
 - D. **Web Site Orders.** If a member ordered a product via the Credit Union's Web site, the transaction-specific disclosures could **not** be delayed, and must be provided before consummation of the transaction. For disclosures to be provided electronically, the E-SIGN consent procedures would have to be followed.
 - E. **Electronic ARM Applications.** See Paragraph (4)(A)(iv).
3. **CONTENT OF DISCLOSURES.** The Credit Union will provide closed-end disclosures that will include the following information:
- A. Credit Union Name.
 - B. Description of the security interest (if applicable).
 - C. Payment schedule, including number, amount, and timing of payments.
 - D. Calculation of amount financed, APR, finance charge, security interest charges, total payments, required deposit, demand feature, and insurance and debt cancellation charges (when applicable).
 - E. Credit sale disclosure if borrower is purchasing a vehicle repossessed by the Credit Union.

- F. Itemization of amount financed.
 - G. Prepayment information.
 - H. Late payment penalty.
 - I. Reference to contract for additional information.
 - J. Notice of right to Appraisal Copy.
 - K. Notice of right of rescission when security constitutes the borrower's principal dwelling (i.e., mobile home, trailer, houseboat).
 - L. Variable rate disclosures (when applicable) detailing:
 - i. Circumstances under which the rate may increase;
 - ii. Effect of an increase and example of resulting payments;
 - iii. Any limitations on the increased rate; and
 - iv. If structured with a rate cap, the maximum interest rate that may be imposed during the loan period.
 - M. Assumption Policy (if applicable).
 - N. Homeownership counselors (if applicable).
 - O. Disclosures will not contain a Mandatory Arbitration Agreement in conjunction with the Truth-in-Lending Act §1026.36(h) as amended by the Dodd-Frank Act
4. **RESIDENTIAL MORTGAGE TRANSACTIONS.** For residential mortgage transactions subject to the Real Estate Settlement Procedures Act (RESPA), as well as extensions of credit secured by a member's dwelling, the following rules will apply:

A. RESPA Mortgage Loans.

- i. **Disclosures (for mortgage loans secured a member's primary residence that are subject to RESPA).**
 - 1. **Good Faith Estimate of Settlement Costs.** A good faith estimate of expected closing costs such as loan origination fee, loan discount, appraisal fee, assumption fee, interest on per-day basis, attorneys' fees, title insurance, recording fees, survey and pest inspection. The Credit Union will deliver this estimate no later

than 3 business days after receipt of written application.

2. **Settlement Procedures Special Information Booklet.** A booklet explaining settlement process and costs when applicable. Regulation X only requires this booklet for transactions involving the purchase of 1-4 family dwellings. The Credit Union will deliver this booklet no later than 3 business days after receipt of written application.
 3. **Consumer Handbook on Adjustable Rate Mortgages** (if applicable). The Credit Union will deliver this booklet no later than 3 business days after receipt of written application.
 4. **Uniform Settlement Statement.** HUD-1 closing statement clearly itemizing all charges imposed on the borrower and the seller at closing and charges paid outside of closing. The Credit Union will provide the statement at closing or one day before closing upon request.
 5. **Statement Regarding Transfer of Servicing Rights.** The Credit Union will provide this disclosure 15 days before the effective date of a loan transfer.
 6. **Escrow Account Disclosures When Applicable.** The Credit Union will provide an Initial Escrow Statement within 45 days of closing. The Credit Union will also provide an Annual Escrow Statement within 30 days of the completion of the escrow account computation year. In addition, the Credit Union will provide HUD's "Consumer Disclosure for Voluntary Escrow Payments" whenever the Credit Union anticipates a substantial increase in bills paid out of the escrow account after the first year.
- ii. **Early Truth-in-Lending Disclosures.** These early disclosures must be provided within 3 business days after receiving an application ("business day" is defined as the days on which the Credit Union offices are open to the membership for carrying on substantially all of its business functions), and include the following:
0. Description of security interest;
 1. Required deposit balance when applicable;
 2. Credit sale disclosure if borrower purchases foreclosed property;
 3. Itemization of amount financed when requested;

4. Late payment penalty and reference to trust deed for default information;
 5. Adjustable mortgage rate disclosures if applicable;
 6. Notice of right to receive a copy of the appraisal which states: **“We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.”**
 7. Calculation of annual percentage rate, payment schedule, finance charge, total payments, and security interest charges. If specific terms are unknown, the Credit Union will provide the borrower with a good faith estimate. The Credit Union will recalculate the disclosures when the loan is consummated. If the recalculation of APR varies more than 1/8 of 1% from the good faith estimate, the Credit Union will re-disclose these items at closing;
 8. A written list of homeownership counseling organizations (for Federally related mortgage transactions); and
 9. The following statement, in a clear and conspicuous manner: **“You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.”**
- iii. **Certain Variable Rate Transactions.** If the annual percentage rate may increase after consummation in a transaction secured by the consumer borrower’s principal dwelling with a term greater than one (1) year, the Credit Union will provide the following disclosures upon the earlier of when the application is provided or before the consumer pays a nonrefundable fee:
0. Consumer Handbook on Adjustable Rate Mortgages; and
 1. Loan program disclosure for each variable-rate program in which the member expresses interest.
- iv. **Form of Disclosures.**
0. If a consumer accesses an ARM application in electronic form (such as on a home computer), the required disclosures *may* also be provided to the consumer in electronic form.

1. If a consumer is physically present in the card issuer's office, and accesses an electronic ARM application (such as via a terminal or kiosk), the issuer could provide disclosures in paper form to comply with the timing and delivery requirements of Regulation Z. In the case of an in-person electronic application in a creditor's office, paper disclosures would likely be necessary to comply with the timing requirements and the requirement to provide the ARM disclosures in a form the consumer can keep.

B. Extensions of Credit Secured by a Member's Dwelling. For extensions of credit secured by a member's dwelling (except home equity loans), the following rules apply:

i. Advertising Rules.

0. **Rate of Finance Charge.** No rate other than the APR may be stated, except a simple annual rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the APR.
1. **Buydowns.** When a "buydown" (offering a reduced interest rate and reduced payments for a limited period of time) is offered, the following additional disclosures will be required:
 - a. the amount or percentage of the down payment;
 - b. the terms of repayment; and
 - c. the "annual percentage rate."
2. **Discounted Variable Rate Transactions.** When these are offered, the limited term to which the simple annual rate applies and the APR that will apply after the term of the initial rate expires must be disclosed in close proximity to the discounted variable rate. If the advertisement shows the effect of a discount on the payment schedule, the additional disclosures (above) will be required.
3. **Advertisements of Terms that Require Additional Disclosures.**
 - a. The terms of repayment must include the repayment obligations over the full term of the loan.
 - b. Advertisements may state the number and timing of payments, the fact that the payments do not include amounts for mortgage insurance premiums, and that the actual payment obligation will be higher.

- c. For loans with one series of low payments, followed by another series of higher payments, the advertisement may state the number and time period of each series of payments (assuming the member makes the series of lower payments for the maximum allowable period of time).
 - d. If a balloon payment will occur if the member only makes the minimum payments specified in an advertisement, the advertisement must state the amount and time of this balloon payment, with equal prominence and in close proximity to the minimum payment.
4. **Disclosure of Rates.** If more than one simple annual rate of interest will apply over the term of the advertised loan, the advertisement must include the following information in a clear and conspicuous manner:
- a. Each simple annual rate of interest that will apply. In variable rate transactions, a rate determined by an index and margin must be disclosed based on a reasonably current index and margin;
 - b. The period of time during which each simple annual rate of interest will apply; and
 - c. The APR for the loan (which must be disclosed with greater prominence than the other information).
5. **Disclosure of Payments.** Advertisements that state the amount of any payment must also include the following information:
- a. The amount of each payment that will apply over the term of the loan, including any balloon payment. In variable rate transactions, payments that will be determined based on the application of an index and margin must be disclosed based on a reasonable index and margin;
 - b. The period of time during which each payment will apply; and
 - c. If secured by a first lien on a dwelling, the fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater.

6. **Tax Implications.** For advertisements offering an extension of credit that may exceed the fair market value (FMV) of the dwelling, the advertisement must include a statement that the interest on the portion of credit that exceeds the FMV of the dwelling is **not** deductible for Federal income tax purposes, and that the member should consult a tax advisor.
- ii. **Deceptive or Misleading Advertisements.** The Credit Union will ensure that it does **not** engage in the following mortgage advertising practices:
 0. Advertisements that state “fixed” rates or payments for loans whose rates or payments for loans whose rates or payments can vary without adequately disclosing that the interest rate or payment amounts are “fixed” only for a limited period of time, rather than for the full term of the loan;
 1. Advertisements that compare an actual or hypothetical rate or payment obligation to the rates or payments that would apply if the member obtains the advertised product unless the advertisement states the rates or payments that will apply over the full term of the loan;
 2. Advertisements that characterize the products offered as “government loan programs,” “government-supported loans,” or otherwise endorsed or sponsored by a federal or state government entity through the advertised products are not government-supported or -sponsored loans; and
 3. Foreign language advertisements in which certain information, such as a low introductory “teaser” rate, is provided in a foreign language, while required disclosures are provided only in English.
 - iii. **Requirement to Provide Early Disclosures.** The early Truth-in-Lending disclosures outlined in paragraph (4)(A)(ii) must be provided no later than 3 business days after application and before a member pays a fee (except a reasonable fee for the review of the member’s credit history. The term “business day” is defined as the days on which the Credit Union offices are open to the membership for carrying on substantially all of its business functions.
 - iv. **Waiting Periods After Early Disclosures and Corrected Disclosures.**
 0. **Seven-Day Waiting Period.** The early disclosures must be delivered no later than the 7th business day before consummation, which begins when the Credit Union places the early disclosures in the mail. Consummation may occur at any time on the 7th business

day following delivery or mailing.

1. **Three-Day Waiting Period for Corrected Disclosures.**

Corrected disclosures must be received by members at least 3 business days before consummation. Members are presumed to have received corrected disclosures 3 business days after mailing (or actual delivery of provided electronically). The term “business day” for this waiting period means all calendar days except Sundays and specified legal public holidays.

2. **Member’s Waiver of Waiting Periods.** A member may shorten or waive one or both waiting periods to meet a “bona fide” emergency (for example, the imminent sale prior to an impending foreclosure). The waiver must be a signed writing describing the emergency. If there is more than one borrower involved, all must sign the waiver.

5. **SUBSEQUENT DISCLOSURE REQUIREMENTS.** The Credit Union will provide subsequent closed-end disclosures as required.

A. **Refinancing.** The Credit Union will provide the consumer borrower with new disclosures upon a refinancing. A refinancing occurs when an existing loan is satisfied and replaced by a new loan undertaken by the same consumer borrower.

B. **Assumption.** The Credit Union will provide the consumer borrower with new disclosures, based upon the remaining obligation upon an assumption. An assumption occurs when the Credit Union expressly agrees in writing with a subsequent consumer to accept that consumer as a primary obligor on an existing residential mortgage transaction.

C. **Variable Rate Adjustments.**

i. **Interest Rate Adjustment Notification Qualification.** The Credit Union will make disclosures in connection with the initial reset of an adjustable-rate mortgage (ARM) and each time an interest rate adjustment results in a payment change, or minimally once per year. This requirement includes exceptions when:

0. ARMs have a term of 1 year or less

1. The ongoing interest rate adjustment disclosure is not required the first time the ARM adjusts if the first payment at the adjusted level is due within 210 days after consummation and the newly disclosed interest rate in the notice at consummation was not an estimate.

2. The ongoing interest rate adjustment notice also is not required if the Credit Union is acting as a debt collector under the FDCPA to whom the member has sent a written cease communication request; however, the Credit Union will still provide the initial interest rate adjustment notice.

ii. **Notification Contents.** The Credit Union will provide the information required by the Mortgage Servicing Rule in a clear and conspicuous manner and group the information as required and in a substantially similar manner to the model and sample forms in Appendix H-4 of Regulation Z. The information that the Credit Union will include on the Notification of Interest Rate Adjustment includes:

0. Date of the disclosure;
1. An explanation that under the terms of the loan, the interest rate may change;
2. The effective date of the adjustment and future adjustments;
3. The current and new rates;
4. The current and new payments and the date the first payment is due;
5. Payment allocation and other information for interest only or negatively amortizing loans;
6. An explanation of how the rate is determined;
7. Any limits on the interest rate or payment increases;
8. An explanation of how the new payment is determined;
9. The circumstances under which a prepayment penalty may be imposed;
10. The Credit Union's telephone number;
11. Alternatives to paying the new rate; **and**
12. Housing counseling information; which includes:
 - a. The website to access either the CFPB list or the HUD list of homeownership counselors and counseling

organizations;

- b. The HUD toll-free number to access the HUD list of homeownership counselors and counseling organizations ((800) 569-4287); **and**
- c. The CFPB website to access contact information for state housing finance authorities.

iii. **Notification Delivery.**

0. **Initial Disclosure.** The Credit Union will send the initial interest rate adjustment disclosure at least 210 days, but no more than 240 days, before the first payment at the adjusted level is due.

- a. If the first payment at the adjusted level is due within the first 210 days after consummation, provide the disclosures at consummation.
- b. For the initial interest rate notice, if the new interest rate (or the new payment calculated from the new interest rate) is not known as of the date of the disclosure, the Credit Union will use an estimate and label it as such. This estimate will be based on the index as reported within 15 business days prior to the date of the disclosure.

1. The initial interest rate adjustment disclosure will be a separate document, but may be on the same document as other information and may be sent in the same envelope with other disclosures, such as the periodic statement.

iv. **Ongoing Disclosure.** The Credit Union will send the ongoing interest rate adjustment notice disclosing an interest rate adjustment causing a payment change at least 60 days, but no more than 120 days, before the first payment at the adjusted level is due. The ongoing interest rate adjustment disclosure will be segregated from other information but may be on the same document as other information and may be sent in the same envelope with other disclosures, such as the periodic statement.

v. **Special Timing Requirements.** Special timing requirements apply to frequently-adjusting ARMs, ARMs with short look-back periods, and ARMs adjusting soon after consummation:

0. If an ARM has regularly scheduled interest rate adjustments occurring every 60 days or more frequently, the Credit Union will provide the disclosures at least 25 days, but no more than 120 days,

before the first payment at the adjusted level is due.

1. If an ARM was originated prior to January 10, 2015, and the adjusted interest rate and payment are calculated based on an index figure available less than 45 days prior to the adjustment date, the Credit Union will provide the disclosures at least 25 days, but no more than 120 days, before the first payment at the adjusted level is due.
 2. If the first adjustment to an ARM is to occur within 60 days of consummation and the notice the Credit Union provided at consummation contained an estimated adjusted interest rate, the Credit Union will provide the disclosure as soon as practicable, but not less than 25 days before the first payment at the adjusted level is due.
6. **ELECTRONIC DISCLOSURE DELIVERY.** The Credit Union may deliver closed-end disclosures electronically, if the member affirmatively consents to the electronic delivery and receipt of the disclosures in accordance with the Electronic Signatures in Global and National Commerce Act (the “E-Sign Act”). This method of delivery includes visual text displayed on equipment such as a personal computer monitor. Prior to consent, the member must receive a Consent Notice that informs him or her of certain protections including: the right to receive disclosures in paper form, how to exercise that right, the fee, if any, the Credit Union charges for a paper copy; how to withdraw consent and the consequence of withdrawal, including fees; scope of consent; and hardware/software requirements to receive the electronic disclosures.
7. **RIGHT TO CANCEL (RESCISSION).** Members who borrow against a security interest mortgage on their principal dwelling have a right to cancel their entire loan transaction without cost if they notify the Credit Union within three business days of loan consummation of their desire to cancel. Each member entitled to cancel must receive two copies of a “notice of right to cancel” form to use for this purpose.* If the notice is delivered in electronic form, one copy of the notice is sufficient, subject to the E-SIGN consent procedures.

* There are exceptions to the right to cancel such as a construction loan or a loan for business purposes. See Regulation Z for further exceptions. 12 CFR 1026.23.