

Type "X" when complete <input type="checkbox"/>		Return to Checklist
Regulation Z - Truth in Lending Loans - Closed End Credit		
DEFINITION OF CLOSED END CREDIT		
DEFINITION OF FINANCE CHARGE		
	Yes/No	Comments
1. Does it appear the following are accurately disclosed:		
a. Finance Charge Calculation (226.4)		
b. Annual Percentage Rate (APR) (226.22) (Considered accurate if within 1/8 of 1%.)		
c. Total of Payments (226.18(h))		
d. Payment Schedules (226.18(g))		
2. Does it appear "credit sale" disclosures are made when required? (226.18(j))		
3. Does it appear variable-rate disclosures are made, if applicable? (226.18(f))		
4. Are required terms with explanatory language used? (226.18)		
5. Does it appear the "amount financed" itemization is made or offered? (226.18(c))		
6. Does it appear all other disclosures are made? (226.18(a-r))		
7. Are disclosures grouped together and segregated from all other information? (226.17(a)(1))		
8. Does it appear disclosures are made before consummation of the transaction? (226.17(b))		
9. For closed end dwelling-secured loans subject to RESPA, does it appear early disclosures are delivered or mailed within three (3) business days after receiving the consumer's written application, and at least seven (7) business days before consummation? (226.19(a)(1)) and (226.19(a)(2))		
10. For closed end dwelling-secured loans subject to RESPA, if the APR stated in the early disclosure is not considered accurate under 226.22 when compared to the APR at consummation, does it appear corrected disclosures of all changed terms, including the APR, are provided no later than three (3) business days before consummation? (226.19(a)(2))		
11. For any mortgage loan that was sold or otherwise transferred or assigned to the credit union, does it appear the borrower was notified within 30 days of the sale?		

Cell: A5

Comment: Closed End Credit is defined (226.2) as credit "other than 'open-end credit'". Open-end credit is defined as credit extended under a plan in which:

- 1)The creditor reasonably contemplates repeated transactions;
- 2)The creditor may impose a finance charge from time to time on an outstanding unpaid balance; and
- 3)The amount of credit extended during the term of the plan is generally made available as the outstanding balance is repaid.

Cell: A6

Comment: Finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable by the consumer and imposed by the creditor as an incident or condition of the credit.

Special Rules for Closing Agents: Fees charged are considered a finance charge only if the CU:

- 1) requires the particular services for which the consumer is charged;
- 2) requires the imposition of the charge; or
- 3) retains a portion of the third party charge, to the extent retained.

Special Rule for Mortgage Broker Fees: Always a finance charge, even if the CU does not require the consumer to use a mortgage broker.

Examples of a Finance Charge: 1) interest; 2) service or transaction charges; 3) points, loan fees, finder's fees, and similar charges; 4) appraisal, investigation, and credit report fees; 5) premiums for guarantee or insurance protecting the creditor against the consumer's default; 6) charges imposed on the CU by another person for purchasing or accepting the obligation; 7) premiums for credit life, accident, health, or loss of income insurance written in connection with a credit transaction; 8) premium for insurance against loss of or damage to property, written in connection with a credit transaction; 9) debt cancellation fees.

Charges Excluded from Finance Charge: 1) application fees charged to all applicants, regardless of credit approval; 2) charges for late payments, exceeding credit limits, or for delinquency or default; 3) fees charged for participation in a credit plan; 4) seller's points; 5) real estate-related fees: a) title examination, abstract of title, title insurance, property survey; b) loan-related documents such as deeds, mortgages, settlement documents; c) notary and credit report fees; d) property appraisal fees.

Cell: A12

Comment: Payment schedules must show the number, amount and timing of payments (i.e. monthly, or biweekly payments).

Cell: A13

Comment: When a credit union sells AND finances property it owns, a special disclosure must be made for a "credit sale". This usually occurs when a repossessed vehicle is sold and financed to a member. The total sale price, including downpayment, must be disclosed with a descriptive explanation such as "The total price of your purchase on credit , including your downpayment of \$_____."

Cell: A14

Comment: Variable-rate disclosures regarding RESPA related loans are addressed on the Reg Z - RESPA questionnaire. Variable-rate disclosures regarding a loan NOT secured by the consumer's primary residence, or secured by the primary residence and maturing within one year, are:

- 1) Circumstances under which the rate may increase
- 2) Limitations on the increase
- 3) Effect of an increase
- 4) Example of the payment terms that would result from an increase

Cell: A15

Comment: The following terms in quotes are required to be used. A brief description similar to the following must be used:

- 1) "Amount Financed" described as "the amount of credit provided to you or on your behalf" (226.18(b)) The amount financed is calculated as: Principal loan amount or the cash price (subtracting any down payment) PLUS other amounts financed by the credit union which are not part of the finance charge LESS any prepaid finance charges.
- 2) "Finance Charge" described as "the dollar amount the credit will cost you" (226.18(d))
- 3) "Annual Percentage Rate" described as "the cost of your credit as a yearly rate" (226.18(e))
- 4) "Total of Payments" described as "the amount you will have paid when you have made all scheduled payments (226.18(h))
- 5) "Total Sale Price" (for credit sales), described as "the total price of your purchase on credit, including your downpayment of \$_____" (226.18(j))

Cell: A16

Comment: The amount financed itemization breaks down the components of the amount financed into:

- 1) Amount of the loan which the consumer received directly, i.e. check or cash to the consumer or credit to the consumer's share account;
- 2) Amount credited to the consumer's account with the creditor, i.e. the amount used to pay off previous outstanding loans, interest, or charges;
- 3) Amounts paid to others on the consumer's behalf, and who they are, i.e. insurance premiums paid to a vendor which were part of the amount financed;
- 4) The prepaid finance charge.

The credit union need not complete the itemization if:

- 1) The disclosure states that an itemization is available; AND,
- 2) The member is given a space to indicate if they want it or not. If the member desires the itemization, it must always be provided.

Cell: A17

- Comment:**
- 1) Identity of creditor
 - 2) Existence of a demand feature
 - 3) Whether or not there are any prepayment penalties
 - 4) Dollar or percentage charges for late payments
 - 5) Whether the creditor has or will have a security interest in the property purchased or other property.
 - 6) Other property must be identified by item or type.
 - 7) Credit life, accident, health, or loss of income insurance disclosures required by section 226.4(d) in order to exclude them from the finance charge
 - 8) Security interest charges described in section 226.4(e) which, if itemized and disclosed, may be excluded from the finance charge.
 - 9) Statement referring consumer to the contract for information about nonpayment, default, etc.
 - 10) In a residential mortgage transaction, a statement regarding whether a subsequent purchaser of the dwelling may assume the debt.
 - 11) If a deposit is required, a statement that the APR does not reflect the effect of the required deposit.

Cell: A18

Comment: The segregated disclosure area may not include any information not directly related to the required disclosures, except for acknowledgment of receipt, date of the transaction, and consumer's name, address and account number.

Cell: A19

Comment: Disclosures must be made before consummation of the transaction. In certain mortgage transactions,

special timing requirements are set forth in Sec. 226.19(a). In certain variable-rate transactions, special timing requirements for variable-rate disclosures are set forth in Sec. 226.19(b) and Sec. 226.20(c).

Cell: A20

Comment: The consumer must receive the early disclosures before paying any fee in connection with the application (other than a bona fide and reasonable fee for obtaining the consumer's credit history).

The consumer may waive the early disclosure timing requirements when the consumer determines the loan is needed to meet a bona fide personal financial emergency. However, the consumer must receive the disclosures required by 226.18 at or before the time of waiver. The consumer must give the credit union a dated written statement describing the emergency, specifically waiving the waiting period, and signed by all consumers liable for the loan.

Early and corrected disclosures must contain the statement: "You are not required to complete this agreement merely because you have received these disclosures or signed a loan application."

Cell: A22

Comment: TILA 131: No later than 30 days after the date on which a mortgage loan is sold or otherwise transferred or assigned to a third party, the creditor that is the new owner or assignee of the debt shall notify the borrower in writing of such transfer and include:

- The identity, address, telephone number of the new creditor;
- The date of the transfer
- How to reach an agent or party where transfer of ownership of the debt is recorded; and
- Any other relevant information regarding the new creditor.