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### IX. Redesignation Table

In reviewing the rules affecting open-end credit, The Board has proposed organizational revisions that are designed to make the regulation easier to use. The following table indicates the proposed redesignations.

<b>Current</b>	<b>Redesignation</b>
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§ 226.5a(a)(2)(iii)	§ 226.5(a)(2)(iii)
§ 226.5a(a)(2)(iv)	§ 226.5(a)(2)(i)
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§ 226.5a(b)(1)(iii)	§ 226.5a(c)(2)(ii)
§ 226.5a(e)(3)	§ 226.5a(e)(2)
§ 226.5a(e)(4)	§ 226.5a(e)(3)
Comment 5a(a)(2)-2	Comment 5a(a)(2)-1

<b>Current</b>	<b>Redesignation</b>
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Comment 5a(b)(1)-4	§ 226.5a(b)(1)(i); Comment 5a(b)(1)-2
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Footnote 12	§ 226.6(a)(1)(ii); § 226.6(b)(2)(ii)
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Footnote 22	§ 226.12(b)(1)(i)
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Footnote 26	§ 226.12(c)(3)(ii)

<b>Current</b>	<b>Redesignation</b>
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### **Text of Proposed Revisions**

Certain conventions have been used to highlight the proposed revisions. New language is shown inside bold-faced arrows while language that would be deleted is set off with bold-faced brackets.

## List of Subjects in 12 CFR Part 226

Advertising, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements, Truth in Lending.

For the reasons set forth in the preamble, the Board proposes to amend Regulation Z, 12 CFR part 226, as set forth below:

### PART 226—TRUTH IN LENDING (REGULATION Z)

1. The authority citation for part 226 continues to read as follows:

**Authority:** 12 U.S.C. 3806; 15 U.S.C. 1604 and 1637(c)(5).

2. Section 226.1 is amended by republishing paragraphs (a), (b), (c), and (e), revising paragraph (d), and removing and reserving footnote 1.

### SUBPART A – GENERAL

#### § 226.1 Authority, purpose, coverage, organization, enforcement, and liability.

(a) Authority. This regulation, known as Regulation Z, is issued by the Board of Governors of the Federal Reserve System to implement the Federal Truth in Lending Act, which is contained in title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 et seq.). This regulation also implements title XII, section 1204 of the Competitive Equality Banking Act of 1987 (Pub. L. 100-86, 101 Stat. 552). Information-collection requirements contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501 et seq. and have been assigned OMB No. 7100-0199.

(b) Purpose. The purpose of this regulation is to promote the informed use of consumer credit by requiring disclosures about its terms and cost. The regulation also gives consumers the right to cancel certain credit transactions that involve a lien on a consumer's principal dwelling, regulates certain credit card practices, and provides a means for fair and timely resolution of credit billing disputes. The regulation does not govern charges for consumer credit. The regulation requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. It also imposes limitations on home equity plans that are subjects to the requirements of § 226.5b and mortgages that are subject to the requirements of § 226.32. The regulation prohibits certain acts or practices in connection with credit secured by a consumer's principal dwelling.

- (c) Coverage.

(1) In general, this regulation applies to each individual or business that offers or extends credit when four conditions are met: (i) the credit is offered or extended to

consumers; (ii) the offering or extension of credit is done regularly;<sup>1</sup> (iii) the credit is subject to the finance charge or is payable by a written agreement in more than four installments; and (iv) the credit is primarily for personal, family, or household purposes.

(2) If a credit card is involved, however, certain provisions apply even if the credit is not subject to a finance charge, or is not payable by a written agreement in more than four installments, or if the credit card is to be used for business purposes.

(3) In addition, certain requirements of § 226.5b apply to persons who are not creditors but who provide applications for home equity plans to consumers.

(d) Organization. The regulation is divided into subparts and appendices as follows: (1) Subpart A contains general information. It sets forth: (i) the authority, purpose, coverage, and organization of the regulation; (ii) the definitions of basic terms; (iii) the transactions that are exempt from coverage; and (iv) the method of determining the finance charge.

(2) Subpart B contains the rules for open-end credit. It requires that ► account-opening ◀ [initial] disclosures and periodic statements be provided, as well as additional disclosures for credit and charge card applications and solicitations and for home equity plans subject to the requirements of § 226.5a and § 226.5b, respectively. ► It also describes special rules that apply to credit card transactions, treatment of payments and credit balances, procedures for resolving credit billing errors, annual percentage rate calculations, rescission requirements, and advertising. ◀

(3) Subpart C relates to closed-end credit. It contains rules on disclosures, treatment of credit balances, annual percentages rate calculations, rescission requirements, and advertising.

(4) Subpart D contains rules on oral disclosures, ► disclosures in languages other than English ◀ [Spanish-language disclosure in Puerto Rico], record retention, effect on state laws, state exemptions, and rate limitations.

(5) Subpart E contains special rules for ► certain ◀ mortgage transactions. Section 226.32 requires certain disclosures and provides limitations for loans that have rates and fees above specified amounts. Section 226.33 requires disclosures, including the total annual loan cost rate, for reverse mortgage transactions. Section 226.34 prohibits specific acts and practices in connection with ► certain ◀ mortgage transactions.

(6) Several appendices contain information such as the procedures for determinations about state laws, state exemptions and issuance of staff interpretations, special rules for certain kinds of credit plans, a list of enforcement agencies, and the rules for computing annual percentage rates in closed-end credit transactions and total-annual-loan-cost rates for reverse mortgage transactions.

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<sup>1</sup> ► [Reserved] ◀ [The meaning of “regularly” is explained in the definition of “creditor” in § 226.2(a).]

(e) Enforcement and liability. Section 108 of the act contains the administrative enforcement provisions. Sections 112, 113, 130, 131, and 134 contain provisions relating to liability for failure to comply with the requirements of the act and the regulation. Section 1204 (c) of title XII of the Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, incorporates by reference administrative enforcement and civil liability provisions of sections 108 and 130 of the act.

3. Section 226.2 is amended by revising paragraph (a), republishing paragraph (b) and removing and reserving footnote 3.

**§ 226.2 Definitions and rules of construction.**

(a) Definitions. For purposes of this regulation, the following definitions apply:

(1) Act means the Truth in Lending Act (15 USC 1601 et seq.).

(2) Advertisement means a commercial message in any medium that promotes, directly or indirectly, a credit transaction.

(3) [Reserved]<sup>2</sup>

(4) Billing cycle or cycle means the interval between the days or dates of regular periodic statements. These intervals shall be equal and no longer than a quarter a year. An interval will be considered equal if the number of days in the cycle does not vary more than four days from the regular day or date of the periodic statement.

(5) Board means the Board of Governors of the Federal Reserve System.

(6) Business day means a day on which the creditor's offices are open to the public for carrying on substantially all of its business functions. However, for purposes of rescission under § 226.15 and § 226.23, and for purposes of § 226.31, the term means all calendar days except Sundays and the legal public holidays specified in 5 USC 6103(a), such as New Year's Day, the Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.

(7) Card issuer means a person that issues a credit card or that person's agent with respect to the card.

(8) Cardholder means a natural person to whom a credit card is issued for consumer credit purposes, or a natural person who has agreed with the card issuer to pay consumer credit obligations arising from the issuance of credit card to another natural person. For purposes of § 226.12(a) and (b), the term includes any person to whom a credit card is issued for any purpose, including business, commercial or agricultural use,

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<sup>2</sup> [Reserved]

or a person who has agreed with the card issuer to pay obligations arising from the issuance of such a credit card to another person.

(9) Cash price means the price at which a creditor, in the ordinary course of business, offers to sell for cash property or service that is the subject of the transaction. At the creditor's option, the term may include the price accessories, services related to the sale, service contracts and taxes and fees for license, title, and registration. The term does not include any finance charge.

(10) Closed-end credit means consumer credit other than "open end credit" as defined in this section.

(11) Consumer means a cardholder or natural person to whom consumer credit is offered or extended. However, for purposes of the rescission under § 226.15 and § 226.23, the term also includes a natural person in whose principal dwelling a security interest is or will be retained or acquired, if that person's ownership interest in the dwelling is or will be subject to the security interest.

(12) Consumer credit means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(13) Consummation means the time that a consumer becomes contractually obligated on credit transaction.

(14) Credit means the right to defer payment of debt or to incur debt and defer its payment.

(15) Credit card means any card, plate, [coupon book,] or other single credit device that may be used from time to time to obtain credit. Charge card means a credit card on an account for which no periodic rate is used to compute a finance charge.

(16) Credit sale means a sale in which the seller is a creditor. The term includes a bailment or lease (unless terminable without penalty at any time by the consumer) under which the consumer—

(i) Agrees to pay as compensation for use a sum substantially equivalent to, or in excess of, the total value of the property and service involved; and

(ii) Will become (or has the option to become), for no additional consideration or for nominal consideration, the owner of the property upon compliance with the agreement.

(17) Creditor means:

(i) A person (A) who regularly extends consumer credit<sup>3</sup> that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and (B) to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(ii) For purposes of §§ 226.4(c)(8) (discounts), 226.9(d) (Finance charge imposed at time of transaction), and 226.12(e) (Prompt notification of returns and crediting of refunds), a person that honors a credit card.

(iii) For purposes of subpart B, any card issuer that extends either open-end credit or credit that is not subject to a finance charge and is not payable by written agreement in more than four installments.

(iv) For purposes of subpart B (except for the credit and charge card disclosures contained in §§ 226.5a and 226.9(e) and (f), the finance charge disclosures contained in ► §§ 226.6(a)(1) and (b)(1) and §§ 226.7(a)(4) through (7) and (b)(4) through (7) ◀ [§ 226.6(a) and § 226.7(d) through (g)] and the right of rescission set forth in § 226.15) and subpart C, any card issuer that extends closed-end credit that is subject to a finance charge or is payable by written agreement in more than four installments.

► (v) A person regularly extends consumer credit only if it extended credit (other than credit subject to the requirements of § 226.32) more than 25 times (or more than 5 times for transactions secured by the dwelling) in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of § 226.32 or one or more such credit extensions through a mortgage broker. ◀

(18) Downpayment means an amount, including the value of property used as a trade-in, paid to a seller to reduce the cash price of goods or services purchased in a credit sale transaction. A deferred portion of a downpayment may be treated as part of the downpayment if it is payable not later than the due date of the second otherwise regularly scheduled payment and is not subject to a finance charge.

(19) Dwelling means a residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

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<sup>3</sup> ► [Reserved] ◀ [A person regularly extends consumer credit only if it extended credit (other than credit subject to the requirements of section 226.32) more than 25 times (or more than 5 times for transactions secured by the dwelling) in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of section 226.32 or one or more such credit extensions through a mortgage broker.]

(20) Open-end credit means consumer credit extended by a creditor under a plan in which:

(i) The creditor reasonably contemplates repeated transactions;

(ii) The creditor may impose a finance charge from time to time on an outstanding unpaid balance; and

(iii) The amount of credit that may be extended to the consumer during the term of the plan (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.

(21) Periodic rate means a rate of finance charge that is or may be imposed by a creditor on a balance for a day, week, month, or other subdivision of a year.

(22) Person means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(23) Prepaid finance charge means any finance charge paid separately in cash or by check before or at consummation of a transaction, or withheld from the proceeds of the credit at any time.

(24) Residential mortgage transaction means a transaction in which a mortgage, deed of trust, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained in the consumer's principal dwelling to finance the acquisition or initial construction of that dwelling.

(25) Security interest means an interest in property that secures performance of a consumer credit obligation and that is recognized by state or federal law. It does not include incidental interests such as interests in proceeds, accessions, additions, fixtures, insurance proceeds (whether or not the creditor is a loss payee or beneficiary), premium rebates, or interests in after-acquired property. For purposes of disclosures under § 226.6 and § 226.18, the term does not include an interest that arises solely by operation of law. However, for purposes of the right of rescission under § 226.15 and § 226.23, the term does include interests that arise solely by operation of law.

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

(b) Rules of construction. For purposes of this regulation, the following rules of construction apply:

(1) Where appropriate, the singular form of a word includes the plural form and plural includes singular.

(2) Where the words obligation and transaction are used in the regulation, they refer to a consumer credit obligation or transaction, depending upon the context. Where the word credit is used in the regulation, it means consumer credit unless the context clearly indicates otherwise.

(3) Unless defined in this regulation, the words used have the meanings given to them by state law or contact.

(4) Footnotes have the same legal effect as the text of the regulation.

(5) Where the word “amount” is used in this regulation to describe disclosure requirements, it refers to a numerical amount.

4. Section 226.3 is amended by republishing paragraphs (a), (b), (c), (d), (e), and (f), adding a new paragraph (g), and removing and reserving footnote 4.

### **§ 226.3 Exempt transactions.**

This regulation does not apply to the following:<sup>4</sup>

(a) Business, commercial, agricultural, or organizational credit. (1) An extension of credit primarily for a business, commercial or agricultural purpose.

(2) An extension of credit to other than a natural person, including credit to government agencies or instrumentalities.

(b) Credit over \$25,000 not secured by real property or a dwelling. An extension of credit not secured by real property, or by personal property used or expected to be used as the principal dwelling of the consumer, in which the amount financed exceeds \$25,000 or in which there is an express written commitment to extend credit in excess of \$25,000.

(c) Public utility credit. An extension of credit that involves public utility services provided through pipe, wire, other connected facilities, or radio or similar transmission (including extensions of such facilities), if the charges for service, delayed payment, or any discounts for prompt payment are filed with or regulated by any government unit. The financing of durable goods or home improvements by a public utility is not exempt.

(d) Securities or commodities accounts. Transactions in securities or commodities accounts in which credit is extended by a broker-dealer registered with the Securities and Exchange Commission or the Commodity Futures Trading Commission.

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<sup>4</sup> ►[Reserved]◄ [The provisions in Sec. 226.12(a) and (b) governing the issuance of credit cards and the liability for their unauthorized use apply to all credit cards, even if the credit cards are issued for use in connection with extensions of credit that otherwise are exempt under this section.]

(e) Home fuel budget plans. An installment agreement for the purchase of home fuels in which no finance charge is imposed.

(f) Student loan programs. Loans made, insured, or guaranteed pursuant to a program authorized by title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

►(g) Employer-sponsored retirement plans. An extension of credit to a participant in an employer-sponsored retirement plan qualified under Section 401(a) of the Internal Revenue Code or a tax-sheltered annuity under Section 403(b) of the Internal Revenue Code (26 U.S.C. 401(a); 26 U.S.C. 403(b)), provided that the extension of credit is comprised of fully vested funds from such participant's account and is made in compliance with the Internal Revenue Code (26 U.S.C. 1 et seq.). ◀

5. Section 226.4 is amended by republishing paragraphs (a), (c), (e), and (f), revising paragraphs (b) and (d), and removing and reserving footnotes 5 and 6.

#### **§ 226.4 Finance charge.**

(a) Definition. The finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction.

(1) Charges by third parties. The finance charge includes fees and amounts charged by someone other than the creditor, unless otherwise excluded under this section, if the creditor:

(i) Requires the use of a third party as a condition of or an incident to the extension of credit, even if the consumer can choose the third party; or

(ii) Retains a portion of the third-party charge, to the extent of the portion retained.

(2) Special rule; closing agent charges. Fees charged by a third party that conducts the loan closing (such as a settlement agent, attorney, or escrow or title company) are finance charges only if the creditor—

(i) Requires the particular services for which the consumer is charged;

(ii) Requires the imposition of the charge; or

(iii) Retains a portion of the third-party charge, to the extent of the portion retained.

(3) Special rule; mortgage broker fees. Fees charged by a mortgage broker (including fees paid by the consumer directly to the broker or to the creditor for delivery to the broker) are finance charges even if the creditor does not require the consumer to use a mortgage broker and even if the creditor does not retain any portion of the charge.

(b) Examples of finance charges. The finance charge includes the following types of charges, except for charges specifically excluded by paragraphs (c) through (e) of this section:

(1) Interest, time price differential, and any amount payable under an add-on or discount system of additional charges.

(2) Service, transaction, activity, and carrying charges, including any charge imposed on a checking or other transaction account to the extent that the charge exceeds the charge for a similar account without a credit feature.

(3) Points, loan fees, assumption fees, finder's fees, and similar charges.

(4) Appraisal, investigation, and credit report fees.

(5) Premiums or other charges for any guarantee or insurance protecting the creditor against the consumer's default or other credit loss.

(6) Charges imposed on a creditor by another person for purchasing or accepting a consumer's obligation, if the consumer is required to pay the charges in cash, as an addition to the obligation, or as a deduction from the proceeds of the obligation.

(7) Premiums or other charges for credit life, accident, health, or loss-of-income insurance, written in connection with a credit transaction.

(8) Premiums or other charges for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, written in connection with a credit transaction.

(9) Discounts for the purpose of inducing payment by a means other than the use of credit.

(10) Debt cancellation ► and debt suspension ◀ fees. Charges or premiums paid for debt cancellation ► or debt suspension ◀ coverage written in connection with a credit transaction, whether or not the [debt cancellation] coverage is insurance under applicable law.

(c) Charges excluded from the finance charge. The following charges are not finance charges:

(1) Application fees charged to all applicants for credit, whether or not credit is actually extended.

(2) Charges for actual unanticipated late payment, for exceeding a credit limit, or for delinquency, default, or a similar occurrence.

(3) Charges imposed by a financial institution for paying items that overdraw an account, unless the payment of such items and the imposition of the charge were previously agreed upon in writing.

(4) Fees charged for participation in a credit plan, whether assessed on an annual or other periodic basis.

(5) Seller's points.

(6) Interest forfeited as a result of an interest reduction required by law on a time deposit used as security for an extension of credit.

(7) Real-estate related fees. The following fees in a transaction secured by real property or in a residential mortgage transaction, if the fees are bona fide and reasonable in amount:

(i) Fees for title examination, abstract of title, title insurance, property survey, and similar purposes.

(ii) Fees for preparing loan-related documents, such as deeds, mortgages, and reconveyance or settlement documents.

(iii) Notary and credit-report fees.

(iv) Property appraisal fees or fees for inspections to assess the value or condition of the property if the service is performed prior to closing, including fees related to pest-infestation or flood-hazard determinations.

(v) Amounts required to be paid into escrow or trustee accounts if the amounts would not otherwise be included in the finance charge.

(8) Discounts offered to induce payment for a purchase by cash, check, or other means, as provided in section 167(b) of the Act.

(d) Insurance and debt cancellation ► and debt suspension ◀ coverage.

(1) Voluntary credit insurance premiums. Premiums for credit life, accident, health, or loss-of-income insurance may be excluded from the finance charge if the following conditions are met:

(i) The insurance coverage is not required by the creditor, and this fact is disclosed in writing.

(ii) The premium for the initial term of insurance coverage is disclosed ► in writing ◀. If the term of insurance is less than the term of the transaction, the term of insurance also shall be disclosed. The premium may be disclosed on a unit-cost basis only in open-end credit transactions, closed-end credit transactions by mail or telephone under § 226.17(g), and certain closed-end credit transactions involving an insurance plan that limits the total amount of indebtedness subject to coverage.

(iii) The consumer signs or initials an affirmative written request for the insurance after receiving the disclosures specified in this paragraph ►, except as provided in paragraph (d)(4) of this section ◀. Any consumer in the transaction may sign or initial the request.

(2) ► Property insurance premiums. ◀ Premiums for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, ► including single interest insurance if the insurer waives all right of subrogation against the consumer, ◀<sup>5</sup> may be excluded from the finance charge if the following conditions are met:

(i) The insurance coverage may be obtained from a person of the consumer's choice,<sup>6</sup> and this fact is disclosed. ► (A creditor may reserve the right to refuse to accept, for reasonable cause, an insurer offered by the consumer.) ◀

(ii) If the coverage is obtained from or through the creditor, the premium for the initial term of insurance coverage shall be disclosed. If the term of insurance is less than the term of the transaction, the term of insurance shall also be disclosed. The premium may be disclosed on a unit-cost basis only in open-end credit transactions, closed-end credit transactions by mail or telephone under § 226.17(g), and certain closed-end credit transactions involving an insurance plan that limits the total amount of indebtedness subject to coverage.

(3) Voluntary debt cancellation ► or debt suspension ◀ fees. [i.] Charges or premiums paid for debt cancellation coverage ► for amounts exceeding the value of the collateral securing the obligation or for debt cancellation or debt suspension coverage in the event of the loss of life, health, or income or in case of accident ◀ [of the type specified in paragraph (d)(3)(ii) of this section] may be excluded from the finance charge, whether or not the coverage is insurance, if the following conditions are met:

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<sup>5</sup> ► [Reserved] ◀ [ This includes single interest insurance if the insurer waives all right of subrogation against the consumer.]

<sup>6</sup> ► [Reserved] ◀ [A creditor may reserve the right to refuse to accept, for reasonable cause, an insurer offered by the consumer.]

▶(i)◀[(A)] The debt cancellation ▶ or debt suspension ◀ agreement or coverage is not required by the creditor, and this fact is disclosed in writing;

▶(ii)◀[(B)] The fee or premium for the initial term of coverage is disclosed ▶ in writing ◀. If the term of coverage is less than the term of the credit transaction, the term of coverage also shall be disclosed. The fee or premium may be disclosed on a unit-cost basis only in open-end credit transactions, closed-end credit transactions by mail or telephone under § 226.17(g), and certain closed-end credit transactions involving a debt cancellation agreement that limits the total amount of indebtedness subject to coverage;

▶(iii) The following are disclosed, as applicable, for debt suspension coverage: that the obligation to pay loan principal and interest is only suspended, and that interest will continue to accrue during the period of suspension. ◀

▶(iv)◀[(C)] The consumer signs or initials an affirmative written request for coverage after receiving the disclosures specified in this paragraph ▶, except as provided in paragraph (d)(4) of this section ◀. Any consumer in the transaction may sign or initial the request.

[(ii) Paragraph (d)(3)(i) of this section applies to fees paid for debt cancellation coverage that provides for cancellation of all or part of the debtor's liability for amounts exceeding the value of the collateral securing the obligation, or in the event of the loss of life, health, or income or in case of accident.]

▶(4) Telephone purchases. If a consumer purchases credit insurance or debt cancellation or debt suspension coverage for an open-end (not home-secured) plan by telephone, the creditor must make the disclosures under paragraphs (d)(1)(i) and (ii) or (d)(3)(i) through (iii) of this section, as applicable, orally. In such a case, the creditor shall:

(i) Maintain reasonable procedures to provide the disclosures to the consumer orally and maintain evidence that the consumer, after being provided the disclosures, affirmatively elected to purchase the insurance or coverage; and

(ii) Mail the disclosures under paragraphs (d)(1)(i) and (ii) or (d)(3)(i) through (iii) of this section, as applicable, within three business days after the telephone purchase. ◀

(e) Certain security interest charges. If itemized and disclosed, the following charges may be excluded from the finance charge:

(1) Taxes and fees prescribed by law that actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest.

(2) The premium for insurance in lieu of perfecting a security interest to the extent that the premium does not exceed the fees described in paragraph (e)(1) of this section that otherwise would be payable.

(3) Taxes on security instruments. Any tax levied on security instruments or on documents evidencing indebtedness if the payment of such taxes is a requirement for recording the instrument securing the evidence of indebtedness.

(f) Prohibited offsets. Interest, dividends, or other income received or to be received by the consumer on deposits or investments shall not be deducted in computing the finance charge.

6. Section 226.5 is amended by revising paragraphs (a) and (b), republishing paragraphs (c), (d), and (e), and removing and reserving footnotes 7 through 10.

### § 226.5 General disclosure requirements.

(a) Form of disclosures.

(1) ► General. ◀

► (i) ◀ The creditor shall make the disclosures required by this subpart clearly and conspicuously ► . ◀

► (ii) The creditor shall make the disclosures required by this subpart ◀ in writing,<sup>7</sup> in a form that the consumer may keep[.]<sup>8</sup> ► , except that:

(A) The following disclosures need not be written: disclosures under § 226.6(b)(1) of charges that are imposed as part of the plan and may be provided at any time before the consumer agrees to pay or becomes obligated to pay for the charge, pursuant to the timing requirements of paragraph (b)(1)(ii) of this section and related disclosures under § 226.9(c)(2)(ii)(B) of charges; and disclosures under § 226.9(d) when a finance charge is imposed at the time of the transaction.

(B) The following disclosures need not be in a retainable form: disclosures for credit and charge card applications and solicitations under § 226.5a; home equity disclosures under § 226.5b(d); the alternative summary billing-rights statement under § 226.9(a)(2); the credit and charge card renewal disclosures required under § 226.9(e); and the payment requirements under § 226.10(b), except as provided in § 226.7(b)(13).

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<sup>7</sup> ► [Reserved] ◀ [The disclosure required by § 226.9(d) when a finance charge is imposed at the time of a transaction need not be written.]

<sup>8</sup> ► [Reserved] ◀ [The disclosures required under § 226.5a for credit and charge card applications and solicitations, the home equity disclosures required under § 226.5b(d), the alternative summary billing-rights statement provided for in § 226.9(a)(2), the credit and charge card renewal disclosures required under § 226.9(e), and the disclosures made under § 226.10(b) about payment requirements need not be in a form that the consumer can keep.]

(iii) The disclosures required by this subpart may be provided to the consumer in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. §7001 et seq.). The disclosures required by §§ 226.5a, 226.5b, and 226.16 may be provided to the consumer in electronic form without regard to the consumer consent or other provisions of the E-Sign Act in the circumstances set forth in those sections. ◀

▶(2) Terminology.

(i) Terminology used in providing the disclosures required by this subpart shall be consistent.

(ii) The terms finance charge and annual percentage rate, when required to be disclosed with a corresponding amount or percentage rate, shall be more conspicuous than any other required disclosure.<sup>9</sup> The terms need not be more conspicuous when used for credit and charge card applications and solicitations under § 226.5a; for account-opening disclosures in a tabular format under § 226.6(b)(4); for periodic statements disclosures under § 226.7(b)(4) and § 226.7(b)(7); for disclosures in a tabular format accompanying checks that access a credit card account under § 226.9(b)(3); for information in change-in-terms notices in a tabular format under § 226.9(c)(2)(iii)(B); for information when rates are increased due to delinquency, default or penalty pricing under § 226.9(g)(3)(ii); for credit and charge card renewal disclosures under § 226.9(e); and for advertisements under § 226.16.

(iii) If disclosures are required to be presented in a tabular format pursuant to paragraph (a)(3) of this section, the term grace period and penalty APR shall be used, as applicable. If credit insurance or debt cancellation or debt suspension coverage is required as part of the plan, the term required shall be used and the program shall be identified by its name. If an annual percentage rate is required to be presented in a tabular format pursuant to paragraph (a)(3)(i) or (a)(3)(iii) of this section, the term fixed, or a similar term, may not be used to describe such rate unless the creditor also specifies a time period that the rate will be fixed and the rate will not increase during that period, or if no such time period is provided, the rate will not increase while the plan is open. ◀

▶(3) Specific formats.

(i) Certain disclosures for credit and charge card applications and solicitations must be provided in a tabular format in accordance with the requirements of § 226.5a(a)(2).

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<sup>9</sup> ▶[Reserved]◀[The terms need not be more conspicuous when used under § 226.5a generally for credit and charge card applications and solicitations, under § 226.7(d) on periodic statements, under § 226.9(e) in credit and charge card renewal disclosures, and under § 226.16 in advertisements. (But see special rule for annual percentage rate for purchases, § 226.5a(b)(1).)]

(ii) Certain disclosures for home equity plans must precede other disclosures and must be given in accordance with the requirements of § 226.5b(a).

(iii) Certain account-opening disclosures must be provided in a tabular format in accordance with the requirements of § 226.6(b)(4).

(iv) Certain disclosures provided on periodic statement must be provided in a tabular format in accordance with the requirements of § 226.7(b)(7).

(v) Certain disclosures provided on periodic statements must be grouped together in accordance with the requirements of § 226.7(b)(6) and § 226.7(b)(13).

(vi) Certain disclosures accompanying checks that access a credit card account must be provided in a tabular format in accordance with the requirements of § 226.9(b)(3).

(vii) Certain disclosures provided in a change-in-terms notice must be provided in a tabular format in accordance with the requirements of § 226.9(c)(2)(iii)(B).

(viii) Certain disclosures provided when a rate is increased due to delinquency, default or as a rate must be provided in a tabular format in accordance with the requirements of § 226.9(g)(3)(ii). ◀

[(2) The terms “finance charge” and “annual percentage rate,” when required to be disclosed with a corresponding amount or percentage rate, shall be more conspicuous than any other required disclosure.

(3) Certain disclosures required under § 226.5a for credit and charge card applications and solicitations must be provided in a tabular format or in a prominent location in accordance with the requirements of that section.

(4) For rules governing the form of disclosures for home equity plans, see § 226.5b(a).

(5) Electronic communication. For rules governing the electronic delivery of disclosures, including the definition of electronic communication, see § 226.36.]

(b) Time of disclosures.

(1) [Initial] ▶ Account-opening ◀ disclosures.

▶ (i) General rule. ◀ The creditor shall furnish ▶ account-opening disclosures ◀ [the initial disclosure statement] required by § 226.6 before the first transaction is made under the plan.

▶ (ii) Charges imposed as part of an open-end (not home-secured) plan. Charges that are imposed as part of an open-end (not home-secured) plan and are not required to be disclosed under § 226.6(b)(4) may be provided at any relevant time before the consumer agrees to pay or becomes obligated to pay for the charge. This provision does

not apply to charges imposed as part of a home equity plan subject to the requirements of § 226.5b.

(iii) Telephone purchases. Disclosures required by § 226.6 may be provided as soon as reasonably practicable after the first transaction if:

(A) The first transaction occurs when a consumer contacts a merchant by telephone to purchase goods and at the same time the consumer accepts an offer to finance the purchase by establishing an open-end plan with the merchant,

(B) The merchant permits consumers to return any goods financed under the plan and provides consumers with a sufficient time to reject the plan and return the goods free of cost after receiving the written disclosures required by § 226.6, and

(C) The consumer's right to reject the plan and return the goods is disclosed to the consumer as a part of the offer to finance the purchase.

(iv) Membership fees. A creditor may collect, or obtain the consumer's agreement to pay, a membership fee before providing account-opening disclosures if the consumer may reject the plan after receiving the disclosures. If the consumer rejects the plan, the creditor must promptly refund the membership fee if it has been paid, or take other action necessary to ensure the consumer is not obligated to pay the fee.

(v) Application fees. A creditor may collect an application fee excludable from the finance charge under § 226.4(c)(1) before providing account-opening disclosures. ◀

(2) Periodic statements.

(i) The creditor shall mail or deliver a periodic statement as required by § 226.7 for each billing cycle at the end of which an account has a debit or credit balance of more than \$1 or on which a finance charge has been imposed. A periodic statement need not be sent for an account if the creditor deems it uncollectible, or if delinquency collection proceedings have been instituted, or if furnishing the statement would violate federal law.

(ii) The creditor shall mail or deliver the periodic statement at least 14 days prior to any date or the end of any time period required to be disclosed under ▶ § 226.7(a)(8) or § 226.7(b)(8), as applicable, ◀ [§ 226.7(j) in order] for the consumer to avoid an additional finance or other charge.<sup>10</sup> A creditor that fails to meet this requirement shall not collect any finance or other charge imposed as a result of such failure.

▶ (iii) The timing requirement under this paragraph does not apply if the creditor is unable to meet the requirement because of an act of God, war, civil disorder, natural disaster, or strike. ◀

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<sup>10</sup> ▶ [Reserved] ◀ [This timing requirement does not apply if the creditor is unable to meet the requirement because of an act of God, war, civil disorder, natural disaster, or strike.]

(3) Credit and charge card application and solicitation disclosures. The card issuer shall furnish the disclosures for credit and charge card applications and solicitations in accordance with the timing requirements of § 226.5a.

(4) Home equity plans. Disclosures for home equity plans shall be made in accordance with the timing requirements of § 226.5b(b).

(c) Basis of disclosures and use of estimates. Disclosures shall reflect the terms of the legal obligation between the parties. If any information necessary for accurate disclosure is unknown to the creditor, it shall make the disclosure based on the best information reasonably available and shall state clearly that the disclosure is an estimate.

(d) Multiple creditors; multiple consumers. If the credit plan involves more than one creditor, only one set of disclosures shall be given, and the creditors shall agree among themselves which creditor must comply with the requirements that this regulation imposes on any or all of them. If there is more than one consumer, the disclosures may be made to any consumer who is primarily liable on the account. If the right of rescission under § 226.15 is applicable, however, the disclosures required by § 226.6 and § 226.15(b) shall be made to each consumer having the right to rescind.

(e) Effect of subsequent events. If a disclosure becomes inaccurate because of an event that occurs after the creditor mails or delivers the disclosures, the resulting inaccuracy is not a violation of this regulation, although new disclosures may be required under § 226.9(c).

7. Section 226.5a is amended by revising paragraphs (a), (b), (c), (d), (e), (f), and republishing paragraph (g).

### **§ 226.5a Credit and charge card applications and solicitations.**

(a) General rules. The card issuer shall provide the disclosures required under this section on or with a solicitation or an application to open a credit or charge card account.

(1) Definition of solicitation. For purposes of this section, the term solicitation means an offer by the card issuer to open a credit or charge card account that does not require the consumer to complete an application. ► A “firm offer of credit” as defined in section 603(l) of the Fair Credit Reporting Act (15 U.S.C. 1681a(l)) for a credit or charge card is a solicitation for purposes of this section. ◀

(2) Form of disclosures ►; tabular format. ◀

(i) The disclosures in paragraphs (b)(1) through ►(5) and (b)(7) through (17) ◀ [(7)] of this section ► made pursuant to paragraphs (c), (d)(2), (e)(1) or (f) of this section generally ◀ shall be [provided in a prominent location on or with an application or a solicitation, or other applicable document , and] in the form of a table with headings,

content, and format substantially similar to any of the applicable tables found in ► G-10 in ◀ appendix G.

►(ii) The table described in paragraph (a)(2)(i) of this section shall contain only the information required or permitted by this section. Other information may be presented on or with an application or solicitation, provided such information appears outside the required table.

(iii) Disclosures required by paragraph (b)(6) of this section must be placed directly beneath the table.

(iv) When a tabular format is required, any APR required to be disclosed pursuant to paragraph (b)(1) of this section, any discounted initial rate permitted to be disclosed pursuant to paragraph (b)(1)(ii) of this section, and any fee or percentage amounts required to be disclosed pursuant to paragraphs (b)(2), (4), (8) through (12) or (14) of this section must be disclosed in bold text, except for any maximum limits on fee amounts disclosed in the table. Other APRs or fee amounts disclosed in the table shall not be in bold text.

(v) For an application or a solicitation that is accessed by the consumer in electronic form, the disclosures required under this section must be provided to the consumer in electronic form on or with the application or solicitation.

(vi)(A) Except as provided in paragraph (a)(2)(vi)(B) of this section, the table described in paragraph (a)(2)(i) of this section must be provided in a prominent location on or with an application or a solicitation.

(B) If the table described in paragraph (a)(2)(i) of this section is provided electronically, it must be provided in close proximity to the application or solicitation. ◀

[(ii) The disclosures in paragraphs (b)(8) through (11) of this section shall be provided either in the table containing the disclosures in paragraphs (b)(1) through (7), or clearly and conspicuously elsewhere on or with the application or solicitation.

(iii) The disclosure required under paragraph (b)(5) of this section shall contain the term grace period.

(iv) The terminology in the disclosures under paragraph (b) of this section shall be consistent with that to be used in the disclosures under §§ 226.6 and 226.7.

(3) Exceptions. This section does not apply to home equity plans accessible by a credit or charge card that are of the type subject to the requirements of §226.5b; overdraft lines of credit tied to asset accounts accessed by check-guarantee cards or by debit cards; or lines of credit accessed by check-guarantee cards or by debit cards that can be used only at automated teller machines.]

►(3)◀[(4)] Fees based on a percentage. If the amount of any fee required to be disclosed under this section is determined on the basis of a percentage of another amount,

the percentage used and the identification of the amount against which the percentage is applied may be disclosed instead of the amount of the fee.

►(4)◄[(5)] Certain fees that vary by state. If the amount of any fee referred to in paragraphs (b)(8) through ►(12)◄[(11)] of this section varies from state to state, the card issuer may disclose the range of the fees instead of the amount for each state, if the disclosure includes a statement that the amount of the fee varies from state to state.

►(5) Exceptions. This section does not apply to:

(i) Home equity plans accessible by a credit or charge card that are subject to the requirements of § 226.5b;

(ii) Overdraft lines of credit tied to asset accounts accessed by check-guarantee cards or by debit cards;

(iii) Lines of credit accessed by check-guarantee cards or by debit cards that can be used only at automated teller machines;

(iv) Lines of credit accessed solely by account numbers;

(v) Additions of a credit or charge card to an existing open-end plan;

(vi) General purpose applications unless the application, or material accompanying it, indicates that it can be used to open a credit or charge card account; or

(vii) Consumer-initiated requests for applications. ◄

(b) Required disclosures. The card issuer shall disclose the items in this paragraph on or with an application or a solicitation in accordance with the requirements of paragraphs (c), (d), [or (e)] ►(e)(1) or (f)◄ of this section. A credit card issuer shall disclose all applicable items in this paragraph except for paragraph (b)(7) of this section. A charge card issuer shall disclose the applicable items in paragraphs (b)(2), (4), (7) through ►(12), and (16)◄[(11)] of this section.

(1) Annual percentage rate. Each periodic rate that may be used to compute the finance charge on an outstanding balance for purchases, a cash advance, or a balance transfer, expressed as an annual percentage rate (as determined by § 226.14(b)). When more than one rate applies for a category of transactions, the range of balances to which each rate is applicable shall also be disclosed. The annual percentage rate for purchases disclosed pursuant to this paragraph shall be in at least [18-point]► 16-point◄ type, except for the following: ► oral disclosures of the annual percentage rate for purchases, ◄ a temporary initial rate that is lower than the rate that will apply after the temporary rate expires, and a penalty rate that ► may ◄[will] apply upon the occurrence of one or more specific events.

(i) ► Variable rate information. If a rate disclosed under paragraph (b)(1) of this section is a variable rate, ◀ [If the account has a variable rate,] the card issuer shall also disclose the fact that the rate may vary and how the rate is determined. ► In describing how the applicable rate will be determined, the card issuer must identify the type of index or formula that is used in setting the rate. The value of the index and the amount of the margin that are used to calculate the variable rate shall not be disclosed in the table. ◀

► (ii) Discounted initial rate. If the initial rate is temporary and is lower than the rate that will apply after the temporary rate expires, pursuant to paragraph (b)(1) of this section the card issuer must disclose the rate that would otherwise apply to the account. Where the rate is not tied to an index or formula, the card issuer must disclose the rate that will apply after the introductory rate expires. In a variable-rate account, the card issuer must disclose a rate based on the applicable index or formula in accordance with the accuracy requirements set forth in paragraphs (c), (d), or (e) of this section, as applicable. The issuer may disclose in the table the discounted initial rate along with the rate that would otherwise apply to the account if the card issuer also discloses the time period during which the discounted initial rate will remain in effect, and uses the term “introductory” or “intro” in immediate proximity to the listing of the discounted initial rate.

(iii) Premium initial rate. If the initial rate is temporary and is higher than the rate that will apply after the temporary rate expires, pursuant to paragraph (b)(1) of this section the card issuer must disclose the premium initial rate. The issuer may disclose in the table the rate that will apply after the premium initial rate expires if the issuer also discloses the time period during which the premium initial rate will remain in effect. The premium initial rate must be in at least 16-point type unless the issuer also discloses in the table the rate that will apply after the premium initial rate expires. In that case, the rate that will apply after the premium initial rate expires must be in at least 16-point type.

(iv) Penalty rates. If a rate may increase as a penalty for one or more events specified in the account agreement, such as a late payment or an extension of credit that exceeds the credit limit, pursuant to paragraph (b)(1) of this section the card issuer must disclose the increased rate that would apply, a description of the types of balances to which the increased rate will apply, a brief description of the event or events that may result in the increased rate, and a brief description of how long the increased rate will remain in effect. Issuers must briefly disclose the circumstances under which any discounted initial rate may be revoked, and the rate that will apply after the revocation. The issuer need not disclose an increased rate that would be imposed if credit privileges are permanently terminated.

(v) Rates depend on consumer’s creditworthiness. If a rate cannot be determined at the time disclosures are given because the rate depends on a later determination of the consumer’s creditworthiness, the card issuer must disclose the specific rates or the range of rates that could apply and a statement that the rate for which the consumer may qualify at account opening will depend on the consumer’s creditworthiness.

(vi) Transaction with both rate and fee. If both a rate and a fee would apply to a balance transfer or cash advance transaction, the card issuer must disclose that a fee also applies when disclosing the rate, and provide a cross-reference to the fee. ◀

[(ii) When variable rate disclosures are provided under paragraph (c) of this section, an annual percentage rate disclosure is accurate if the rate was in effect within 60 days before mailing the disclosures. When variable rate disclosures are provided under paragraph (e) of this section, an annual percentage rate disclosure is accurate if the rate was in effect within 30 days before printing the disclosures. Disclosures provided by electronic communication are subject to paragraph (b)(1)(iii) of this section.

(iii) When variable rate disclosures are provided by electronic communication, an annual percentage rate disclosure is accurate if the rate was in effect within 30 days before mailing the disclosures to a consumer's e-mail address. If disclosures are made available at another location such as the card issuer's Internet web site, the annual percentage rate must be one in effect within the last 30 days.]

(2) Fees for issuance or availability. ▶(i)◀ Any annual or other periodic fee [expressed as an annualized amount, or any other fee] that may be imposed for the issuance or availability of a credit or charge card, including any fee based on account activity or inactivity[.]▶; how frequently it will be imposed; and the annualized amount of the fee.

(ii) Any non-periodic fee that relates to opening an account. A card issuer must disclose that the fee is a one-time fee. ◀

(3) Minimum finance charge. Any minimum or fixed finance charge that could be imposed during a billing cycle ▶ and a brief description of the charge ◀.

(4) Transaction charges. ▶(i) Except as provided in paragraph (b)(4)(ii) of this section, any ◀[Any] transaction charge imposed ▶ by the card issuer ◀ for the use of the card for purchases.

▶(ii) A card issuer shall not disclose in the table required by paragraph (a)(2)(i) of this section a fee imposed by the issuer for transactions in a foreign currency or that take place in a foreign country. ◀

(5) Grace period. The date by which or the period within which any credit extended for purchases may be repaid without incurring a finance charge ▶ due to a periodic interest rate and any conditions on the availability of the grace period. ◀ If no grace period is provided, that fact must be disclosed. If the length of the grace period varies, the card issuer may disclose the range of days, the minimum number of days, or the average number of days in the grace period, if the disclosure is identified as a range, minimum, or average.

(6) Balance computation method. The name of the balance computation method listed in paragraph (g) of this section that is used to determine the balance for purchases

on which the finance charge is computed, or an explanation of the method used if it is not listed. ► A card issuer must provide this information directly below the table, if a tabular format is required. ◀ [The explanation of the method may appear outside the table if the table contains a reference to the explanation.] In determining which balance computation method to disclose, the card issuer shall assume that credit extended for purchases will not be repaid within the grace period, if any.

(7) Statement on charge card payments. A statement that charges incurred by use of the charge card are due when the periodic statement is received.

(8) Cash advance fee. Any fee imposed for an extension of credit in the form of cash or its equivalent.

(9) Late payment fee. Any fee imposed for a late payment.

(10) Over-the-limit fee. Any fee imposed for exceeding a credit limit.

(11) Balance transfer fee. Any fee imposed to transfer an outstanding balance.

► (12) Returned payment fee. Any fee imposed by the card issuer for a returned payment.

(13) Cross-reference to penalty rate. If a card issuer may impose a penalty rate as described in paragraph (b)(1)(iv) of this section for any of the circumstances for which a fee must be disclosed in paragraph (b)(9), (b)(10) or (b)(12), the card issuer must disclose the fact that the penalty rate also may apply, and a cross-reference to the penalty rate.

(14) Required insurance, debt cancellation or debt suspension coverage.

(i) A fee for insurance described in § 226.4(b)(7) or debt cancellation or suspension coverage described in § 226.4(b)(10), if the insurance or debt cancellation or suspension coverage is required as part of the plan; and

(ii) A cross-reference to any additional information provided about the insurance or coverage accompanying the application or solicitation.

(15) Payment allocation. If a card issuer offers a discounted initial rate on a balance transfer or cash advance that is lower than the rate on purchases, the issuer offers a grace period on purchases, and the issuer may allocate a payment to the lower rate balance first, then the issuer must state the following: the initial discounted rate applies to balances transfers or cash advances (as applicable) and not to purchases; payments will be allocated to the balance transfer or cash advance balance (as applicable) before being allocated to any purchase balance during the time the discounted initial rate is in effect; and the consumer will be charged interest on all purchases until the entire account balance is paid off, including the transferred balance or cash advance balance (as

applicable). This paragraph applies only if the initial discounted rate applies to balance transfers or cash advances that consumers can request as part of accepting the offer.

(16) Available credit. If a card issuer requires fees for the issuance or availability of credit described in paragraph (b)(2) of this section, or requires a security deposit for such credit, and the total amount of those required fees and/or security deposit that will be imposed when the account is opened and charged to the account equal 25 percent or more of the minimum credit limit offered with the card, a card issuer must disclose the available credit remaining after these fees or security deposit are debited to the account, assuming that the consumer receives the minimum credit limit. In determining whether the 25 percent threshold test is met, the issuer must only consider fees for issuance or availability of credit, or a security deposit, that are required. If fees for issuance or availability are optional, these fees should not be considered in determining whether the disclosure must be given. Nonetheless, if the 25 percent threshold test is met, the issuer in providing the disclosure must disclose the amount of available credit excluding those optional fees, and the available credit including those optional fees.

(17) Reference to web site for additional information. A reference to the web site established by the Board and a statement that consumers may obtain on the web site information about shopping for and using credit cards. ◀

(c) Direct-mail and electronic applications and solicitations. ▶(1) General. ◀  
The card issuer shall disclose the applicable items in paragraph (b) of this section on or with an application or solicitation that is mailed to consumers [or provided by electronic communication]▶ or provided to consumers in electronic form◀.

▶(2) Accuracy. (i) Disclosures in direct mail applications and solicitations must be accurate as of the time the disclosures are mailed. An accurate variable annual percentage rate is one in effect within 60 days before mailing.

(ii) Disclosures provided in electronic form must be accurate as of the time they are sent, in the case of disclosures sent to a consumer's e-mail address, or as of the time they are viewed by the public, in the case of disclosures made available at a location such as a card issuer's Internet web site. An accurate variable annual percentage rate provided in electronic form is one in effect within 30 days before it is sent to a consumer's e-mail address, or viewed by the public, as applicable. ◀

(d) Telephone applications and solicitations—(1) Oral disclosure. The card issuer shall disclose orally the information in paragraphs (b)(1) through (7) of this section, to the extent applicable, in a telephone application or solicitation initiated by the card issuer.

(2) Alternative disclosure. The oral disclosure under paragraph (d)(1) of this section need not be given if the card issuer either does not impose a fee described in paragraph (b)(2) of this section or does not impose such a fee unless the consumer uses

the card, and the card issuer discloses in writing within 30 days after the consumer requests the card (but in no event later than the delivery of the card) the following:

(i) The applicable information in paragraph (b) of this section; and

(ii) The fact that the consumer need not accept the card or pay any fee disclosed unless the consumer uses the card.

►(3) Accuracy. (i) The oral disclosures under paragraph (d)(1) of this section must be accurate as of the time they are given.

(ii) The alternative disclosures under paragraph (d)(2) of this section generally must be accurate as of the time they are mailed or delivered. A variable annual percentage rate is one that is accurate if it was:

(A) In effect at the time the disclosures are mailed or delivered; or

(B) In effect as of a specified date (which rate is then updated from time to time, but no less frequently than each calendar month). ◀

(e) Applications and solicitations made available to general public. The card issuer shall provide disclosures, to the extent applicable, on or with an application or solicitation that is made available to the general public, including one contained in a catalog, magazine, or other generally available publication. The disclosures shall be provided in accordance with paragraph (e)(1)[,] ► or (e)◀(2) [or (3)] of this section.

(1) Disclosure of required credit information. The card issuer may disclose in a prominent location on the application or solicitation the following:

(i) The applicable information in paragraph (b) of this section;

(ii) The date the required information was printed, including a statement that the required information was accurate as of that date and is subject to change after that date; and

(iii) A statement that the consumer should contact the card issuer for any change in the required information since it was printed, and a toll-free telephone number or a mailing address for that purpose.

[(2) Inclusion of certain initial disclosures. The card issuer may disclose on or with the application or solicitation the following:

(i) The disclosures required under § 226.6 (a) through (c); and

(ii) A statement that the consumer should contact the card issuer for any change in the required information, and a toll-free telephone number or a mailing address for that purpose.]

[(3)]►(2)◄No disclosure of credit information. If none of the items in paragraph (b) of this section is provided on or with the application or solicitation, the card issuer may state in a prominent location on the application or solicitation the following:

(i) There are costs associated with the use of the card; and

(ii) The consumer may contact the card issuer to request specific information about the costs, along with a toll-free telephone number and a mailing address for that purpose.

[(4)]►(3)◄Prompt response to requests for information. Upon receiving a request for any of the information referred to in this paragraph, the card issuer shall promptly and fully disclose the information requested.

►(4)Accuracy. The disclosures given pursuant to paragraph (e)(1) of this section must be accurate as of the date of printing. A variable annual percentage rate is accurate if it was in effective within 30 days before printing.

(f)In-person applications and solicitations. (1)General. A card issuer shall disclose the information in paragraph (b) of this section, to the extent applicable, on or with an application or solicitation that is initiated by the card issuer and given to the consumer in person. A card issuer complies with the requirements of this paragraph if the issuer provides disclosures in accordance with paragraph (c)(1) or (e)(1) of this section.◄

[(f)Special charge card rule—card issuer and person extending credit not the same person. If a cardholder may by use of a charge card access an open-end credit plan that is not maintained by the charge card issuer, the card issuer need not provide the disclosures in paragraphs (c), (d) or (e) of this section for the open-end credit plan if the card issuer states on or with an application or a solicitation the following:

(1) The card issuer will make an independent decision whether to issue the card;  
 (2) The charge card may arrive before the decision is made about extending credit under the open-end credit plan; and

(3) Approval for the charge card does not constitute approval for the open-end credit plan.]

(g)Balance computation methods defined. The following methods may be described by name. Methods that differ due to variations such as the allocation of payments, whether the finance charge begins to accrue on the transaction date or the date of posting the transaction, the existence or length of a grace period, and whether the balance is adjusted by charges such as late-payment fees, annual fees and unpaid finance charges do not constitute separate balance computation methods.

(1)(i)Average daily balance (including new purchases). This balance is figured by adding the outstanding balance (including new purchases and deducting payments and

credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle.

(ii) Average daily balance (excluding new purchases). This balance is figured by adding the outstanding balance (excluding new purchases and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle.

(2)(i) Two-cycle average daily balance (including new purchases). This balance is the sum of the average daily balances for two billing cycles. The first balance is for the current billing cycle, and is figured by adding the outstanding balance (including new purchases and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. The second balance is for the preceding billing cycle.

(ii) Two-cycle average daily balance (excluding new purchases). This balance is the sum of the average daily balances for two billing cycles. The first balance is for the current billing cycle, and is figured by adding the outstanding balance (excluding new purchases and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. The second balance is for the preceding billing cycle.

(3) Adjusted balance. This balance is figured by deducting payments and credits made during the billing cycle from the outstanding balance at the beginning of the billing cycle.

(4) Previous balance. This balance is the outstanding balance at the beginning of the billing cycle.

8. Section 226.6 is amended by revising the heading, revising the introductory paragraph, revising paragraphs (a), (b), and (c), removing paragraphs (d) and (e), and removing and reserving footnotes 11 through 13.

**§ 226.6 ► Account-opening disclosures ◀ [Initial disclosure statement].**

► Creditors shall disclose the items in this section, to the extent applicable. ◀ [The creditor shall disclose to the consumer, in terminology consistent with that to be used on the periodic statement, each of the following items, to the extent applicable:]

(a) ► Rules affecting home equity plans. The requirements of paragraph (a) of this section apply only to home equity plans subject to the requirements of § 226.5b.

(1) ◀ Finance charge. The circumstances under which a finance charge will be imposed and an explanation of how it will be determined, as follows.

▶(i)◀[(1)] A statement of when finance charges begin to accrue, including an explanation of whether or not any time period exists within which any credit extended may be repaid without incurring a finance charge. If such a time period is provided, a creditor may, at its option and without disclosure, impose no finance charge when payment is received after the time period's expiration.

▶(ii)◀[(2)] A disclosure of each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable,<sup>11</sup> and the corresponding annual percentage rate.<sup>12</sup> ▶If a creditor offers a variable-rate plan, the creditor shall also disclose: (1) the circumstances under which the rate(s) may increase; (2) any limitations on the increase; and (3) the effect(s) of an increase.◀ When different periodic rates apply to different types of transactions, the types of transactions to which the periodic rates shall apply shall also be disclosed. ▶A creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.◀

▶(iii)◀[(3)] An explanation of the method used to determine the balance on which the finance charge may be computed.

▶(iv)◀[(4)] An explanation of how the amount of any finance charge will be determined,<sup>13</sup> including a description of how any finance charge other than the periodic rate will be determined.

▶(2)◀[(b)] Other charges. The amount of any charge other than a finance charge that may be imposed as part of the plan, or an explanation of how the charge will be determined.

▶(3) Home equity plan information. The following disclosures described in § 226.5b(d), as applicable:

(i) A statement of the conditions under which the creditor may take certain action, as described in § 226.5b(d)(4)(i), such as terminating the plan or changing the terms.

(ii) The payment information described in § 226.5b(d)(5)(i) and (ii) for both the draw period and any repayment period.

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<sup>11</sup> ▶[Reserved]◀[A creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.]

<sup>12</sup> ▶[Reserved]◀[If a creditor is offering a variable-rate plan, the creditor shall also disclose, (1) the circumstances under which the rate(s) may increase; (2) any limitations on the increase; and (3) the effect(s) of an increase.]

<sup>13</sup> ▶[Reserved]◀[If no finance charge is imposed when the outstanding balance is less than a certain amount, no disclosure is required of that fact or of the balance below which no finance charge will be imposed.]

(iii) A statement that negative amortization may occur as described in § 226.5b(d)(9).

(iv) A statement of any transaction requirements as described in § 226.5b(d)(10).

(v) A statement regarding the tax implications as described in § 226.5b(d)(11).

(vi) A statement that the annual percentage rate imposed under the plan does not include costs other than interest as described in §§ 226.5b(d)(6) and 226.5b(d)(12)(ii).

(vii) The variable-rate disclosures described in § 226.5b(d)(12)(viii), (x), (xi), and (xii), as well as the disclosure described in § 226.5b(d)(5)(iii), unless the disclosures provided with the application were in a form the consumer could keep and included a representative payment example for the category of payment option chosen by the consumer. ◀

▶ (b) Rules affecting open-end (not home-secured) plans. The requirements of paragraph (b) of this section apply to plans other than home equity plans subject to the requirements of § 226.5b. ◀

▶ (1) Charges imposed as part of open-end (not home-secured) plans. The circumstances under which a charge may be imposed as part of the plan, including the amount of the charge or an explanation of how the charge is determined. For finance charges, a statement of when the charge begins to accrue and an explanation of whether or not any time period exists within which any credit that has been extended may be repaid without incurring the charge. If such a time period is provided, a creditor may, at its option and without disclosure, elect not to impose a finance charge when payment is received after the time period expires.

(i) Charges imposed as part of the plan are:

(A) Finance charges identified under § 226.4(a) and § 226.4(b).

(B) Charges resulting from the consumer's failure to use the plan as agreed, except amounts payable for collection activity after default, attorney's fees whether or not automatically imposed, and post-judgment interest rates permitted by law.

(C) Taxes imposed on the credit transaction by a state or other governmental body, such as documentary stamp taxes on cash advances.

(D) Charges for which the payment, or nonpayment, affect the consumer's access to the plan, the duration of the plan, the amount of credit extended, the period for which credit is extended, or the timing or method of billing or payment.

(E) Charges imposed for terminating a plan.

(F) Charges for voluntary credit insurance, debt cancellation or debt suspension.

(ii) Charges that are not imposed as part of the plan include:

(A) Charges imposed on a cardholder by an institution other than a creditor for the use of the other institution's ATM in a shared or interchange system.

(B) A charge for a package of services that includes an open-end credit feature, if the fee is required whether or not the open-end credit feature is included and the non-credit services are not merely incidental to the credit feature.

(C) Charges under § 226.4(e) disclosed as specified. ◀

▶ (2) Rules relating to rates for open-end (not home-secured) plans. If a finance charge disclosed under paragraph (b)(1) of this section is computed by using a periodic rate:

(i) For each periodic rate that may be used to calculate interest:

(A) The rate, expressed as a periodic rate and a corresponding annual percentage rate.

(B) The range of balances to which the rate is applicable; however, a creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.

(C) The type of transaction to which the rate applies, if different rates apply to different types of transactions.

(D) An explanation of the method used to determine the balance to which the rate is applied.

(ii) For interest rate changes that are specifically set forth in the account agreement and are tied to increases in an index or formula (variable-rate accounts):

(A) The fact that the annual percentage rate may increase.

(B) How the rate is determined, including the margin.

(C) The circumstances under which the rate may increase.

(D) The frequency with which the rate may increase.

(E) Any limitation on the amount the rate may change.

(F) The effect(s) of an increase.

(G) A rate is accurate if it is a rate as of a specified date within the last 30 days before the disclosures are provided.

(iii) For interest rate changes that are specifically set forth in the account agreement and not tied to increases in an index or formula:

(A) The initial rate (expressed as a periodic rate and a corresponding annual percentage rate) required under paragraph (b)(2)(i) of this section.

(B) How long the initial rate will remain in effect or the specific events that cause the initial rate to change.

(C) The rate (expressed as a periodic rate and a corresponding annual percentage rate) that will apply when the initial rate is no longer in effect and any limitation on the time period the new rate will remain in effect.

(D) Whether the new rate will apply to balances outstanding at the time of the change. ◀

▶ (3) Voluntary credit insurance, debt cancellation or debt suspension. See §§ 226.4(d)(1)(i) and (ii) and (d)(3)(i) through (iii) for disclosures required if optional credit insurance or debt cancellation or debt suspension coverage identified in § 226.4(b)(7) or § 226.4(b)(10) is offered before the consumer opens the plan. ◀

▶ (4) Tabular format requirements for open-end (not home-secured) plans.

(i) Tabular format. The disclosures in paragraph (b)(4)(ii) through (b)(4)(viii) of this section shall be in the form of a table with the headings, content, and format substantially similar to any of the applicable tables found in G-17 in appendix G.

(A) The table described in paragraph (b)(4)(i) of this section shall contain only the information required or permitted by this section. Other information may be presented with the account agreement or account-opening disclosure statement, provided such information appears outside the required table.

(B) Disclosures required by paragraphs (b)(4)(ix) and b(4)(x) of this section must be placed directly below the table.

(C) When a tabular format is required, any annual percentage rate required to be disclosed pursuant to paragraph (b)(4)(ii) of this section and any fee amounts required to be disclosed pursuant to paragraph (b)(4)(iii) must be disclosed in bold text, except for any maximum limits on fee amounts disclosed in the table. Other annual percentage rates or fee amounts disclosed in the table shall not be in bold text.

(ii) Annual percentage rate. Each periodic rate that may be used to compute the finance charge on an outstanding balance for purchases, a cash advance, or a balance

transfer, expressed as an annual percentage rate (as determined by § 226.14(b)). When more than one rate applies for a category of transactions, the range of balances to which each rate is applicable shall also be disclosed. The annual percentage rate for purchases disclosed pursuant to this paragraph shall be in at least 16-point type, except for the following: a temporary initial rate that is lower than the rate that will apply after the temporary rate expires, and a penalty rate that may apply upon the occurrence of one or more specific events.

(A) Variable-rate information. If a rate disclosed under paragraph (b)(4)(ii) of this section is a variable rate, the creditor shall also disclose the fact that the rate may vary and how the rate is determined. In describing how the applicable rate will be determined, the creditor must identify the type of index or formula that is used in setting the rate. The value of the index and the amount of the margin that are used to calculate the variable rate shall not be disclosed in the table.

(B) Temporary initial rates. If an initial rate is temporary, the initial rate, the circumstances under which that rate expires, and the rate that will apply after the temporary rate will expire shall be disclosed.

(C) Increased penalty rates. If a rate may increase upon the occurrence of one or more events specified in the account agreement, such as a late payment or an extension of credit that exceeds the credit limit, the creditor must disclose pursuant to paragraph (b)(4)(ii) of this section the increased penalty rate that may apply, a description of the types of balances to which the increased rate will apply, a brief description of the event or events that may result in the increased rate, and a brief description of how long the increased rate will remain in effect. If a temporary initial rate is lower than the rate that will apply after the temporary rate expires, creditors must briefly disclose the circumstances under which any initial discounted rates may be revoked, and the rate that will apply after the initial discounted rate is revoked. The creditor need not disclose an increased rate that would be imposed if credit privileges are permanently terminated.

(D) Rate and fee both apply to the same transaction. If a rate and fee both apply to a balance transfer or cash advance transaction, the creditor must disclose that a fee also applies when disclosing the rate, and provide a cross reference to the fee.

(iii) Fees.

(A) Fees for issuance or availability of credit. Any annual or other periodic fee that may be imposed for the issuance or availability of an open-end plan, including any fee based on account activity or inactivity; and any non-periodic fee that relates to opening the plan. A creditor must disclose the amount of the periodic fee, how frequently it will be imposed, and the annualized amount of the fee. A creditor disclosing a non-periodic fee must disclose that the fee is a one-time fee.

(B) Transaction charges. Any transaction charge imposed on purchases, for cash advances or to transfer balances, including fees imposed by the creditor for using

automated teller machines or for transactions in a foreign currency or that take place in a foreign country.

(C) Penalty fees. Any fee imposed for a late payment, exceeding a credit limit, or for a returned payment. If a creditor may impose a penalty rate as described in paragraph (b)(4)(ii) of this section for any of the circumstances where a fee must be disclosed in this paragraph, the creditor must also disclose that the penalty rate also may apply and a cross reference to the fee.

(D) Minimum finance charge. Any minimum or fixed finance charge that could be imposed during a billing cycle and a brief description of the charge.

(iv) Grace period. An explanation of whether or not any time period exists within which any credit that has been extended may be repaid without incurring a finance charge.

(v) Required insurance, debt cancellation or debt suspension coverage. A fee for insurance described in § 226.4(b)(7) or debt cancellation or suspension coverage described in § 226.4(b)(10), if the insurance, or debt cancellation or suspension coverage is required as part of the plan; and a cross-reference to any additional information provided about the insurance or coverage, as applicable.

(vi) Payment allocation. If a creditor offers an initial discounted rate on a balance transfer or cash advance that is lower than the rate on purchases where the creditor offers a grace period on purchases, and the creditor allocates payments to the lower rate balance first, the creditor must provide a statement that payments will be allocated to the lower rate balance first during the time the lower rate is in effect, and during that time the consumer will incur interest on the higher rate balance until the lower rate balance is paid off completely.

(vii) Available credit. If a creditor requires fees for the issuance or availability of an open-end plan described in paragraph (b)(4)(iii)(A) of this section, or a security deposit, and the total amount of those required fees or security deposit that will be imposed when the account is opened and charged to the account equal 25 percent or more of the minimum credit limit offered with the card, a creditor must disclose the amount of the available credit that a consumer will have remaining after these fees or security deposit are debited to the account, assuming that the consumer receives the minimum credit limit. In determining whether the 25 percent threshold test is met, the creditor must only consider fees for issuance or availability of credit, or a security deposit, that is required. If fees for issuance or availability are optional, these fees should not be considered in determining whether the disclosure must be given. Nonetheless, if the 25 percent threshold test is met, the creditor in providing the disclosure must disclose the amount of available credit excluding those optional fees, and the available credit including those optional fees.

(viii) Web site reference. For issuers of credit cards that are not charge cards, a reference to the web site established by the Board and a statement that consumers may obtain on the web site information about shopping for and using credit card accounts.

(ix) Balance computation method. The name of the balance computation method listed in § 226.5a(g) that is used to determine the balance for purchases on which the finance charge is computed, or an explanation of the method used if it is not listed, along with a statement that an explanation of the method required by paragraph (b)(2)(i)(D) of this section is provided with the account-opening disclosures. In determining which balance computation method to disclose, the card issuer shall assume that credit extended for purchases will not be repaid within any grace period.

(x) Billing error rights reference. A statement that information about consumers' right to dispute transactions is included in the account-opening disclosures. ◀

▶ (c) Rules of general applicability.

(1) Security interests. The fact that the creditor has or will acquire a security interest in the property purchased under the plan, or in other property identified by item or type.

(2) Statement of billing rights. For plans other than home equity plans subject to the requirements of § 226.5b, a statement that outlines the consumer's rights and the creditor's responsibilities under §§ 226.12(c) and 226.13 and that is substantially similar to the statement found in Model Form G-3(A) in appendix G. Creditors offering home equity plans subject to the requirements of § 226.5b may use Model Form G-3 or G-3A, at their option. ◀

[(c) Security interests. The fact that the creditor has or will acquire a security interest in the property purchased under the plan, or in other property identified by item or type.

(d) Statement of billing rights. A statement that outlines the consumer's rights and the creditor's responsibilities under §§ 226.12(c) and 226.13 and that is substantially similar to the statement found in appendix G.

(e) Home equity plan information. The following disclosures described in § 226.5b(d), as applicable:

(i) A statement of the conditions under which the creditor may take certain action, as described in § 226.5b(d)(4)(i), such as terminating the plan or changing the terms.

(ii) The payment information described in § 226.5b(d)(5)(i) and (ii) for both the draw period and any repayment period.

(iii) A statement that negative amortization may occur as described in § 226.5b(d)(9).

(iv) A statement of any transaction requirements as described in § 226.5b(d)(10).

(v) A statement regarding the tax implications as described in § 226.5b(d)(11).

(vi) A statement that the annual percentage rate imposed under the plan does not include costs other than interest as described in §§ 226.5b(d)(6) and 226.5b (d)(12)(ii).

(vii) The variable-rate disclosures described in § 226.5b(d)(12)(viii), (x), (xi), and (xii), as well as the disclosure described in § 226.5b(d)(5)(iii), unless the disclosures provided with the application were in a form the consumer could keep and included a representative payment example for the category of payment option chosen by the consumer.]

9. Section 226.7 is amended by revising paragraphs (a) and (b), removing paragraphs (c), (d), (e), (f), (g), (h), (i), (j), and (k), and removing and reserving footnotes 14 and 15.

### § 226.7 Periodic statement.

The creditor shall furnish the consumer with a periodic statement that discloses the following items, to the extent applicable:

▶(a) Rules affecting home equity plans. The requirements of paragraph (a) of this section apply only to home equity plans subject to the requirements of § 226.5b. Alternatively, a creditor subject to this paragraph may, at its option, comply with any of the requirements of paragraph (b) of this section; however, any creditor that chooses to comply with paragraph (b)(6) of this section must also comply with paragraph (b)(7) of this section. ◀

▶(1)◀[(a)] Previous balance. The account balance outstanding at the beginning of the billing cycle.

▶(2)◀[(b)] Identification of transactions. An identification of each credit transaction in accordance with § 226.8.

▶(3)◀[(c)] Credits. Any credit to the account during the billing cycle, including the amount and the date of crediting. The date need not be provided if a delay in accounting does not result in any finance or other charge.

▶(4)◀[(d)] Periodic rates. Each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable,<sup>14</sup> and the corresponding annual percentage rate.<sup>15</sup> ▶ If no finance charge is imposed when the outstanding balance is less than a certain amount, the creditor is not required to disclose that fact, or the balance below which no finance charge will be imposed. ◀ If different periodic rates apply to different types of transactions, the types of transactions to which the periodic rates apply shall also be disclosed. ▶ For variable-rate plans, the fact that the periodic rate(s) may vary. ◀

<sup>14</sup> ▶ [Reserved] ◀ [See footnotes 11 and 13.]

<sup>15</sup> ▶ [Reserved.] ◀ [If a variable-rate plan is involved, the creditor shall disclose the fact that the periodic rate(s) may vary.]

►(5)◄[(e)] Balance on which finance charge computed. The amount of the balance to which a periodic rate was applied and an explanation of how that balance was determined. When a balance is determined without first deducting all credits and payments made during the billing cycle, the fact and the amount of the credits and payments shall be disclosed.

►(6)◄[(f)] Amount of finance charge ►and other charges. Creditors may comply with paragraphs (a)(6) of this section, or with paragraph (b)(6) of this section, at their option.

(i) Finance charges. ◄ The amount of any finance charge debited or added to the account during the billing cycle, using the term finance charge. The components of the finance charge shall be individually itemized and identified to show the amount(s) due to the application of any periodic rates and the amount(s) of any other type of finance charge. If there is more than one periodic rate, the amount of the finance charge attributable to each rate need not be separately itemized and identified.

►(ii) Other charges. The amounts, itemized and identified by type, of any charges other than finance charges debited to the account during the billing cycle. ◄

►(7)◄[(g)] Annual percentage rate.

**ALTERNATIVE 1.** (i) When a finance charge is imposed during the billing cycle, the annual percentage rate(s) determined under § 226.14 using the term annual percentage rate.

(ii) Creditors may comply with paragraph (a)(7)(i) of this section or with paragraph (b)(7) of this section, at their option. If a creditor chooses to comply with paragraph (b)(7) of this section with respect to its home equity plans, the creditor must also comply with paragraph (b)(6) of this section.

**ALTERNATIVE 2.** At a creditor's option, when a finance charge is imposed during the billing cycle, the annual percentage rate(s) determined under § 226.14 using the term annual percentage rate.

►(8)◄[(j)] ►Grace◄[Free-ride] period. The date by which or the time period within the new balance or any portion of the new balance must be paid to avoid additional finance charges. If such a time period is provided, a creditor may, at its option and without disclosure, impose no finance charge if payment is received after the time period's expiration.

►(9)◄[(k)] Address for notice of billing errors. The address to be used for notice of billing errors. Alternatively, the address may be provided on the billing rights statement permitted by § 226.9(a)(2).

►(10)◄[(i)] Closing date of billing cycle; new balance. The closing date of the billing cycle and the account balance outstanding on that date.

►(b) Rules affecting open-end (not home-secured) plans. The requirements of paragraph (b) of this section apply only to plans other than home equity plans subject to the requirements of § 226.5b.

(1) Previous balance. The account balance outstanding at the beginning of the billing cycle.

(2) Identification of transactions. An identification of each credit transaction in accordance with § 226.8, grouped by type of transaction in a form substantially similar to that shown in Sample G-18(A) in appendix G.

(3) Credits. Any credit to the account during the billing cycle, including the amount and the date of crediting. The date need not be provided if a delay in crediting does not result in any finance or other charge. Credits must be grouped together, and grouped with transactions identified under paragraph (b)(2) of this section, in a form substantially similar to that shown in Sample G-18(A) in appendix G.

(4) Periodic rates. (i) Except as provided in paragraph (b)(4)(ii) of this section, each periodic rate that may be used to compute the interest charge expressed as an annual percentage rate and using the term, Annual Percentage Rate, along with the range of balances to which it is applicable. If no interest charge is imposed when the outstanding balance is less than a certain amount, the creditor is not required to disclose that fact, or the balance below which no interest charge will be imposed. The types of transactions to which the periodic rates apply shall also be disclosed. For variable-rate plans, the fact that the annual percentage rate may vary.

(ii) Exception. An annual percentage rate that differs from the rate that would otherwise apply and is offered only for a specific and limited time need not be disclosed except in periods in which the offered rate is actually applied.

(5) Balance on which finance charge computed. The amount of the balance to which a periodic rate was applied and an explanation of how that balance was determined, using the term Balance Subject to Interest Rate. When a balance is determined without first deducting all credits and payments made during the billing cycle, the fact and the amount of the credits and payments shall be disclosed. As an alternative to providing an explanation of how the balance was determined, a creditor that uses a balance computation method identified in § 226.5a(g) may, at the creditor's option, identify the name of the balance computation method and provide a toll-free telephone number where consumers may obtain from the creditor more information about the balance computation method and how resulting finance charges were determined. If the method used is not identified in § 226.5a(g), the creditor shall provide a brief explanation of the method used.

(6) Charges imposed. (i) The amounts of any charges imposed as part of a plan as stated in § 226.6(b)(1), grouped together, in proximity to transactions identified under paragraph (b)(2) of this section, substantially similar to Sample G-18(A) in appendix G.

(ii) Interest. Finance charges attributable to periodic interest rates, using the term Interest Charge, must be grouped together under the heading Interest Charged, itemized and totaled by type of transaction, and a total interest charge, using the term Total Interest Charge, must be disclosed for the statement period and calendar year to date, using a format substantially similar to Sample G-18(A) in appendix G.

(iii) Fees. Charges imposed as part of the plan other than interest must be grouped together under the heading Fees, identified consistent with the feature or type, and itemized. A total of charges, using the term Fees, must be disclosed for the statement period and calendar year to date. Fees identified in § 226.14(e) that relate to a specific transaction must be labeled using the term Transaction fee, and fees identified in § 226.14(e) that do not relate to a specific transaction must be labeled using the term Fixed fee, using a format substantially similar to Sample G-18(A) in appendix G.

(iv) **ALTERNATIVE 1 ONLY**. In addition to the disclosures of interest and fees required under paragraphs (b)(6)(ii) and (b)(6)(iii) of this section, the creditor must also disclose, unless paragraph (b)(7)(ii) of this section applies, charges identified under this paragraph for the statement period, grouped together in a tabular format with the Fee-Inclusive APR information identified under paragraph (b)(7)(i) of this section, in a format substantially similar to Sample G-18(A) in appendix G.

(A) Finance charges attributable to interest, using the term interest charges, must be totaled by type of transaction and identified as relating to balances for that type of transaction.

(B) Charges imposed as part of the plan other than interest that are identified in § 226.14(e), using the term Transaction and Fixed Fees, must be grouped together. For multifeatured plans, charges that relate to a specific purchase transaction and charges that do not relate to a specific transaction must be totaled and identified as relating to purchase balances; charges that relate to a specific type of transaction other than purchases must be totaled and identified as relating to balances for that type of transaction. For single-featured plans, charges described in paragraph (b)(7)(iv) of this section must be grouped together and totaled.

(7) **ALTERNATIVE 1**. Effective annual percentage rate. (i) Except as provided in paragraph (b)(7)(ii) of this section, when a finance charge identified in § 226.14(e) is imposed during the billing cycle, the effective annual percentage rate(s) determined for each type of transaction under § 226.14, using the term Fee-Inclusive APR and disclosed for each type of transaction; a description of the Fee-Inclusive APR; and a format substantially similar to Sample G-18(B) in appendix G.

(ii) When a finance charge identified in § 226.14(e) is imposed during the billing cycle and the finance charge is determined solely by applying one or more periodic rates used to calculate interest, by multiplying each periodic rate by the number of periods in a year, disclosed for each type of transaction.

(7) **ALTERNATIVE 2.** [Reserved.]

(8) Grace period. The date by which or the time period within the new balance or any portion of the new balance must be paid to avoid additional finance charges. If such a time period is provided, a creditor may, at its option and without disclosure, impose no finance charge if payment is received after the time period's expiration.

(9) Address for notice of billing errors. The address to be used for notice of billing errors. Alternatively, the address may be provided on the billing rights statement permitted by § 226.9(a)(2).

(10) Closing date of billing cycle; new balance. The closing date of the billing cycle and the account balance outstanding on that date. The new balance must be disclosed in accordance with the format requirements of paragraph (b)(13) of this section.

(11) Due date; late payment costs. (i) Except as provided in paragraph (b)(11)(ii) of this section and in accordance with the format requirements in paragraph (b)(13) of this section:

(A) The due date for a payment, if a late payment fee or penalty rate may be imposed.

(B) A cut-off time, if the creditor imposes a cut-off time before 5 p.m. for payment to be received. If the cut-off time differs depending on the method of payment, the creditor must state the earliest time if before 5 p.m. without specifying the payment method to which it applies.

(C) The amount of the fee and any increased periodic rate(s) (expressed as an annual percentage rate(s)) that may be imposed as a result of a late payment. If a range of fees may be assessed, the creditor must state the highest fee. If the rate may be increased for more than one feature or balance, the creditor must state the highest rate that could apply.

(ii) Exemptions. The requirements of paragraph (b)(11) of this section do not apply to periodic statements provided for charge cards accounts.

(12) Minimum payment. (i) General disclosure requirements. Except as provided in paragraphs (b)(12)(ii) and (b)(12)(iii) of this section, a card issuer shall disclose on each periodic statement, in accordance with the format requirements of paragraph (b)(13) of this section:

(A) Minimum payment not exceeding 4%. Except as provided in paragraph (b)(12)(i)(C) or (D) of this section, if the required minimum periodic payment does not exceed 4% of the balance upon which finance charges accrue, the following statement with a bolded heading: “**Notice About Minimum Payments:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of \$1,000 at an interest rate of 17% and always paid only the minimum required, it would take over 7 years to repay this balance. For an estimate of the time it would take to repay your actual balance making only minimum payments, call: [toll-free telephone number]” A card issuer must disclose a toll-free telephone number established and maintained pursuant to paragraph (b)(12)(iv)(A)(1) of this section to provide generic repayment estimates discussed in appendix M1. Alternatively, for a two-year period after the date that card issuers must begin complying with the minimum payment disclosure requirement in paragraph (b)(12) of this section, small depository institution issuers (as defined in paragraph (b)(12)(v) of this section) may provide the toll-free telephone number operated by or on behalf of the Federal Reserve Board.

(B) Minimum payment exceeding 4%. (1) Except as provided in paragraphs (b)(12)(i)(B)(2), (b)(12)(i)(C) or (b)(12)(i)(D) of this section, if the required minimum periodic payment exceeds 4% of the balance upon which finance charges accrue, the following statement with a bolded heading: “**Notice About Minimum Payments:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of \$300 at an interest rate of 17% and always paid only the minimum required, it would take about 2 years to repay this balance. For an estimate of the time it would take to repay your actual balance making only minimum payments, call: [toll-free telephone number]” A card issuer must disclose a toll-free telephone number established and maintained pursuant to paragraph (b)(12)(iv)(A)(1) of this section to provide generic repayment estimates discussed in appendix M1. Alternatively, for a two-year period after the date that card issuers must begin complying with the minimum payment disclosure requirement in paragraph (b)(12) of this section, small depository institution issuers (as defined in paragraph (b)(12)(v) of this section) may provide the toll-free telephone number operated by or on behalf of the Federal Reserve Board.

(2) At a card issuer’s option, an issuer subject to this paragraph is not required to comply with this paragraph if the issuer complies with paragraph (b)(12)(i)(A) of this section.

(C) FTC-regulated credit card issuers. Except as provided in paragraph (b)(12)(i)(D) of this section, if the Federal Trade Commission has authority under the Truth in Lending Act to enforce the act and this regulation as to a card issuer, the following statement with a bolded heading: “**Notice About Minimum Payments:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of \$300 at an interest rate of 17% and always paid only the minimum required, it would about 2 years to repay this balance. For an estimate of the time it would take to repay your actual

balance making only minimum payments, call the Federal Trade Commission at this toll-free telephone number: \_\_\_\_\_.” The card issuer must disclose the toll-free telephone number established by or on behalf of the Federal Trade Commission pursuant to paragraph (b)(12)(iv)(B) of this section.

(D) Alternative rate. Card issuers that provide the statements under paragraphs (b)(12)(i)(A) through (b)(12)(i)(C) of this section may, at their option, substitute an example that uses an annual percentage rate that is greater than 17 percent.

(ii) Estimate of actual repayment period. A card issuer is not required to comply with paragraphs (b)(12)(i)(A) through (b)(12)(i)(D) of this section if the issuer, at its option:

(A) Establishes and maintains a toll-free telephone number for the purpose of providing consumers with the actual repayment disclosure described in appendix M2; and discloses the following statement on each periodic statement: “**Notice About Minimum Payments:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For more information, call this toll-free number: \_\_\_\_\_.” A card issuer must disclose a toll-free telephone number established and maintained pursuant to paragraph (b)(12)(iv)(A)(3) of this section to provide the actual repayment disclosures described in appendix M2; or

(B) Provides on the periodic statement a disclosure of the actual repayment information as described in appendix M2, substantially similar to Sample G-18(D) in appendix G.

(iii) Exemptions. Paragraph (b)(12) of this section does not apply to:

(A) Home equity plans subject to the requirements of § 226.5b;

(B) Overdraft lines of credit tied to asset accounts accessed by check-guarantee cards or by debit cards;

(C) Lines of credit accessed by check-guarantee cards or by debit cards that can be used only at automated teller machines;

(D) Charge card accounts that require payment of outstanding balances in full at the end of each billing cycle;

(E) Credit card accounts where a fixed repayment period for the account is disclosed in the account agreement and the required minimum payments will amortize the outstanding balance within the fixed repayment period;

(F) A billing cycle where a consumer has paid the entire balance in full for that billing cycle and the previous billing cycle, or had a zero outstanding balance or credit balance in those two billing cycles; and

(G) A billing cycle where the entire outstanding balance is subject to a fixed repayment period specified in the account agreement and the required minimum payments applicable to that feature will amortize the outstanding balance within the fixed repayment period.

(iv) Toll-free telephone numbers. (A) Issuer-operated toll-free telephone number.

(1) Subject to paragraph (b)(12)(iv)(A)(2) of this section, if a card issuer provides the disclosures in paragraphs (b)(12)(i)(A) or (b)(12)(i)(B) of this section, the issuer must establish and maintain a toll-free telephone number for the purpose of providing its customers with generic repayment estimates, as described in appendix M1.

(2) For a two-year period after the date that card issuers must begin complying with the minimum payment disclosure requirement in paragraph (b)(12) of this section, small depository institution issuers (as defined in paragraph (b)(12)(v) of this section) that provide the disclosures in paragraphs (b)(12)(i)(A) or (b)(12)(i)(B) of this section are not required to establish and maintain a toll-free telephone number for purposes of providing their customers with generic repayment estimates, as described in appendix M1. Instead, small depository institutions may disclose the toll-free telephone number operated by or on behalf of the Federal Reserve Board.

(3) If a card issuer provides the disclosure in paragraph (b)(12)(ii)(A) of this section, the issuer must establish and maintain a toll-free telephone number for the purpose of providing its customers with actual repayment disclosures, as described in appendix M2.

(B) FTC-operated toll-free telephone number. The Federal Trade Commission is required by Section 1637(b)(11)(G) of the Truth in Lending Act (15 U.S.C. 1637(b)(11)(G)) to establish and maintain a toll-free telephone number for use by customers of creditors that are subject to the Federal Trade Commission's authority to enforce the act and this regulation.

(C) Additional information. In responding to a request for generic repayment estimates or actual repayment disclosures, as described in appendices M1 and M2 respectively, through a toll-free telephone number, neither card issuers nor the FTC may provide any information other than the repayment information required or permitted by appendix M1 or M2, as applicable.

(v) Definitions. Small depository institution issuers are card issuers that are depository institutions (as defined by section 3 of the Federal Deposit Insurance Act), including Federal credit unions or State credit unions (as defined in section 101 of the Federal Credit Union Act), with total assets not exceeding \$250 million, as of December 31 of the year prior to the year in which institutions must begin to complying with the requirements in § 226.7(b)(12).

(13) Format requirements. The due date required by paragraph (b)(11) of this section shall be disclosed on the front of the first page of the periodic statement. The cut-off time, the amount of the fee, and the annual percentage rate(s) required by paragraph (b)(11) of this section shall be stated in close proximity to the due date. The ending balance required by paragraph (b)(10) of this section and the minimum payment disclosure required by paragraph (b)(12) of this section shall be disclosed closely proximate to the minimum payment due. The due date, cut-off time, fee and annual percentage rate, ending balance, minimum payment due, and minimum payment disclosure shall be grouped together, substantially similar to Samples G-18(E) or G-18(F) in appendix G.

(14) Change-in-terms and increased penalty rate summary for open-end (not home-secured) plans. Creditors that provide a change-in-term notice required by § 226.9(c), or a rate increase notice required by § 226.9(g), on or with the periodic statement, must disclose the information in § 226.9(c)(2)(iii)(A) or § 226.9(g)(3)(i) on the periodic statement in accordance with the format requirements in § 226.9(c)(2)(iii)(B), and § 226.9(g)(3)(ii). This information shall precede the transactions disclosed pursuant to paragraph (b)(2) of this section. See Forms G-18(G) and G-18(H) in appendix G. ◀

(c) Credits. Any credit to the account during the billing cycle, including the amount and the date of crediting. The date need not be provided if a delay in accounting does not result in any finance or other charge.

(d) Periodic rates. Each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable, and the corresponding annual percentage rate. If different periodic rates apply to different types of transactions, the types of transactions to which the periodic rates apply shall also be disclosed.

(e) Balance on which finance charge computed. The amount of the balance to which a periodic rate was applied and an explanation of how that balance was determined. When a balance is determined without first deducting all credits and payments made during the billing cycle, the fact and the amount of the credits and payments shall be disclosed.

(f) Amount of finance charge. The amount of any finance charge debited or added to the account during the billing cycle, using the term finance charge. The components of the finance charge shall be individually itemized and identified to show the amount(s) due to the application of any periodic rates and the amount(s) of any other type of finance rate, the amount of the finance charge attributable to each rate need not be separately itemized and identified.

(g) Annual percentage rate. When a finance charge is imposed during the billing cycle, the annual percentage rate(s) determined under § 226.14, using the term annual percentage rate.

(h) Other charges. The amounts, itemized and identified by type, of any charges other than finance charges debited to the account during the billing cycle.

(i) Closing date of billing cycle; new balance. The closing date of the billing cycle and the account balance outstanding on that date.

(j) Free-ride period. The date by which or the time period within the new balance or any portion of the new balance must be paid to avoid additional finance charges. If such a time period is provided, a creditor may, at its option and without disclosure, impose no finance charge payment is received after time period's expiration.

(k) Address for notice of billing errors. The address to be used for notice of billing errors. Alternatively, the address may be provided on the billing rights statement permitted by § 226.9(a)(2).]

10. Section 226.8 is amended by revising the heading, revising paragraphs (a) and (b), adding a new paragraph (c), and removing and reserving footnotes 16 through 20.

**§ 226.8 [Identification of] ► Identifying ◀ transactions ► on periodic statements. ◀**

The creditor shall identify credit transactions on or with the first periodic statement that reflects the transaction by furnishing the following information, as applicable.<sup>16</sup>

(a) Sale credit.

► (1) Except as provided in paragraph (a)(2) of this section, for each credit transaction involving the sale of property or services, the creditor must disclose the amount and date of the transaction, and either:

(i) A brief identification<sup>17</sup> of the property or services purchased, for creditors and sellers that are the same or related;<sup>18</sup> or

(ii) The seller's name; and the city, and state or foreign country where the transaction took place.<sup>19</sup> The creditor may omit the address or provide any suitable designation that helps the consumer to identify the transaction when the transaction took place at a location that is not fixed; took place in the consumer's home; or was a mail, Internet, or telephone order.

(2) Creditors need not comply with paragraph (a)(1) of this section if an actual copy of the receipt or other credit document is provided with the first periodic statement reflecting the transaction, and the amount of the transaction and either the date of the transaction to the consumer's account or the date of debiting the transaction are disclosed on the copy or on the periodic statement. ◀

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<sup>16</sup> ► [Reserved] ◀ [Failure to disclose the information required by this section shall not be deemed a failure to comply with the regulation if (1) the creditor maintains procedures reasonably adapted to obtain and provide the information; and (2) the creditor treats an inquiry for clarification or documentation as a notice of a billing error, including correcting the account in accordance with § 226.13(e). This applies to transactions that take place outside a state, as defined in § 226.2(a), whether or not the creditor maintains procedures reasonably adapted to obtain the required information].

<sup>17</sup> ► [Reserved] ◀ [As an alternative to the brief identification, the creditor may disclose a number or symbol that also appears on the receipt or other credit document given to the consumer, if the number or symbol reasonably identifies that transaction with that creditor, and if the creditor treats an inquiry for clarification or documentation as a notice of a billing error, including correcting the account in accordance with § 226.13(e).]

<sup>18</sup> ► [Reserved] ◀ [An identification of property or services may be replaced by the seller's name and location of the transaction when: (1) the creditor and the seller are the same person; (2) the creditor's open-end plan has fewer than 15,000 accounts; (3) the creditor provides the consumer with point-of-sale documentation for that transaction; and (4) the creditor treats an inquiry for clarification or documentation as a notice of a billing error, including correcting the account in accordance with § 226.13(e).]

<sup>19</sup> ► [Reserved] ◀ [The creditor may omit the address or provide any suitable designation that helps the consumer to identify the transaction when the transaction (1) took place at a location that is not fixed; (2) took place in the consumer's home; or (3) was a mail or telephone order.]

(a) Sale credit. For each credit transaction involving the sale of property or services, the following rules shall apply:

(1) Copy of credit document provided. When an actual copy of the receipt or other credit document is provided with the first periodic statement reflecting the transaction, the transaction is sufficiently identified if the amount of the transaction and either the date of the transaction or the date of debiting the transaction to the consumer's account are disclosed on the copy or on the periodic statement.

(2) Copy of credit document not provided—creditor and seller same or related person(s). When the creditor and the seller are the same person or related persons, and an actual copy of the receipt or other credit document is not provided with the periodic statement, the creditor shall disclose the amount and date of the transaction, and a brief identification of the property or services purchased.

(3) Copy of credit document not provided—creditor and seller not same or related person(s). When the creditor and seller are not the same person or related persons, and an actual copy of the receipt or other credit document is not provided with the periodic statement, the creditor shall disclose the amount and date of the transaction; the seller's name; and the city, and state or foreign country where the transaction took place.]

(b) Nonsale credit. [A nonsale credit transaction is sufficiently identified if the first periodic statement reflecting the transaction discloses] ► For each credit transaction not involving the sale of property or services, the creditor must disclose ◀ a brief identification of the transaction;<sup>20</sup> the amount of the transaction; and at least one of the following dates: the date of the transaction, the date the transaction was debited to the consumer's account, or, if the consumer signed the credit document, the date appearing on the document. If an actual copy of the receipt or other credit document is provided and that copy shows the amount and at least one of the specified dates, the brief identification may be omitted.

► (c) Alternative creditor procedures; consumer inquiries for clarification or documentation. The following procedures apply to creditors that treat an inquiry for clarification or documentation as a notice of a billing error, including correcting the account in accordance with § 226.13(e):

(1) Failure to disclose the information required by paragraphs (a) and (b) of this section is not a failure to comply with the regulation, provided that the creditor also maintains procedures reasonably designed to obtain and provide the information. This applies to transactions that take place outside a state, as defined in § 226.2(a), whether or not the creditor maintains procedures reasonably adapted to obtain the required information.

(2) As an alternative to the brief identification for sale or nonsale credit, the creditor may disclose a number or symbol that also appears on the receipt or other credit document given to the consumer, if the number or symbol reasonably identifies that transaction with that creditor. ◀

<sup>20</sup> ► [Reserved] ◀ [See footnote 17].

11. Section 226.9 is amended by revising paragraphs (a), (b), (c), and (e), republishing paragraph (d) and (f), adding a new paragraph (g), and removing and reserving footnote 20a.

**§ 226.9 Subsequent disclosure requirements.**

(a) Furnishing statement of billing rights –

(1) Annual statement. The creditor shall mail or deliver the billing rights statement required by ► § 226.6(c)(2) ◀ [§ 226.6(d)] at least once per calendar year, at intervals of not less than 6 months nor more than 18 months, either to all consumers or to each consumer entitled to receive a periodic statement under § 226.5(b)(2) for any one billing cycle.

(2) Alternative summary statement. As an alternative to paragraph (a)(1) of this section, the creditor may mail or deliver, on or with each periodic statement, a statement substantially similar to [that in appendix G] ► Model Forms G-4 and G-4(A) in appendix G, as applicable ◀.

(b) Disclosures for supplemental credit ► access ◀ devices and additional features.

(1) If a creditor, within 30 days after mailing or delivering the [initial] ► account-opening ◀ disclosures under [§ 226.6(a)] ► §§ 226.6(a)(1) or 226.6(b)(1), as applicable ◀, adds a credit feature to the consumer's account or mails or delivers to the consumer a credit ► access ◀ device ►, including but not limited to checks that access a credit card account, ◀ for which the finance charge terms are the same as those previously disclosed, no additional disclosures are necessary. ► Except as provided in paragraph (b)(3) of this section, after ◀ [After] 30 days, if the creditor adds a credit feature or furnishes a credit ► access ◀ device (other than as a renewal, resupply, or the original issuance of a credit card) on the same finance charge terms, the creditor shall disclose, before the consumer uses the feature or device for the first time, that it is for use in obtaining credit under the terms previously disclosed.

(2) ► Except as provided in paragraph (b)(3) of this section, whenever ◀ [Whenever] a credit feature is added or a credit ► access ◀ device is mailed or delivered, and the finance charge terms for the feature or device differ from disclosures previously given, the disclosures required by [§ 226.6(a)] ► §§ 226.6(a)(1) or 226.6(b)(1), as applicable ◀, that are applicable to the added feature or device shall be given before the consumer uses the feature or device for the first time.

► (3) Checks that access a credit card account. (i) Disclosures. For open-end plans not subject to the requirements of § 226.5b, if checks that can be used to access a credit card account are provided more than 30 days after account-opening disclosures under § 226.6(b)(1) are given, or are provided within 30 days of the account-opening disclosures and the finance charge terms for the checks differ from disclosures previously

given, the creditor shall disclose on the front of the page containing the checks the following terms in the form of a table with the headings, content, and form substantially similar to Sample G-19 in appendix G:

(A) If an initial rate that applies to the checks is temporary and is lower than the rate that will apply after the temporary rate expires, the discounted initial rate and the time period during which the discounted initial rate will remain in effect. A creditor must use the term “introductory” or “intro” in immediate proximity to the listing of the discounted initial rate.

(B) The type of rate that will apply to the checks (such as whether the purchase or cash advance rate applies) and the applicable annual percentage rate. If a discounted initial rate applies, a creditor must disclose the type of rate that will apply after the discounted initial rate expires, and the annual percentage rate that will apply after the discounted initial rate expires. In a variable-rate account, a creditor must disclose an annual percentage rate based on the applicable index or formula in accordance with the accuracy requirements set forth in paragraph (b)(3)(ii) of this section.

(C) Any transaction fees applicable to the checks disclosed under § 226.6(b)(1); and

(D) Whether or not a grace period is given within which any credit extended by use of the checks may be repaid without incurring a finance charge due to a periodic interest rate. If no grace period is given, the issuer must state that no grace period applies and interest will be charged immediately.

(ii) Accuracy. The disclosures in paragraph (b)(3)(i) of this section must be accurate as of the time the disclosures are given. A variable annual percentage rate is accurate if it was in effect within 30 days of when the disclosures are given. ◀

(c) Change in terms. — (1) [Written notice required.] ▶ Rules affecting home equity plans. (i) Written notice required. For home equity plans subject to the requirements of § 226.5b, whenever ◀ [Whenever] any term required to be disclosed under §226.6▶ (a) ◀ is changed or the required minimum periodic payment is increased, the creditor shall mail or deliver written notice of the change to each consumer who may be affected. The notice shall be mailed or delivered at least 15 days prior to the effective date of the change. The 15-day timing requirement does not apply if the change has been agreed to by the consumer[, or if a periodic rate or other finance charge is increased because of the consumer’s delinquency or default]; the notice shall be given, however, before the effective date of the change.

▶ (ii) ◀[(2)] Notice not required. ▶ For home equity plans subject to the requirements of § 226.5b, a creditor is not required to provide ◀ [No] notice under this section [is required] when the change involves [late payment charges, charges for documentary evidence, or over-the-limit charges;] a reduction of any component of a finance or other charge[; suspension of future credit privileges or termination of an

account or plan;] or when the change results from an agreement involving a court proceeding[, or from the consumer's default or delinquency (other than an increase in the periodic rate or other finance charge)].

▶ (iii) ◀[(3)] ▶ Notice to restrict credit ◀[Notice for home equity plans]. ▶ For home equity plans subject to the requirements of § 226.5b, if the ◀ [If a] creditor prohibits additional extensions of credit or reduces the credit limit [applicable to a home equity plan] pursuant to § 226.5b(f)(3)(i) or § 226.5b(f)(3)(vi), the creditor shall mail or deliver written notice of the action to each consumer who will be affected. The notice must be provided not later than three business days after the action is taken and shall contain specific reasons for the action. If the creditor requires the consumer to request reinstatement of credit privileges, the notice also shall state that fact.

▶ (2) Rules affecting open-end (not home-secured) plans.

(i) Changes where written advance notice is required. For plans other than home equity plans subject to the requirements of § 226.5b, except as provided in paragraphs (c)(2)(ii) and (c)(2)(iv) of this section, when a term required to be disclosed under §§ 226.6(b)(1), 226.6(b)(2) or 226.6(c)(1) is changed or the required minimum periodic payment is increased, a creditor must provide a written notice of the change at least 45 days prior to the effective date of the change to each consumer who may be affected. The 45-day timing requirement does not apply if the consumer has agreed to a particular change; the notice shall be given, however, before the effective date of the change. Increases in the rate applicable to a consumer's account due to delinquency, default or as a penalty described in paragraph (g) of this section that are not due to a change in the contractual terms of the consumer's account must be disclosed pursuant to paragraph 9(g) of this section instead of paragraph (c)(2) of this section.

(ii) Charges not covered by § 226.6(b)(4). Except as provided in paragraph (c)(2)(iv) of this section, if a creditor increases any component of a charge, or introduces a new charge, required to be disclosed under § 226.6(b)(1) that is not required to be disclosed under § 226.6(b)(4), a creditor may either, at its option:

(A) Comply with the requirements of paragraphs (c)(2)(i) of this section, or

(B) Provide notice of the amount of the charge at a relevant time before the consumer agrees to or becomes obligated to pay the charge. The notice may be provided orally or in writing.

(iii) Disclosure requirements.

(A) Changes to terms described in account-opening table. If a creditor changes a term required to be disclosed pursuant under § 226.6(b)(4), the creditor must provide the following information on the notice provided pursuant to paragraph (c)(2)(i) of this section:

- (1) A summary of the changes made to terms described in § 226.6(b)(4);
- (2) A statement that changes are being made to the account;
- (3) A statement indicating the consumer has the right to opt-out of these changes, if applicable, and a reference to additional information describing the opt out right provided in the notice, if applicable;
- (4) The date the changes will become effective;
- (5) If applicable, a statement that the consumer may find additional information about the summarized changes, and other changes to the account, in the notice; and
- (6) If the creditor is changing a rate on the account, other than a penalty rate, a statement that if a penalty rate currently applies to the consumer's account, the new rate described in the notice will not apply to the consumer's account until the consumer's account balances are no longer subject to the penalty rate.

(B) Format requirements. (1) Tabular format. The summary of changes described in paragraph (c)(2)(iii)(A)(1) of this section must be in a tabular format, with headings and format substantially similar to any of the account-opening tables found in G-17 in appendix G. The table must disclose the changed term and information relevant to the change, if that relevant information is required by § 226.6(b)(4). The new terms shall be described in the same level of detail as required when disclosing the terms under § 226.6(b)(4).

(2) Notice included with periodic statement. If a notice required by paragraph (c)(2)(i) of this section is included on or with a periodic statement, the information described in paragraph (c)(2)(iii)(A)(1) of this section must be disclosed on the statement beginning on the front of the first page of the periodic statement directly above the grouping of transactions, credits, fees and interest required to be disclosed by §§ 226.7(b)(2), 226.7(b)(3), and 226.7(b)(6), but may continue on the front of the second page if necessary, so long as there is a reference on the first page indicating the information continues on the following page. The summary of changes described in paragraph (c)(1)(iii)(A)(1) of this section must immediately follow the information described in paragraph (c)(1)(iii)(A)(2) through (6) of this section, substantially similar to the format shown in Sample G-20 in appendix G.

(3) Notice provided separately from periodic statement. If a notice required by paragraph (c)(2)(i) of this section is not included on or with a periodic statement, the information described in paragraph (c)(2)(iii)(A)(1) of this section must, at the creditor's option, be disclosed on the front of the first page of the notice or segregated on a separate page from other information given with the notice. The summary of changes required to be in a table pursuant to paragraph (c)(2)(iii)(A)(1) of this section may be on more than one page, and may use both the front and reverse sides, so long as the table begins on the front of the first page of the notice and there is a reference on the first page indicating that

the table continues on the following page. The summary of changes described in paragraph (c)(2)(iii)(A)(1) of this section must immediately follow the information described in paragraph (c)(1)(iii)(A)(2) through (6) of this section, substantially similar to the format shown in Sample G-20 in appendix G.

(iv) Notice not required. For open-end plans not subject to the requirements of § 226.5b, a creditor is not required to provide notice under this section when the change involves charges for documentary evidence; a reduction of any component of a finance or other charge; suspension of future credit privileges (except as provided in paragraph (c)(2)(v) of this section) or termination of an account or plan; or when the change results from an agreement involving a court proceeding.

(v) Reduction of the credit limit. For open-end plans that are not subject to the requirements of § 226.5b, if a creditor decreases the credit limit on an account, advance notice of the decrease must be provided before an over-the-limit fee or a penalty rate can be imposed solely as a result of the consumer exceeding the newly decreased credit limit. Notice shall be provided in writing or orally at least 45 days prior to imposing the over-the-limit fee or penalty rate and shall state that the credit limit on the account has been or will be decreased. ◀

(d) Finance charge imposed at time of transaction. (1) Any person, other than the card issuer, who imposes a finance charge at the time of honoring a consumer's credit card, shall disclose the amount of that finance charge prior to its imposition.

(2) The card issuer, other than the person honoring the consumer's credit card, shall have no responsibility for the disclosure required by paragraph (d)(1) of this section, and shall not consider any such charge for the purposes of § ▶ § ◀ 226.5a, [§] 226.6 and [§] 226.7.

(e) Disclosures upon renewal of credit or charge card.

(1) Notice prior to renewal. Except as provided in paragraph (e)(2) of this section, a card issuer that imposes any annual or other periodic fee to renew a credit or charge card account of the type subject to § 226.5a, including any fee based on account activity or inactivity, shall mail or deliver written notice of the renewal to the cardholder. The notice shall be provided at least 30 days or one billing cycle, whichever is less, before the mailing or the delivery of the periodic statement on which the renewal fee is initially charged to the account. The notice shall contain the following information:

(i) The disclosures contained in § 226.5a(b)(1) through (7) that would apply if the account were renewed,<sup>20a</sup> and

(ii) How and when the cardholder may terminate credit availability under the account to avoid paying the renewal fee.

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<sup>20a</sup> ▶ [Reserved] ◀ [These disclosures need not be provided in tabular format or in a prominent location.]

(2) Delayed notice. ► Alternatively, ◀ the disclosures required by paragraph (e)(1) of this section may be provided later than the time in paragraph (e)(1) of this section, but no later than the mailing or the delivery of the periodic statement on which the renewal fee is initially charged to the account, if the card issuer also discloses at that time that ►: ◀[—]

(i) The cardholder has 30 days from the time the periodic statement is mailed or delivered to avoid paying the fee or to have the fee recredited if the cardholder terminates credit availability under the account; and

(ii) The cardholder may use the card during the interim period without having to pay the fee.

(3) Notification on periodic statements. The disclosures required by this paragraph may be made on or with a periodic statement. If any of the disclosures are provided on the back of a periodic statement, the card issuer shall include a reference to those disclosures on the front of the statement.

(f) Change in credit card account insurance provider—(1) Notice prior to change. If a credit card issuer plans to change the provider of insurance for repayment of all or part of the outstanding balance of an open-end credit card account of the type subject to § 226.5a, the card issuer shall mail or deliver the cardholder written notice of the change not less than 30 days before the change in providers occurs. The notice shall also include the following items, to the extent applicable:

(i) Any increase in the rate that will result from the change;

(ii) Any substantial decrease in coverage that will result from the change; and

(iii) A statement that the cardholder may discontinue the insurance.

(2) Notice when change in provider occurs. If a change described in paragraph (f)(1) of this section occurs, the card issuer shall provide the cardholder with a written notice no later than 30 days after the change, including the following items, to the extent applicable:

(i) The name and address of the new insurance provider;

(ii) A copy of the new policy or group certificate containing the basic terms of the insurance, including the rate to be charged; and

(iii) A statement that the cardholder may discontinue the insurance.

(3) Substantial decrease in coverage. For purposes of this paragraph, a substantial decrease in coverage is a decrease in a significant term of coverage that might

reasonably be expected to affect the cardholder's decision to continue the insurance. Significant terms of coverage include, for example, the following:

- (i) Type of coverage provided;
- (ii) Age at which coverage terminates or becomes more restrictive;
- (iii) Maximum insurable loan balance, maximum periodic benefit payment, maximum number of payments, or other term affecting the dollar amount of coverage or benefits provided;
- (iv) Eligibility requirements and number and identity of persons covered;
- (v) Definition of a key term of coverage such as disability;
- (vi) Exclusions from or limitations on coverage; and
- (vii) Waiting periods and whether coverage is retroactive.

(4) Combined notification. The notices required by paragraph (f)(1) and (2) of this section may be combined provided the timing requirement of paragraph (f)(1) of this section is met. The notices may be provided on or with a periodic statement.

► (g) Increase in rates due to delinquency or default or as a penalty.

(1) Increases subject to this section. For plans other than home equity plans subject to the requirements of § 226.5b, a creditor must provide a written notice to each consumer who may be affected when:

- (i) A rate is increased due to the consumer's delinquency or default; or
- (ii) A rate is increased as a penalty for one or more events specified in the account agreement, such as making a late payment or obtaining an extension of credit that exceeds the credit limit.

(2) Timing of written notice. Whenever any notice is required to be given pursuant to paragraph (g)(1) of this section, the creditor shall provide written notice of the increase in rates at least 45 days prior to the effective date of the increase. The notice must be provided after the occurrence of the events described in paragraphs (g)(1)(i) and (g)(1)(ii) of this section that trigger the imposition of the rate increase.

(3)(i) Disclosure requirements for rate increases. If a creditor is increasing the rate due to delinquency or default or as a penalty, the creditor must provide the following information on the notice sent pursuant to paragraph (g)(1) of this section:

(A) A statement that the consumer's actions have triggered the delinquency or default rate or penalty rate, as applicable;

(B) The date on which the delinquency or default rate or penalty rate will apply;

(C) The circumstances under which the delinquency or default rate or penalty rate, as applicable, will cease to apply to the consumer's account, or that the delinquency or default rate or penalty rate will remain in effect for a potentially indefinite time period; and

(D) A statement indicating to which balances the delinquency or default rate or penalty rate will be applied, as applicable.

(ii) Format requirements. (A) If a notice required by paragraph (g)(1) of this section is included on or with a periodic statement, the information described in paragraph (g)(3)(i) of this section must be in the form of a table and provided on the front of the first page of the periodic statement directly above the grouping of transactions, credits, fees and interest required to be disclosed by §§ 226.7(b)(2), 226.7(b)(3), and 226.7(b)(6), or above the notice described in paragraph (c)(2)(iii)(A) of this section if that notice is provided on the same statement.

(B) If a notice required by paragraph (g)(1) of this section is not included on or with a periodic statement, the information described in paragraph (g)(3)(i) of this section must be disclosed on the front of the first page of the notice. Only information related to the increase in the rate to a penalty rate may be included with the notice, except that this notice may be combined with a notice described in paragraph (c)(2)(iii)(A) of this section. ◀

12. Section 226.10 is amended by republishing paragraphs (a) and (c), and revising paragraph (b).

### **§ 226.10 Prompt crediting of payments.**

(a) General rule. A creditor shall credit a payment to the consumer's account as of the date of receipt, except when a delay in crediting does not result in a finance or other charge or except as provided in paragraph (b) of this section.

(b) Specific requirements for payments. If a creditor specifies, on or with the periodic statement, requirements for the consumer to follow in making payments, but accepts a payment that does not conform to the requirements, the creditor shall credit the payment within five days of receipt. ▶ (See § 226.7(b)(11) for disclosure requirements for certain cut-off times for plans other than home equity plans subject to the requirements of § 226.5b.) ◀

(c) Adjustment of account. If a creditor fails to credit a payment, as required by paragraphs (a) or (b) of this section, in time to avoid the imposition of finance or other

charges, the creditor shall adjust the consumer's account so that the charges imposed are credited to the consumer's account during the next billing cycle.

13. Section 226.11 is amended by revising the heading, redesignating the introductory language as paragraph (a), revising paragraphs (a) and (b), and removing paragraph (c).

**§ 226.11 Treatment of credit balances▶; account termination◀.**

▶(a) Credit balances.◀ When a credit balance in excess of \$1 is created on a credit account (through transmittal of funds to a creditor in excess of the total balance due on an account, through rebates of unearned finance charges or insurance premiums, or through amounts otherwise owed to or held for the benefit of the consumer), the creditor shall –

▶(1)◀[(a)] Credit the amount of the credit balance to the consumer's account;

▶(2)◀[(b)] Refund any part of the remaining credit balance within seven business days from receipt of a written request from the consumer;

▶(3)◀[(c)] Make a good faith effort to refund to the consumer by cash, check, or money order, or credit to a deposit account of the consumer, any part of the credit balance remaining in the account for more than six months. No further action is required if the consumer's current location is not known to the creditor and cannot be traced through the consumer's last known address or telephone number.

▶(b) Account termination.

(1) Creditors shall not terminate an account prior to its expiration date solely because the consumer does not incur a finance charge.

(2) Nothing in paragraph (b)(1) of this section prohibits a creditor from terminating an account that is inactive for three consecutive months. An account is inactive if no credit has been extended (such as by purchase, cash advance or balance transfer) and if the account has no outstanding balance.◀

14. Section 226.12 is amended by republishing paragraphs (a), (d), (e), (f), and (g), revising paragraphs (b) and (c), and removing and reserving footnotes 21 through 26.

**§ 226.12 Special credit card provisions.**

(a) Issuance of credit cards. Regardless of the purpose for which a credit card is to be used, including business, commercial, or agricultural use, no credit card shall be issued to any person except—

(1) In response to an oral or written request or application for the card; or

(2) As a renewal of, or substitute for, an accepted credit card.<sup>21</sup>

(b) Liability of cardholder for unauthorized use—(1) ► (i) Definition of unauthorized use. For purposes of this section, the term “unauthorized use” means the use of a credit card by a person, other than the cardholder, who does not have actual, implied, or apparent authority for such use, and from which the cardholder receives no benefit.

(ii) ◀ Limitation on amount. The liability of a cardholder for unauthorized use<sup>22</sup> of a credit card shall not exceed the lesser of \$50 or the amount of money, property, labor, or services obtained by the unauthorized use before notification to the card issuer under paragraph (b)(3) of this section.

(2) Conditions of liability. A cardholder shall be liable for unauthorized use of a credit card only if:

(i) The credit card is an accepted credit card;

(ii) The card issuer has provided adequate notice<sup>23</sup> of the cardholder’s maximum potential liability and of means by which the card issuer may be notified of loss or theft of the card. The notice shall state that the cardholder’s liability shall not exceed \$50 (or any lesser amount) and that the cardholder may give oral or written notification, and shall describe a means of notification (for example, a telephone number, an address, or both); and

(iii) The card issuer has provided a means to identify the cardholder on the account or the authorized user of the card.

(3) Notification to card issuer. Notification to a card issuer is given when steps have been taken as may be reasonably required in the ordinary course of business to provide the card issuer with the pertinent information about the loss, theft, or possible unauthorized use of a credit card, regardless of whether any particular officer, employee, or agent of the card issuer does, in fact, receive the information. Notification may be given, at the option of the person giving it, in person, by telephone, or in writing.

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<sup>21</sup> ► [Reserved] ◀ [For purposes of this section, “accepted credit card” means any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with this paragraph becomes an accepted credit card when received by the cardholder.]

<sup>22</sup> ► [Reserved] ◀ [“Unauthorized use” means the use of a credit card by a person, other than the cardholder, who does not have actual, implied, or apparent authority for such use, and from which the cardholder receives no benefit.]

<sup>23</sup> ► [Reserved] ◀ [“Adequate notice” means a printed notice to a cardholder that sets forth clearly the pertinent facts so that the cardholder may reasonably be expected to have noticed it and understood its meaning. The notice may be given by any means reasonably assuring receipt by the cardholder.]

Notification in writing is considered given at the time of receipt or, whether or not received, at the expiration of the time ordinarily required for transmission, whichever is earlier.

(4) Effect of other applicable law or agreement. If state law or an agreement between a cardholder and the card issuer imposes lesser liability than that provided in this paragraph, the lesser liability shall govern.

(5) Business use of credit cards. If 10 or more credit cards are issued by one card issuer for use by the employees of an organization, this section does not prohibit the card issuer and the organization from agreeing to liability for unauthorized use without regard to this section. However, liability for unauthorized use may be imposed on an employee of the organization, by either the card issuer or the organization, only in accordance with this section.

(c) Right of cardholder to assert claims or defenses against card issuer<sup>24</sup> —(1) General rule. When a person who honors a credit card fails to resolve satisfactorily a dispute as to property or services purchased with the credit card in a consumer credit transaction, the cardholder may assert against the card issuer all claims (other than tort claims) and defenses arising out of the transaction and relating to the failure to resolve the dispute. The cardholder may withhold payment up to the amount of credit outstanding for the property or services that gave rise to the dispute and any finance or other charges imposed on that amount.<sup>25</sup>

(2) Adverse credit reports prohibited. If, in accordance with paragraph (c)(1) of this section, the cardholder withholds payment of the amount of credit outstanding for the disputed transaction, the card issuer shall not report that amount as delinquent until the dispute is settled or judgment is rendered.

(3) Limitations. ►(i) General. ◀The rights stated in paragraphs (c)(1) and (2) of this section apply only if:

[(i)]►(A)◀ The cardholder has made a good faith attempt to resolve the dispute with the person honoring the credit card; and

<sup>24</sup> ►[Reserved]◀[This paragraph does not apply to the use of a check guarantee card or a debit card in connection with an overdraft credit plan, or to a check guarantee card used in connection with cash advance checks].

<sup>25</sup> ►[Reserved]◀[The amount of the claim or defense that the cardholder may assert shall not exceed the amount of credit outstanding for the disputed transaction at the time the cardholder first notifies the card issuer or the person honoring the credit card of the existence of the claim or defense. To determine the amount of credit outstanding for purposes of this section, payments and other credits shall be applied to: (1) Late charges in the order of entry to the account; then to (2) finance charges in the order of entry to the account; and then to (3) any other debits in the order of entry to the account. If more than one item is included in a single extension of credit, credits are to be distributed pro rata according to prices and applicable taxes.]

[(ii)] ► (B) ◀ The amount of credit extended to obtain the property or services that result in the assertion of the claim or defense by the cardholder exceeds \$50, and the disputed transaction occurred in the same state as the cardholder's current designated address or, if not within the same state, within 100 miles from that address.<sup>26</sup>

► (ii) Exclusion. The limitations stated in paragraph (c)(3)(i)(B) of this section shall not apply when the person honoring the credit card:

(A) is the same person as the card issuer;

(B) is controlled by the card issuer directly or indirectly;

(C) is under the direct or indirect control of a third person that also directly or indirectly controls the card issuer;

(D) controls the card issuer directly or indirectly;

(E) is a franchised dealer in the card issuer's products or services; or

(F) has obtained the order for the disputed transaction through a mail solicitation made or participated in by the card issuer. ◀

(d) Offsets by card issuer prohibited. (1) A card issuer may not take any action, either before or after termination of credit card privileges, to offset a cardholder's indebtedness arising from a consumer credit transaction under the relevant credit card plan against funds of the cardholder held on deposit with the card issuer.

(2) This paragraph does not alter or affect the right of a card issuer acting under state or federal law to do any of the following with regard to funds of a cardholder held on deposit with the card issuer if the same procedure is constitutionally available to creditors generally: obtain or enforce a consensual security interest in the funds; attach or otherwise levy upon the funds; or obtain or enforce a court order relating to the funds.

(3) This paragraph does not prohibit a plan, if authorized in writing by the cardholder, under which the card issuer may periodically deduct all or part of the cardholder's credit card debt from a deposit account held with the card issuer (subject to the limitations in § 226.13(d)(1)).

(e) Prompt notification of returns and crediting of refunds. (1) When a creditor other than the card issuer accepts the return of property or forgives a debt for services that

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<sup>26</sup> ► [Reserved] ◀ [The limitations stated in paragraph (c)(3)(i)(A) of this section shall not apply when the person honoring the credit card: (1) Is the same person as the card issuer; (2) is controlled by the card issuer directly or indirectly; (3) is under the direct or indirect control of a third person that also directly or indirectly controls the card issuer; (4) controls the card issuer directly or indirectly; (5) is a franchised dealer in the card issuer's products or services; or (6) has obtained the order for the disputed transaction through a mail solicitation made or participated in by the card issuer.]

is to be reflected as a credit to the consumer's credit card account, that creditor shall, within seven business days from accepting the return or forgiving the debt, transmit a credit statement to the card issuer through the card issuer's normal channels for credit statements.

(2) The card issuer shall, within three business days from receipt of a credit statement, credit the consumer's account with the amount of the refund.

(3) If a creditor other than a card issuer routinely gives cash refunds to consumers paying in cash, the creditor shall also give credit or cash refunds to consumers using credit cards, unless it discloses at the time the transaction is consummated that credit or cash refunds for returns are not given. This section does not require refunds for returns nor does it prohibit refunds in kind.

(f) Discounts; tie-in arrangements. No card issuer may, by contract or otherwise:

(1) Prohibit any person who honors a credit card from offering a discount to a consumer to induce the consumer to pay by cash, check, or similar means rather than by use of a credit card or its underlying account for the purchase of property or services; or

(2) Require any person who honors the card issuer's credit card to open or maintain any account or obtain any other service not essential to the operation of the credit card plan from the card issuer or any other person, as a condition of participation in a credit card plan. If maintenance of an account for clearing purposes is determined to be essential to the operation of the credit card plan, it may be required only if no service charges or minimum balance requirements are imposed.

(g) Relation to Electronic Fund Transfer Act and Regulation E. For guidance on whether Regulation Z (12 CFR part 226) or Regulation E (12 CFR part 205) applies in instances involving both credit and electronic fund transfer aspects, refer to Regulation E, 12 CFR 205.12(a) regarding issuance and liability for unauthorized use. On matters other than issuance and liability, this section applies to the credit aspects of combined credit/electronic fund transfer transactions, as applicable.

15. Section 226.13 is amended by republishing paragraphs (a), (b), (c), (e), (f), (g), (h), and (i), revising paragraph (d), and removing and reserving footnotes 27 through 31.

**§ 226.13 Billing error resolution.<sup>27</sup>**

(a) Definition of billing error. For purposes of this section, the term billing error means:

(1) A reflection on or with a periodic statement of an extension of credit that is not made to the consumer or to a person who has actual, implied, or apparent authority to use the consumer's credit card or open-end credit plan.

(2) A reflection on or with a periodic statement of an extension of credit that is not identified in accordance with the requirements of §§ ► §§ 226.7(a)(2) or (b)(2), as applicable ◀ [226.7(b)] and 226.8.

(3) A reflection on or with a periodic statement of an extension of credit for property or services not accepted by the consumer or the consumer's designee, or not delivered to the consumer or the consumer's designee as agreed.

(4) A reflection on a periodic statement of the creditor's failure to credit properly a payment or other credit issued to the consumer's account.

(5) A reflection on a periodic statement of a computational or similar error of an accounting nature that is made by the creditor.

(6) A reflection on a periodic statement of an extension of credit for which the consumer requests additional clarification, including documentary evidence.

(7) The creditor's failure to mail or deliver a periodic statement to the consumer's last known address if that address was received by the creditor, in writing, at least 20 days before the end of the billing cycle for which the statement was required.

(b) Billing error notice.<sup>28</sup> A billing error notice is a written notice<sup>29</sup> from a consumer that:

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<sup>27</sup> ► [Reserved] ◀ [A creditor shall not accelerate any part of the consumer's indebtedness or restrict or close a consumer's account solely because the consumer has exercised in good faith rights provided by this section. A creditor may be subject to the forfeiture penalty under section 161(e) of the Act for failure to comply with any of the requirements of this section.]

<sup>28</sup> ► [Reserved] ◀ [The creditor need not comply with the requirements of paragraphs (c) through (g) of this section if the consumer concludes that no billing error occurred and voluntarily withdraws the billing error notice].

<sup>29</sup> ► [Reserved] ◀ [The creditor may require that the written notice not be made on the payment medium or other material accompanying the periodic statement if the creditor so stipulates in the billing rights statement required by §§ 226.6(d) and 226.9(a)].

(1) Is received by a creditor at the address disclosed under ► §§226.7(a)(9) or (b)(9), as applicable, ◀ [§ 226.7(k)] no later than 60 days after the creditor transmitted the first periodic statement that reflects the alleged billing error;

(2) Enables the creditor to identify the consumer's name and account number;  
and

(3) To the extent possible, indicates the consumer's belief and the reasons for the belief that a billing error exists, and the type, date, and amount of the error.

(c) Time for resolution; general procedures. (1) The creditor shall mail or deliver written acknowledgment to the consumer within 30 days of receiving a billing error notice, unless the creditor has complied with the appropriate resolution procedures of paragraphs (e) and (f) of this section, as applicable, within the 30-day period; and

(2) The creditor shall comply with the appropriate resolution procedures of paragraphs (e) and (f) of this section, as applicable, within 2 complete billing cycles (but in no event later than 90 days) after receiving a billing error notice.

(d) Rules pending resolution. Until a billing error is resolved under paragraph (e) or (f) of this section, the following rules apply:

(1) Consumer's right to withhold disputed amount; collection action prohibited. The consumer need not pay (and the creditor may not try to collect) any portion of any required payment that the consumer believes is related to the disputed amount (including related finance or other charges).<sup>30</sup> If the cardholder [maintains a deposit account with the card issuer and ] ► has enrolled in an automatic payment plan offered by the card issuer and ◀ has agreed to pay the credit card indebtedness by periodic deductions from the cardholder's deposit account, the card issuer shall not deduct any part of the disputed amount or related finance or other charges if a billing error notice is received any time up to 3 business days before the scheduled payment date.

(2) Adverse credit reports prohibited. The creditor or its agent shall not (directly or indirectly) make or threaten to make an adverse report to any person about the consumer's credit standing, or report that an amount or account is delinquent, because the consumer failed to pay the disputed amount or related finance or other charges.

► (3) Acceleration of debt and restriction of account prohibited. A creditor shall not accelerate any part of the consumer's indebtedness or restrict or close a consumer's account solely because the consumer has exercised in good faith rights provided by this

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<sup>30</sup> ► [Reserved] ◀ [A creditor is not prohibited from taking action to collect any undisputed portion of the item or bill; from deducting any disputed amount and related finance or other charges from the consumer's credit limit on the account; or from reflecting a disputed amount and related finance or other charges on a periodic statement, provided that the creditor indicates on or with the periodic statement that payment of any disputed amount and related finance or other charges is not required pending the creditor's compliance with this section.]

section. A creditor would be subject to the forfeiture penalty under section 161(e) of the Act for failure to comply with any of the requirements of this section.

(4) Permitted creditor actions. A creditor is not prohibited from taking action to collect any undisputed portion of the item or bill; from deducting any disputed amount and related finance or other charges from the consumer's credit limit on the account; or from reflecting a disputed amount and related finance or other charges on a periodic statement, provided that the creditor indicates on or with the periodic statement that payment of any disputed amount and related finance or other charges is not required pending the creditor's compliance with this section. ◀

(e) Procedures if billing error occurred as asserted. If a creditor determines that a billing error occurred as asserted, it shall within the time limits in paragraph (c)(2) of this section:

(1) Correct the billing error and credit the consumer's account with any disputed amount and related finance or other charges, as applicable; and

(2) Mail or deliver a correction notice to the consumer.

(f) Procedures if different billing error or no billing error occurred. If, after conducting a reasonable investigation,<sup>31</sup> a creditor determines that no billing error occurred or that a different billing error occurred from that asserted, the creditor shall within the time limits in paragraph (c)(2) of this section:

(1) Mail or deliver to the consumer an explanation that sets forth the reasons for the creditor's belief that the billing error alleged by the consumer is incorrect in whole or in part;

(2) Furnish copies of documentary evidence of the consumer's indebtedness, if the consumer so requests; and

(3) If a different billing error occurred, correct the billing error and credit the consumer's account with any disputed amount and related finance or other charges, as applicable.

(g) Creditor's rights and duties after resolution. If a creditor, after complying with all of the requirements of this section, determines that a consumer owes all or part of the disputed amount and related finance or other charges, the creditor:

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<sup>31</sup> ▶ [Reserved] ◀ [If a consumer submits a billing error notice alleging either the nondelivery of property or services under paragraph (a)(3) of this section or that information appearing on a periodic statement is incorrect because a person honoring the consumer's credit card has made an incorrect report to the card issuer, the creditor shall not deny the assertion unless it conducts a reasonable investigation and determines that the property or services were actually delivered, mailed, or sent as agreed or that the information was correct].

(1) Shall promptly notify the consumer in writing of the time when payment is due and the portion of the disputed amount and related finance or other charges that the consumer still owes;

(2) Shall allow any time period disclosed under §§ 226.6(a)(1) ► or 226.6(b)(1), as applicable ◀, and ► 226.7(a)(8) or (b)(8), as applicable ◀ [226.7(j)], during which the consumer can pay the amount due under paragraph (g)(1) of this section without incurring additional finance or other charges;

(3) May report an account or amount as delinquent because the amount due under paragraph (g)(1) of this section remains unpaid after the creditor has allowed any time period disclosed under §§ 226.6(a)(1) ► or 226.6(b)(1), as applicable ◀, and ► 226.7(a)(8) or (b)(8), as applicable ◀ [226.7(j)] or 10 days (whichever is longer) during which the consumer can pay the amount; but

(4) May not report that an amount or account is delinquent because the amount due under paragraph (g)(1) of the section remains unpaid, if the creditor receives (within the time allowed for payment in paragraph (g)(3) of this section) further written notice from the consumer that any portion of the billing error is still in dispute, unless the creditor also:

(i) Promptly reports that the amount or account is in dispute;

(ii) Mails or delivers to the consumer (at the same time the report is made) a written notice of the name and address of each person to whom the creditor makes a report; and

(iii) Promptly reports any subsequent resolution of the reported delinquency to all persons to whom the creditor has made a report.

(h) Reassertion of billing error. A creditor that has fully complied with the requirements of this section has no further responsibilities under this section (other than as provided in paragraph (g)(4) of this section) if a consumer reasserts substantially the same billing error.

(i) Relation to Electronic Fund Transfer Act and Regulation E. If an extension of credit is incident to an electronic fund transfer, under an agreement between a consumer and a financial institution to extend credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account, the creditor shall comply with the requirements of Regulation E, 12 CFR 205.11 governing error resolution rather than those of paragraphs (a), (b), (c), (e), (f), and (h) of this section.

16. Section 226.14 is amended by revising paragraphs (a), (b), (c), which has alternative introductory paragraphs, and (d), adding a new paragraph (e) under an alternative, and by removing and reserving footnotes 31a through 35.

### § 226.14 Determination of annual percentage rate.

(a) General rule. The annual percentage rate is a measure of the cost of credit, expressed as a yearly rate. An annual percentage rate shall be considered accurate if it is not more than  $\frac{1}{8}$  of 1 percentage point above or below the annual percentage rate determined in accordance with this section.<sup>31a</sup> ► An error in disclosure of the annual percentage rate or finance charge shall not, in itself, be considered a violation of this regulation if:

(1) The error resulted from a corresponding error in a calculation tool used in good faith by the creditor; and

(2) Upon discovery of the error, the creditor promptly discontinues use of that calculation tool for disclosure purposes, and notifies the Board in writing of the error in the calculation tool. ◀

(b) Annual percentage rate ► - in general ◀ [for §§ 226.5a and 226.5b disclosures, for initial disclosures, and for advertising purposes]. Where one or more periodic rates may be used to compute the finance charge, the annual percentage rate(s) to be disclosed for purposes of §§ 226.5a, 226.5b, 226.6, ► 226.7(a)(4) or (b)(4), 226.9, 226.15, ◀ [and] 226.16 ►, and 226.26 ◀ shall be computed by multiplying each periodic rate by the number of periods in a year.

(c) ► Effective ◀ annual percentage rate ► for home equity plans ◀ [for periodic statements]. [The annual percentage rate(s) to be disclosed for purposes of § 226.7(d) shall be computed by multiplying each periodic rate by the number of periods in a year and, for purposes of § 226.7(g), shall be determined as follows:]

**ALTERNATIVE 1.** ► For home equity plans subject to the requirements of § 226.5b, a creditor may, at its option, disclose an effective annual percentage rate(s) pursuant to § 226.7(b)(7) and compute the annual percentage rate in accordance with paragraph (d) of this section. Alternatively, the creditor may disclose an effective annual percentage rate pursuant to § 226.7(a)(7) and compute the rate as follows:

**ALTERNATIVE 2.** A creditor need not disclose an effective annual percentage rate. For home equity plans subject to the requirements of § 226.5b, a creditor may, at its option, disclose an effective annual percentage rate(s) pursuant to § 226.7(a)(7) and compute the effective annual percentage rate as follows: ◀

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<sup>31a</sup> ► [Reserved] ◀ [An error in disclosure of the annual percentage rate or finance charge shall not, in itself, be considered a violation of this regulation if: (1) The error resulted from a corresponding error in a calculation tool used in good faith by the creditor; and (2) upon discovery of the error, the creditor promptly discontinues use of that calculation tool for disclosure purposes, and notifies the Board in writing of the error in the calculation tool.]

(1) ► Solely periodic rates imposed. ◀ If the finance charge is determined solely by applying one or more periodic rates, at the creditor's option, either:

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

(ii) 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) ► Minimum or fixed charge, but not transaction charge, imposed. ◀ If the finance charge imposed during the billing cycle is or includes a minimum, fixed, or other charge not due to the application of a periodic rate, other than a charge with respect to any specific transaction during the billing cycle, by dividing the total finance charge for the billing cycle by the amount of the balance(s) to which it is applicable<sup>32</sup> and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year.<sup>33</sup> ► If there is no balance to which the finance charge is applicable, an annual percentage rate cannot be determined under this section. Where the finance charge imposed during the billing cycle is or includes a loan fee, points, or similar charge that relates to opening, renewing, or continuing an account, the amount of such charge shall not be included in the calculation of the annual percentage rate. ◀

(3) ► Transaction charge imposed. ◀ If the finance charge imposed during the billing cycle is or includes a charge relating to a specific transaction during the billing cycle (even if the total finance charge also includes any other minimum, fixed, or other charge not due to the application of a periodic rate), by dividing the total finance charge imposed during the billing cycle by the total of all balances and other amounts on which a finance charge was imposed during the billing cycle without duplication, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year,<sup>34</sup> except that the annual percentage rate shall not be less than the largest rate determined by multiplying each periodic rate imposed during the billing cycle by the number of periods in a year.<sup>35</sup> ► Where the finance charge imposed during the billing cycle is or includes a loan fee, points, or similar charge that relates to the opening, renewing, or continuing an account, the amount of such charge shall not be included in the calculation of the annual percentage rate. See appendix F regarding determination of the denominator of the fraction under this paragraph. ◀

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<sup>32</sup> ► [Reserved] ◀ [If there is no balance to which the finance charge is applicable, an annual percentage rate cannot be determined under this section.]

<sup>33</sup> ► [Reserved] ◀ [Where the finance charge imposed during the billing cycle is or includes a loan fee, points, or similar charge that relates to the opening of the account, the amount of such charge shall not be included in the calculation of the annual percentage rate.]

<sup>34</sup> ► [Reserved] ◀ [See appendix F regarding determination of the denominator of the fraction under this paragraph.]

<sup>35</sup> ► [Reserved] ◀ [See footnote 33.]

(4) If the finance charge imposed during the billing cycle is or includes a minimum, fixed, or other charge not due to the application of a periodic rate and the total finance charge imposed during the billing cycle 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, at the creditor's option, by multiplying each applicable periodic rate by the number of periods in a year, notwithstanding the provisions of paragraphs (c)(2) and (3) of this section.

► (5) ◀ [(d)] Calculations where daily periodic rate applied. If the provisions of paragraph (c)(1)(ii) or (2) of this section apply and all or a portion of the finance charge is determined by the application of one or more daily periodic rates, the annual percentage rate may be determined either:

► (i) ◀ [(1)] By dividing the total finance charge by the average of the daily balances and multiplying the quotient by the number of billing cycles in a year; or

► (ii) ◀ [(2)] By dividing the total finance charge by the sum of the daily balances and multiplying the quotient by 365.

#### **ALTERNATIVE 1.**

► (d) Effective annual percentage rates for open-end (not home-secured) plans. For plans not subject to the requirements of § 226.5b, the effective annual percentage rate shall be disclosed pursuant to § 226.7(b)(7) and computed as follows:

(1) Solely periodic rates imposed. If the finance charge identified in paragraph (e) of this section is determined solely by applying one or more periodic rates used to calculate interest, by multiplying each periodic rate by the number of periods in a year.

(2) Minimum or fixed charge, but not transaction charge, imposed. If the finance charge identified in paragraph (e) of this section imposed during the billing cycle is or includes a minimum charge or other charge not attributable to a periodic rate used to calculate interest, and does not include a charge that relates to any specific transaction during the billing cycle, as follows:

(i) Multifeatured plans. For multifeatured plans, by feature, as follows:

(A) Purchases. Except as provided in paragraph (d)(4) of this section, for purchase transactions, by totaling the minimum charges and other charges identified in paragraph (e) of this section that are not attributable to periodic rates used to calculate interest and not related to a specific transaction, and any finance charge identified in paragraph (e) of this section attributable to periodic rates used to calculate interest on purchase balances, dividing that total by the amount of the balance to which such charges are applicable, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year. If there is no balance to which such charges are applicable, an annual percentage rate cannot be determined under this paragraph and shall be disclosed as 0.00%. If a portion of the finance charge described in this paragraph is determined by

the application of one or more daily periodic rates, the annual percentage rate may be determined, at the creditor's option, by dividing the total of the finance charges determined above by the average of the daily purchase balances and multiplying the quotient by the number of billing cycles in a year; or by dividing the total finance charge by the sum of the daily purchase balances, and multiplying the quotient by 365.

(B) Other features. For other features, by multiplying each applicable periodic rate by the number of periods in a year. If there is no balance on a feature to which a periodic interest rate is applicable, the annual percentage rate for that feature shall be disclosed as 0.00%.

(ii) Single-featured plans. Subject to paragraph (d)(4) of this section, for single-featured plans, the annual percentage rate shall be determined by dividing the total finance charge identified in paragraph (e) of this section by the amount of the balance(s) to which such charge is applicable, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year. If there is no balance to which such charges are applicable, an annual percentage rate cannot be determined under this paragraph and shall be disclosed as 0.00%. If a portion of the finance charge described in this paragraph is determined by the application of one or more daily periodic rates, the annual percentage rate may be determined, at the creditor's option, by dividing the total finance charge by the average of the daily purchase balances and multiplying the quotient by the number of billing cycles in a year; or by dividing the total finance charge by the sum of the daily purchase balances, and multiplying the quotient by 365.

(3) Transaction charge imposed. If any finance charge imposed during the billing cycle is identified in paragraph (e) of this section and is or includes a charge relating to a specific transaction during the billing cycle, as follows:

(i) Multifeatured plans. For multifeatured plans, by feature, as follows:

(A) Purchases. Except as provided in paragraph (d)(4) of this section, for purchase transactions, by totaling the minimum charges and other charges identified in § 226.14(e) that are not attributable to periodic rates used to calculate interest and not related to a specific transaction, any finance charges identified in paragraph (e) of this section attributable to periodic rates used to calculate interest applicable to purchase transactions, and any charges identified in paragraph (e) of this section relating to a specific purchase transaction, dividing that total by the total of all balances and other amounts to which such charges are applicable without duplication, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year, except that the annual percentage rate shall not be less than the largest rate determined by multiplying each periodic rate imposed during the billing cycle on purchase transactions by the number of periods in a year. See appendix F regarding determination of the denominator of the fraction under this paragraph.

(B) Other features. Except as provided in paragraph (d)(4) of this section, for other types of transactions, by totaling any finance charge identified in paragraph (e) of

this section attributable to periodic rates used to calculate interest for the type of transaction, and any charges identified in paragraph (e) of this section relating to a specific transaction of that type, dividing that total by the total of all balance(s) and other amounts to which such charges are applicable without duplication, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year, except that the annual percentage rate shall not be less than the largest rate determined by multiplying each periodic rate imposed during the billing cycle on that type of transaction by the number of periods in a year. See appendix F regarding determination of the denominator of the fraction under this paragraph.

(ii) Single-featured plans. Subject to paragraph (d)(4) of this section, for single-featured plans, the annual percentage rate shall be determined by dividing the total finance charge identified in paragraph (e) of this section by the total of all balance(s) and other amounts to which such charges are applicable without duplication, and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year, except that the annual percentage rate shall not be less than the largest rate determined by multiplying each periodic rate imposed during the billing cycle by the number of periods in a year. See appendix F regarding determination of the denominator of the fraction under this paragraph.

(4) If the finance charge identified in paragraph (e) of this section imposed during the billing cycle is or includes a minimum charge or other charge not attributable to periodic rates used to calculate interest and the total finance charge identified in paragraph (e) of this section imposed during the billing cycle does not exceed \$1.00 for a monthly or longer billing cycle, or the pro rata part of \$1.00 for a billing cycle shorter than monthly, at the creditor's option, by multiplying each applicable periodic rate by the number of periods in a year, notwithstanding the provisions of paragraphs (d)(2) and (3) of this section.

(e) Finance charges to be included in the calculation of the effective annual percentage rate under § 226.14(d). (1) Subject to paragraph (e)(2) of this section, for purposes of the calculations in paragraph (d) of this section, only the following finance charges shall be included:

- (i) Charges attributable to a periodic rate used to calculate interest;
- (ii) Charges that relate to a specific transaction;
- (iii) Charges related to required credit insurance or debt cancellation or debt suspension coverage;
- (iv) Minimum charges imposed if, and only if, a charge would otherwise have been determined by applying a periodic rate used to calculate interest to a balance except for the fact that such charge is smaller than the minimum; and

(v) Charges based on the account balance, account activity or inactivity, or the amount of credit available;

(2) Notwithstanding paragraph (e)(1) of this section, the following finance charges shall not be included for purposes of the calculations in paragraph (d) of this section:

(i) A charge related to opening the account; or

(ii) A charge related to continuing or renewing the account and imposed not more often than annually. ◀

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17. Section 226.16 is amended by republishing paragraph (a), revising paragraphs (b), (c), and (d), adding new paragraphs (e), (f), and (g), and removing and reserving footnote 36d and footnote 36e.

### § 226.16 Advertising.

(a) Actually available terms. If an advertisement for credit states specific credit terms, it shall state only those terms that actually are or will be arranged or offered by the creditor.

(b) Advertisement of terms that require additional disclosures.

▶(1) Any term required to be disclosed under § 226.6(b)(1) set forth affirmatively or negatively in an advertisement for an open-end (not home-secured) credit plan triggers additional disclosures under this section. Any term required to be disclosed under §§ 226.6(a)(1) or 226.6(a)(2) set forth affirmatively or negatively in an advertisement for a home equity plan subject to the requirements of § 226.5b triggers additional disclosures under this section. ◀ If any of the terms ▶ that trigger additional disclosures under paragraph (b)(1) of this section ◀ [required to be disclosed under § 226.6] is set forth in an advertisement, the advertisement shall also clearly and conspicuously set forth the following:<sup>36d</sup>

▶(i)◀[(1)] Any minimum, fixed, transaction, activity or similar charge ▶ that is a finance charge under § 226.4 ◀ that could be imposed.

▶(ii)◀[(2)] Any periodic rate that may be applied expressed as an annual percentage rate as determined under § 226.14(b). If the plan provides for a variable periodic rate, that fact shall be disclosed.

▶(iii)◀[(3)] Any membership or participation fee that could be imposed.

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<sup>36d</sup> ▶[Reserved]◀ [The disclosures given in accordance with § 226.5a do not constitute advertising terms for purposes of the requirements of this section.]

►(2) If an advertisement for credit to finance the purchase of specific goods or services states a minimum monthly payment, the advertisement shall also state the total of payments and the time period to repay the obligation, assuming that the consumer makes only the minimum payment required for each periodic statement. The disclosure of the total of payments and the time period to repay the obligation must be equally prominent to the statement of the minimum monthly payment. ◀

(c) Catalogs or other multiple-page advertisements; electronic advertisements.

(1) If a catalog or other multiple-page advertisement, or an ►electronic◀ advertisement ►(such as an advertisement appearing on an Internet web site)◀ [using electronic communication], gives information in a table or schedule in sufficient detail to permit determination of the disclosures required by paragraph (b) of this section, it shall be considered a single advertisement if:

(i) The table or schedule is clearly and conspicuously set forth; and

(ii) Any statement of terms set forth in § 226.6 appearing anywhere else in the catalog or advertisement clearly refers to the page or location where the table or schedule begins.

(2) A catalog or other multiple-page advertisement or an ►electronic◀ advertisement ►(such as an advertisement appearing on an Internet web site)◀ [using electronic communication] complies with this paragraph if the table or schedule of terms includes all appropriate disclosures for a representative scale of amounts up to the level of the more commonly sold higher-priced property or services offered.

►(3) For an advertisement that is accessed by the consumer in electronic form, the disclosures required under this section must be provided to the consumer in electronic form on or with the advertisement. ◀

(d) Additional requirements for home equity plans. (1) Advertisement of terms that require additional disclosures. If any of the terms required to be disclosed under ►§ 226.6(a)(6)◀ [§ 226.6(a) or (b)] or the payment terms of the plan are set forth, affirmatively or negatively, in an advertisement for a home equity plan subject to the requirements of § 226.5b, the advertisement also shall clearly and conspicuously set forth the following:

(i) Any loan fee that is a percentage of the credit limit under the plan and an estimate of any other fees imposed for opening the plan, stated as a single dollar amount or a reasonable range.

(ii) Any periodic rate used to compute the finance charge, expressed as an annual percentage rate as determined under § 226.14(b).

(iii) The maximum annual percentage rate that may be imposed in a variable-rate plan.

(2) Discounted and premium rates. If an advertisement states an initial annual percentage rate that is not based on the index and margin used to make later rate adjustments in a variable-rate plan, the advertisement also shall state the period of time such rate will be in effect, and, with equal prominence to the initial rate, a reasonably current annual percentage rate that would have been in effect using the index and margin.

(3) Balloon payment. If an advertisement contains a statement about any minimum periodic payment, the advertisement also shall state, if applicable, that a balloon payment may result.<sup>36e</sup> ► A balloon payment results if paying the minimum periodic payments does not fully amortize the outstanding balance by a specified date or time, and the consumer must repay the entire outstanding balance at such time. ◀

(4) Tax implications. An advertisement that states that any interest expense incurred under the home equity plan is or may be tax deductible may not be misleading in this regard.

(5) Misleading terms. An advertisement may not refer to a home equity plan as “free money” or contain a similarly misleading term.

► (e) Introductory Rates.

(1) Scope. The requirements of this paragraph apply to any written or electronic advertisement of an open-end (not home-secured) plan, including promotional materials accompanying applications or solicitations subject to § 226.5a(c) or accompanying applications or solicitations subject to § 226.5a(e).

(2) Definitions. The term introductory rate means any rate of interest applicable to a credit card account for an introductory period if that rate is less than the advertised annual percentage rate that will be in effect at the end of the introductory period. An “introductory period” means the maximum time period for which the introductory rate may be applicable.

(3) Stating the term “introductory”. If any annual percentage rate that may be applied to the account is an introductory rate, the term introductory or intro must be in immediate proximity to each listing of the introductory rate.

(4) Stating the introductory period and post-introductory rate. If any annual percentage rate that may be applied to the account is an introductory rate, the following must be stated in a clear and conspicuous manner in a prominent location closely proximate to the first listing of the introductory rate:

(i) When the introductory rate will end; and

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<sup>36e</sup> ► [Reserved.] ◀ [See footnote 10b.]

(ii) The annual percentage rate that will apply after the end of the introductory period. If such rate is variable, the annual percentage rate must comply with the accuracy standards in §§ 226.5a(c)(2), 226.5a(e)(4), or 226.16(b)(1)(ii) as applicable. If such rate cannot be determined at the time disclosures are given because the rate depends on a later determination of the consumer's creditworthiness, the advertisement must disclose the specific rates or the range of rates that might apply.

(5) Envelope excluded. The requirements in paragraph (e)(4) of this section do not apply to an envelope or other enclosure in which an application or solicitation is mailed, or to a banner advertisement or pop-up advertisement, linked to an application or solicitation provided electronically. ◀

▶ (f) Alternative disclosures—television or radio advertisements. An advertisement made through television or radio stating any of the terms requiring additional disclosures under paragraph (b)(1) of this section may alternatively comply with paragraph (b)(1) of this section by stating the information required by paragraph (b)(1)(ii) of this section, and listing a toll-free telephone number along with a reference that such number may be used by consumers to obtain the additional cost information. ◀

▶ (g) Misleading terms. An advertisement may not refer to an annual percentage rate as “fixed,” or use a similar term, unless the advertisement also specifies a time period that the rate will be fixed and the rate will not increase during that period, or if no such time period is provided, the rate will not increase while the plan is open. ◀

18. In Part 226, Appendix E is revised to read as follows.

#### **APPENDIX E TO PART 226—RULES FOR CARD ISSUERS THAT BILL ON A TRANSACTION-BY-TRANSACTION BASIS**

The following provisions of Subpart B apply if credit cards are issued and (1) the card issuer and the seller are the same or related persons; (2) no finance charge is imposed; (3) consumers are billed in full for each use of the card on a transaction-by-transaction basis, by means of an invoice or other statement reflecting each use of the card; and (4) no cumulative account is maintained which reflects the transactions by each consumer during a period of time, such as a month[:]. ▶. The term “related person” refers to, for example, a franchised or licensed seller of a creditor's product or service or a seller who assigns or sells sales accounts to a creditor or arranges for credit under a plan that allows the consumer to use the credit only in transactions with that seller. A seller is not related to the creditor merely because the seller and the creditor have an agreement authorizing the seller to honor the creditor's credit card. ◀

▶ 1. ◀ Section ▶ 226.6(c)(2) ◀ [226.6(d)], and, as applicable, ▶ §§ 226.6(1)(i)(B) and 226.6(c)(1) ◀ [section 226.6(b) and (c)]. The disclosure required by ▶ § 226.6(b)(1)(i)(B) ◀ [section 226.6(b)] shall be limited to those charges that are or may be imposed as a result of the deferral of payment by use of the card, such as late payment or delinquency charges. ▶ A tabular format is not required. ◀

► 2. ◀ Section 226.7(a)(2) or § 226.7(b)(2), as applicable; § 226.7(a)(9) or § 226.7(b)(9), as applicable ◀ [226.7(b) and 226.7(k)]. Creditors may comply by placing the required disclosures on the invoice or statement sent to the consumer for each transaction.

► 3. ◀ Section 226.9(a). Creditors may comply by mailing or delivering the statement required by ► § 226.6(c)(2) ◀ [section 226.6(d)] (see appendix G-3) to each consumer receiving a transaction invoice during a one-month period chosen by the card issuer or by sending either the statement prescribed by ► § 226.6(c)(2) ◀ [section 226.6(d)] or an alternative billing error rights statement substantially similar to that in appendix G-4, with each invoice sent to a consumer.

► 4. ◀ Section 226.9(c). ► A tabular format is not required. ◀

► 5. ◀ Section 226.10.

► 6. ◀ Section 226.11 ► (a) ◀. This section applies when a card issuer receives a payment or other credit that exceeds by more than \$1 the amount due, as shown on the transaction invoice. The requirement to credit amounts to an account may be complied with by other reasonable means, such as by a credit memorandum. Since no periodic statement is provided, a notice of the credit balance shall be sent to the consumer within a reasonable period of time following its occurrence unless a refund of the credit balance is mailed or delivered to the consumer within seven business days of its receipt by the card issuer.

► 7. ◀ Section 226.12 including ► § ◀ [section] 226.12(c) and (d), as applicable. Section 226.12(e) is inapplicable.

► 8. ◀ Section 226.13, as applicable. All references to periodic statement shall be read to indicate the invoice or other statement for the relevant transaction. All actions with regard to correcting and adjusting a consumer's account may be taken by issuing a refund or a new invoice, or by other appropriate means consistent with the purposes of the section.

► 9. ◀ Section 226.15, as applicable.

19. In Part 226, Appendix F is revised, and Footnote 1 to Appendix F is reserved.

## **APPENDIX F TO PART 226—ANNUAL PERCENTAGE RATE COMPUTATIONS FOR CERTAIN OPEN-END CREDIT PLANS**

In determining the denominator of the fraction under § 226.14(c)(3), no amount will be used more than once when adding the sum of the balances<sup>32</sup> subject to periodic rates to the sum of the amounts subject to specific transaction charges. ► (Where a

<sup>32</sup> ► [Reserved] ◀ [Where a portion of the finance charge is determined by application of one or more daily periodic rates, the phrase “sum of the balances” shall also mean the “average of daily balances.”]

portion of the finance charge is determined by application of one or more daily periodic rates, the phrase “sum of the balances” shall also mean the “average of daily balances.”) ◀ In every case, the full amount of transactions subject to specific transaction charges shall be included in the denominator. Other balances or parts of balances shall be included according to the manner of determining the balance subject to a periodic rate, as illustrated in the following examples of accounts on monthly billing cycles:

1. Previous balance—none.

A specific transaction of \$100 occurs on the first day of the billing cycle. The average daily balance is \$100. A specific transaction charge of 3 percent is applicable to the specific transaction. The periodic rate is  $1\frac{1}{2}$  percent applicable to the average daily balance. The numerator is the amount of the finance charge, which is \$4.50. The denominator is the amount of the transaction (which is \$100), plus the amount by which the balance subject to the periodic rate exceeds the amount of the specific transactions (such excess in this case is 0), totaling \$100.

The annual percentage rate is the quotient (which is  $4\frac{1}{2}$  percent) multiplied by 12 (the number of months in a year), i.e., 54 percent.

2. Previous balance—\$100.

A specific transaction of \$100 occurs at the midpoint of the billing cycle. The average daily balance is \$150. A specific transaction charge of 3 percent is applicable to the specific transaction. The periodic rate is  $1\frac{1}{2}$  percent applicable to the average daily balance. The numerator is the amount of the finance charge which is \$5.25. The denominator is the amount of the transaction (which is \$100), plus the amount by which the balance subject to the periodic rate exceeds the amount of the specific transaction (such excess in this case is \$50), totaling \$150. As explained in example 1, the annual percentage rate is  $3\frac{1}{2}$  percent  $\times$  12 = 42 percent.

3. If, in example 2, the periodic rate applies only to the previous balance, the numerator is \$4.50 and the denominator is \$200 (the amount of the transaction, \$100, plus the balance subject only to the periodic rate, the \$100 previous balance). As explained in example 1, the annual percentage rate is  $2\frac{1}{4}$  percent  $\times$  12 = 27 percent.

4. If, in example 2, the periodic rate applies only to an adjusted balance (previous balance less payments and credits) and the consumer made a payment of \$50 at the midpoint of the billing cycle, the numerator is \$3.75 and the denominator is \$150 (the amount of the transaction, \$100, plus the balance subject to the periodic rate, the \$50 adjusted balance). As explained in example 1, the annual percentage rate is  $2\frac{1}{2}$  percent  $\times$  12 = 30 percent.

5. Previous balance—\$100.

A specific transaction (check) of \$100 occurs at the midpoint of the billing cycle. The average daily balance is \$150. The specific transaction charge is \$.25 per check. The periodic rate is  $1\frac{1}{2}$  percent applied to the average daily balance. The numerator is the

amount of the finance charge, which is \$2.50 and includes the \$.25 check charge and the \$2.25 resulting from the application of the periodic rate. The denominator is the full amount of the specific transaction (which is \$100) plus the amount by which the average daily balance exceeds the amount of the specific transaction (which in this case is \$50), totaling \$150. As explained in example 1, the annual percentage rate would be  $1\frac{2}{3}$  percent  $\times 12 = 20$  percent.

6. Previous balance—none.

A specific transaction of \$100 occurs at the midpoint of the billing cycle. The average daily balance is \$50. The specific transaction charge is 3 percent of the transaction amount or \$3.00. The periodic rate is  $1\frac{1}{2}$  percent per month applied to the average daily balance. The numerator is the amount of the finance charge, which is \$3.75, including the \$3.00 transaction charge and \$.75 resulting from application of the periodic rate. The denominator is the full amount of the specific transaction (\$100) plus the amount by which the balance subject to the periodic rate exceeds the amount of the transaction (\$0). Where the specific transaction amount exceeds the balance subject to the periodic rate, the resulting number is considered to be zero rather than a negative number ( $\$50 - \$100 = -\$50$ ). The denominator, in this case, is \$100. As explained in example 1, the annual percentage rate is  $3\frac{3}{4}$  percent  $\times 12 = 45$  percent.

20. In Part 226, Appendix G is amended by:

- A. Revising the table of contents at the beginning of the appendix;
- B. Revising Forms G-1, G-2, G-11, and G-13(A) and (B);
- C. Revising the headings of Forms G-3, G-4, and G-10(C);
- D. Adding new Forms G-2(A), G-3(A), G-4(A), G-10(D) and (E), G-16(A) and (B), G-17(A) through (C), G-18(A) through (H), G-19, G-20, and G-21 in numerical order; and
- E. Removing and removing and reserving Form G-12.

**APPENDIX G TO PART 226—OPEN-END MODEL FORMS AND CLAUSES**

- G-1 Balance Computation Methods Model Clauses (§§ 226.6 and 226.7)
- G-2 Liability for Unauthorized Use Model Clause ► (Home equity Plans) ◄ (§ 226.12)
- G-2(A) Liability for Unauthorized Use Model Clause ► (Plans Other Than Home equity Plans) (§ 226.12) ◄
- G-3 Long-Form Billing-Error Rights Model Form ► (Home equity Plans) ◄ (§§ 226.6 and 226.9)
- G-3(A) Long-Form Billing-Error Rights Model Form ► (Plans Other Than Home equity Plans) ◄ (§§ 226.6 and 226.9) ◄
- G-4 Alternative Billing-Error Rights Model Form ► (Home equity Plans) ◄ (§ 226.9)
- G-4(A) Alternative Billing-Error Rights Model Form (Plans Other Than Home equity Plans) (§ 226.9) ◄
- G-5 Rescission Model Form (When Opening an Account) (§ 226.15)
- G-6 Rescission Model Form (For Each Transaction) (§ 226.15)
- G-7 Rescission Model Form (When Increasing the Credit Limit) (§ 226.15)
- G-8 Rescission Model Form (When Adding a Security Interest) (§ 226.15)

- G-9 Rescission Model Form (When Increasing the Security) (§ 226.15)
- G-10(A) Applications and Solicitations Model Form (Credit Cards) (§ 226.5a(b))
- G-10(B) Applications and Solicitations Sample (Credit Cards) (§ 226.5a(b))
- G-10(C) Applications and Solicitations ► Sample (Credit Cards) ◀ [Model Form (Charge Cards)] (§ 226.5a(b))
  - G-10(D) Applications and Solicitations Model Form (Charge Cards) (§ 226.5a(b)) ◀
  - G-10(E) Applications and Solicitations Sample (Charge Cards) (§ 226.5a(b)) ◀
- G-11 Applications and Solicitations Made Available to General Public Model Clauses (§ 226.5a(e))
- G-12 ► Reserved ◀ [Charge Card Model Clause (When Access to Plan Offered by Another) (§ 226.5a(f))]
- G-13(A) Change in Insurance Provider Model Form (Combined Notice) (§ 226.9(f))
- G-13(B) Change in Insurance Provider Model Form (§ 226.9(f)(2))
- G-14A Home Equity Sample
- G-14B Home Equity Sample
- G-15 Home Equity Model Clauses
  - G-16(A) Debt Suspension Model Clause (§ 226.4(d)(3)) ◀
  - G-16(B) Debt Suspension Sample (§ 226.4(d)(3)) ◀
  - G-17(A) Account-opening Model Form (§ 226.6(b)(4)) ◀
  - G-17(B) Account-opening Sample (§ 226.6(b)(4)) ◀
  - G-17(C) Account-opening Sample (§ 226.6(b)(4)) ◀
  - G-18(A) Transactions; Interest Charges; Fees Sample (§ 226.7(b)) ◀
  - G-18(B) Fee-inclusive APR Sample (§ 226.7(b)) ◀
  - G-18(C) Late Payment Fee Sample (§ 226.7(b)) ◀
  - G-18(D) Actual Repayment Period Sample Disclosure on Periodic Statement (§ 226.7(b)) ◀
  - G-18(E) New Balance, Due Date, Late Payment and Minimum Payment Sample (Credit cards) (§ 226.7(b)) ◀
  - G-18(F) New Balance, Due Date, and Late Payment Sample (Open-end Plans (Non-credit-card Accounts)) (§ 226.7(b)) ◀
  - G-18(G) Periodic Statement Form ◀
  - G-18(H) Periodic Statement Form ◀
  - G-19 Checks Accessing a Credit Card Account Sample (§ 226.9(b)(3)) ◀
  - G-20 Change-in-Terms Sample (§ 226.9(c)(2)) ◀
  - G-21 Penalty Rate Increase Sample (§ 226.9(g)(3)) ◀

#### G-1 – Balance Computation Methods Model Clauses

##### (a) Adjusted balance method

We figure [a portion of] the finance charge on your account by applying the periodic rate to the “adjusted balance” of your account. We get the “adjusted balance” by taking the balance you owed at the end of the previous billing cycle and subtracting [any unpaid finance charges and] any payments and credits received during the present billing cycle.

**(b) Previous balance method**

We figure [a portion of] the finance charge on your account by applying the periodic rate to the amount you owe at the beginning of each billing cycle [minus any unpaid finance charges]. We do not subtract any payments or credits received during the billing cycle. [The amount of payments and credits to your account this billing cycle was \$ \_\_\_\_ .]

**(c) Average daily balance method (excluding current transactions)**

We figure [a portion of] the finance charge on your account by applying the periodic rate to the “average daily balance” of your account (excluding current transactions). To get the “average daily balance” we take the beginning balance of your account each day and subtract any payments or credits [and any unpaid finance charges]. We do not add in any new [purchases/advances/loans]. This gives us the daily balance. Then, we add all the daily balances for the billing cycle together and divide the total by the number of days in the billing cycle. This gives us the “average daily balance.”

**(d) Average daily balance method (including current transactions)**

We figure [a portion of] the finance charge on your account by applying the periodic rate to the “average daily balance” of your account (including current transactions). To get the “average daily balance” we take the beginning balance of your account each day, add any new [purchases/advances/loans], and subtract any payments or credits, [and unpaid finance charges]. This gives us the daily balance. Then, we add up all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the “average daily balance.”

**(e) Ending balance method**

We figure [a portion of] the finance charge on your account by applying the periodic rate to the amount you owe at the end of each billing cycle (including new purchases and deducting payments and credits made during the billing cycle).

**G-2—Liability for Unauthorized Use Model Clause ► (Home equity Plans) ◀**

You may be liable for the unauthorized use of your credit card [or other term that describes the credit card]. You will not be liable for unauthorized use that occurs after you notify [name of card issuer or its designee] at [address], orally or in writing, of the loss, theft, or possible unauthorized use. In any case, your liability will not exceed [insert \$50 or any lesser amount under agreement with the cardholder].

**► G-2A—Liability for Unauthorized Use Model Clause (Plans Other Than Home equity Plans)**

If you notice the loss or theft of your credit card or a possible unauthorized use of your card, you should write to us immediately at:

[address] [address listed on your bill],

or call us at [telephone number].

You will not be liable for any unauthorized use that occurs after you notify us. You may, however, be liable for unauthorized use that occurs before your notice to us. In any case, your liability will not exceed [insert \$50 or any lesser amount under agreement with the cardholder]. ◀

G-3—Long-Form Billing-Error Rights Model Form ▶ (Home equity Plans) ◀

**YOUR BILLING RIGHTS**  
**KEEP THIS NOTICE FOR FUTURE USE**

This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

**Notify Us in Case of Errors or Questions About Your Bill**

If you think your bill is wrong, or if you need more information about a transaction on your bill, write us [on a separate sheet] at [ address] [the address listed on your bill]. Write to us as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, describe the item you are not sure about.

If you have authorized us to pay your credit card bill automatically from your savings or checking account, you can stop the payment on any amount you think is wrong. To stop the payment your letter must reach us three business days before the automatic payment is scheduled to occur.

**Your Rights and Our Responsibilities After We Receive Your Written Notice**

We must acknowledge your letter within 30 days, unless we have corrected the error by then. Within 90 days, we must either correct the error or explain why we believe the bill was correct.

After we receive your letter, we cannot try to collect any amount you question, or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your bill that are not in question.

If we find that we made a mistake on your bill, you will not have to pay any finance charges related to any questioned amount. If we didn't make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the

questioned amount. In either case, we will send you a statement of the amount you owe and the date that it is due.

If you fail to pay the amount that we think you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write to us within ten days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your bill. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is.

If we don't follow these rules, we can't collect the first \$50 of the questioned amount, even if your bill was correct.

### **Special Rule for Credit Card Purchases**

If you have a problem with the quality of property or services that you purchased with a credit card, and you have tried in good faith to correct the problem with the merchant, you may have the right not to pay the remaining amount due on the property or services.

There are two limitations on this right:

- (a) You must have made the purchase in your home state or, if not within your home state within 100 miles of your current mailing address; and
- (b) The purchase price must have been more than \$50.

These limitations do not apply if we own or operate the merchant, or if we mailed you the advertisement for the property or services.

► G-3(A)—Long-Form Billing-Error Rights Model Form (Plans Other Than Home equity Plans)

### **Your Billing Rights: Keep this Document for Future Use**

**This notice tells you about your rights and our responsibilities under the Fair Credit Billing Act.**

### **What To Do If You Find A Mistake On Your Statement**

If you think there is an error on your statement, write to us at:

[Creditor Name]  
[Creditor Address]

In your letter, give us the following information:

- Account information: Your name and account number.
- Dollar amount: The dollar amount of the suspected error.

- Description of problem: If you think there is an error on your bill, describe what you believe is wrong and why you believe it is a mistake.

You must contact us:

- Within 60 days after the error appeared on your statement.
- At least 3 business days before an automated payment is scheduled, if you want to stop payment on the amount you think is wrong.

You must notify us of any potential errors in writing. You may call us, but if you do we are not required to investigate any potential errors and you may have to pay the amount in question.

### **What Will Happen After We Receive Your Letter**

**When we receive your letter, we must do two things:**

1. Within 30 days of receiving your letter, we must tell you that we received your letter. We will also tell you if we have already corrected the error.
2. Within 90 days of receiving your letter, we must either correct the error or explain to you why we believe the bill is correct.

**While we investigate whether or not there has been an error:**

- We cannot try to collect the amount in question, or report you as delinquent.
- The charge in question may remain on your statement, and we may continue to charge you interest on that amount.
- While you do not have to pay the amount in question, you are responsible for the remainder of your balance.
- We can apply any unpaid amount against your credit limit.

**After we finish our investigation, one of two things will happen:**

- If we made a mistake: You will not have to pay the amount in question or any interest or other fees related to that amount.
- If we do not believe there was a mistake: You will have to pay the amount in question, along with applicable interest and fees. We will send you a statement of the amount you owe and the date payment is due. We may then report you as delinquent if you do not pay the amount we think you owe.

If you receive our explanation but still believe your bill is wrong, you must write to us within 10 days telling us that you still refuse to pay. If you do so, we cannot report you as delinquent without also reporting that you are questioning your bill. We must tell you the name of anyone to whom we reported you as delinquent, and we must let those organizations know when the matter has been settled between us.

If we do not follow all of the rules above, you do not have to pay the first \$50 of the amount you question even if your bill is correct.

**Your Rights If You Are Dissatisfied With Your Credit Card Purchases**

If you use your credit card to make a purchase and you are dissatisfied with the goods or services that you receive, you may have the right not to pay the remaining amount due on the purchase.

To use this right, all of the following must be true:

1. The purchase must have been made in your home state or within 100 miles of your current mailing address, and the purchase price must have been more than \$50. (Note: Neither of these are necessary if your purchase was based on an advertisement we mailed to you, or if we own the company that sold you the goods or services.)
2. You must have used your credit card for the purchase. Purchases made with cash advances from an ATM or with a check that accesses your credit card account do not qualify.
3. You must have tried in good faith to correct the problem with the merchant.
4. You must not yet have fully paid for the purchase.

If you are dissatisfied with a purchase that conforms to the four criteria above, contact us in writing at:

[Creditor Name]  
[Creditor Address]

While we investigate, the same rules apply to the disputed amount as discussed above. After we finish our investigation, we will tell you our decision. At that point, if we think you owe an amount and you do not pay, we may report you as delinquent. ◀

G-4—Alternative Billing-Error Rights Model Form ▶ (Home equity Plans) ◀

**BILLING RIGHTS SUMMARY**

**In Case of Errors or Questions About Your Bill**

If you think your bill is wrong, or if you need more information about a transaction on your bill, write us [on a separate sheet] at [ address] [the address shown on your bill] as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, describe the item you are unsure about.

You do not have to pay any amount in question while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. While we investigate your question, we cannot report you as delinquent or take any action to collect the amount you question.

### **Special Rule for Credit Card Purchases**

If you have a problem with the quality of goods or services that you purchased with a credit card, and you have tried in good faith to correct the problem with the merchant, you may not have to pay the remaining amount due on the goods or services. You have this protection only when the purchase price was more than \$50 and the purchase was made in your home state or within 100 miles of your mailing address. (If we own or operate the merchant, or if we mailed you the advertisement for the property or services, all purchases are covered regardless of amount or location of purchase.)

► G-4(A)—Alternative Billing-Error Rights Model Form (Plans Other Than Home equity Plans)

### **What To Do If You Think You Find A Mistake On Your Statement**

If you think there is an error on your statement, write to us at:

[Creditor Name]  
[Creditor Address]

In your letter, give us the following information:

- Account information: Your name and account number.
- Dollar amount: The dollar amount of the suspected error.
- Description of Problem: If you think there is an error on your bill describe what you believe is wrong and why you believe it is a mistake.

You must contact us within 60 days after the error appeared on your statement. You must notify us of any potential errors in writing. You may call us, but if you do we are not required to investigate any potential errors and you may have to pay the amount in question.

While we investigate whether or not there has been an error, the following are true:

- We cannot try to collect the amount in question, or report you as delinquent.
- The charge in question may remain on your statement, and we may continue to charge you interest on that amount.
- While you do not have to pay the amount in question, you are responsible for the remainder of your balance.
- We can apply any unpaid amount against your credit limit.

**Your Rights If You Are Dissatisfied With Your Credit Card Purchases**

If you use your credit card to make a purchase and you are dissatisfied with the goods or services that you receive, you may have the right not to pay the remaining amount due on the purchase.

To use this right, all of the following must be true:

1. The purchase must have been made in your home state or within 100 miles of your current mailing address, and the purchase price must have been more than \$50. (Note: Neither of these are necessary if your purchase was based on an advertisement we mailed to you, or if we own the company that sold you the goods or services.)
2. You must have used your credit card for the purchase. Purchases made with cash advances from an ATM or with a check that accesses your credit card account do not qualify.
3. You must have tried in good faith to correct the problem with the merchant.
4. You must not yet have fully paid for the purchase.

If you are dissatisfied with a purchase that conforms to the four criteria above, contact us in writing at:

[Creditor Name]  
[Creditor Address]

While we investigate, the same rules apply to the disputed amount as discussed above. After we finish our investigation, we will tell you our decision. At that point, if we think you owe an amount and you do not pay we may report you as delinquent. ◀

\* \* \* \* \*

G-10(A) – Applications and Solicitations Model Form (Credit Cards)

[Insert G-10(A) – Applications and Solicitations Model Form (Credit Cards)]

G-10(B) – Applications and Solicitations Sample (Credit Cards)

[Insert G-10(B) – Applications and Solicitations Sample (Credit Cards)]

G-10(C) – Applications and Solicitations ► Sample (Charge Cards) ◀ [Model Form (Charge Cards)]

[Insert G-10(C) – Applications and Solicitations Sample (Charge Cards)]

▶ G-10(D) – Applications and Solicitations Model Form (Charge Cards) ◀

[Insert G-10(D) – Applications and Solicitations Model Form (Charge Cards)]

▶ G-10(E) – Applications and Solicitations Sample (Charge Cards) ◀

[Insert G-10(E) – Applications and Solicitations Sample (Charge Cards)]

## G-11 – Applications and Solicitations Made Available to the General Public Model Clauses

### (a) Disclosure of Required Credit Information

The information about the costs of the card described in this [application]/[solicitation] is accurate as of (month/year). This information may have changed after that date. To find out what may have changed, [call us at (telephone number)][write to use at (address)].

### [(b) Disclosure With Account Opening Statement

To find out about changes in the information in this [application]/[solicitation], [call us at (telephone number)][write to us at (address)].]

### ►(b)◄[(c) No Disclosure of Credit Information

There are costs associated with the use of this card. To obtain information about these costs, call us at (telephone number) or write to us at (address).

## G-12 ► [Reserved] ◄ [– Charge Card Model Clause (When Access to Plan Offered by Another)

This charge card may allow you to access credit offered by another creditor. Our decision about issuing you a charge card will be independent of the other creditor's decision about allowing you access to a line of credit. Therefore, approval by us to issue you a card does not constitute approval by the other creditor to grant you credit privileges. If we issue you a charge card, you may receive it before the other creditor decides whether or not to grant you credit privileges.]

## G-13(A)—Change in Insurance Provider Model Form (Combined Notice)

The credit card account you have with us is insured. This is to notify you that we plan to replace your current coverage with insurance coverage from a different insurer. If we obtain insurance for your account from a different insurer, you may cancel the insurance.

[Your premium rate will increase to \$ \_ per \_ .]

[Your coverage will be affected by the following:

- [ ] The elimination of a type of coverage previously provided to you. [(explanation)] [See \_ of the attached policy for details.]
- [ ] A lowering of the age at which your coverage will terminate or will become more restrictive. [(explanation)] [See \_ of the attached policy or certificate for details.]
- [ ] A decrease in your maximum insurable loan balance, maximum periodic benefit payment, maximum number of payments, or any other decrease in the dollar amount of your coverage or benefits. [(explanation)] [See \_ of the attached policy or certificate for details.]
- [ ] A restriction on the eligibility for benefits for you or others. [(explanation)] [See \_ of the attached policy or certificate for details.]

A restriction in the definition of “disability” or other key term of coverage. [(explanation)] [See\_ of the attached policy or certificate for details.]

The addition of exclusions or limitations that are broader or other than those under the current coverage. [(explanation)] [See\_ of the attached policy or certificate for details.]

An increase in the elimination (waiting) period or a change to nonretroactive coverage. [(explanation)] [See\_ of the attached policy or certificate for details.]

[The name and mailing address of the new insurer providing the coverage for your account is (name and address).]

G-13(B)—Change in Insurance Provider Model Form

We have changed the insurer providing the coverage for your account. The new insurer's name and address are (name and address). A copy of the new policy or certificate is attached.

You may cancel the insurance for your account.

\* \* \* \* \*

► G-16(A) Debt Suspension Model Clause

Please enroll me in the optional [insert name of program], and bill my account the fee of [how cost is determined ]. I understand that enrollment is not required to obtain credit. I also understand that depending on the event, the protection may only temporarily suspend my duty to make minimum payments, not reduce the balance I owe. I understand that my balance will actually grow during the suspension period as interest continues to accumulate.

[To Enroll, Sign Here]/[To Enroll, Initial Here]. X \_\_\_\_\_ ◀

► G-16(B) Debt Suspension Sample

Please enroll me in the optional [name of program], and bill my account the fee of \$.83 per \$100 of my month-end account balance. I understand that enrollment is not required to obtain credit. I also understand that depending on the event, the protection may only temporarily suspend my duty to make minimum payments, not reduce the balance I owe. I understand that my balance will actually grow during the suspension period as interest continues to accumulate.

To Enroll, Initial Here. X \_\_\_\_\_ ◀

▶ G-17(A) Account-opening Model Form ◀

[Insert G-17(A) Account-opening Model Form]

▶ G-17(B) Account-opening Sample ◀

[Insert G-17(B) Account-opening Sample]

▶ G-17(C) Account-opening Sample ◀

[Insert G-17(C) Account-opening Sample]

▶ G-18(A) Transactions; Interest Charges; and Fees Sample ◀

[Insert G-18(A) Transactions; Interest Charges; and Fees Sample]

▶ G-18(B) Fee-inclusive APR Sample ◀

[Insert G-18(B) Fee-inclusive APR Sample]

► G-18(C) Late Payment Fee Sample

**Late Payment Warning:** If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%. ◀

► G-18(D) Actual Repayment Period Sample Disclosure on Periodic Statement

(a) When Negative Amortization Does Not Occur

**Notice about Minimum Payments:** If you make only the minimum payment each month, it will take you about 13 months to repay the balance shown on this statement.

(b) When Negative Amortization Occurs

**Notice about Minimum Payments:** You will never repay the outstanding balance shown on this statement if you only pay the minimum payment. ◀

► G-18(E) New Balance, Due Date, Late Payment and Minimum Payment Sample  
(Credit Card) ◀

[Insert G-18(E) New Balance, Due Date, Late Payment and Minimum Payment Sample  
(Credit Card)]

► G-18(F) New Balance, Due Date, and Late Payment Sample (Open-end Plans (Non-credit-card Accounts)) ◀

[Insert G-18(F) New Balance, Due Date, and Late Payment Sample (Open-end Plans (Non-credit-card Accounts))]

▶ G-18(G) Periodic Statement Form ◀  
[Insert G-18(G) Periodic Statement Form]

▶ G-18(H) Periodic Statement Form ◀  
[Insert G-18(H) Periodic Statement Form]

▶ G-19 Checks that Access a Credit Card Account Sample ◀  
[Insert G-19 Checks that Access a Credit Card Account Sample]

▶ G-20 Change-in-Terms Sample ◀  
[Insert G-20 Change-in-Terms Sample]

▶ G-21 Penalty Rate Increase Sample ◀  
[Insert G-21 Penalty Rate Increase Sample]

21. Under Part 226, Appendix H is amended by revising the table of contents, and adding new forms H-17(A) and H-17(B) to read as follows.

**APPENDIX H TO PART 226—CLOSED-END MODEL FORMS AND CLAUSES**

- H-1 Credit Sale Model Form (§ 226.18)
- H-2 Loan Model Form (§ 226.18)
- H-3 Amount Financed Itemization Model Form (§ 226.18(c))
- H-4(A) Variable-Rate Model Clauses (§ 226.18(f)(1))
- H-4(B) Variable-Rate Model Clauses (§ 226.18(f)(2))
- H-4(C) Variable-Rate Model Clauses (§ 226.19(b))
- H-4(D) Variable-Rate Model Clauses (§ 226.20(c))
- H-5 Demand Feature Model Clauses (§ 226.18(i))
- H-6 Assumption Policy Model Clause (§ 226.18(q))
- H-7 Required Deposit Model Clause (§ 226.18(r))
- H-8 Rescission Model Form (General) (§ 226.23)
- H-9 Rescission Model Form (Refinancing (with Original Creditor)) (§ 226.23)
- H-10 Credit Sale Sample
- H-11 Installment Loan Sample
- H-12 Refinancing Sample
- H-13 Mortgage with Demand Feature Sample
- H-14 Variable-Rate Mortgage Sample (§ 226.19(b))
- H-15 Graduated-Payment Mortgage Sample
- H-16 Mortgage Sample
- ▶ H-17(A) Debt Suspension Model Clause ◀
- ▶ H-17(B) Debt Suspension Sample ◀
- \* \* \* \* \*
- ▶ H-17(A) Debt Suspension Model Clause ◀

Please enroll me in the optional [insert name of program], and bill my account the fee of [how cost is determined]. I understand that enrollment is not required to obtain credit. I also understand that depending on the event, the protection may only temporarily suspend my duty to make minimum payments, not reduce the balance I owe. I understand that my balance will actually grow during the suspension period as interest continues to accumulate.

[To Enroll, Sign Here]/[To Enroll, Initial Here]. X \_\_\_\_\_ ◀

H-17(B) Debt Suspension Sample

Please enroll me in the optional [name of program], and bill my account the fee of \$.83 per \$100 of my month-end account balance. I understand that enrollment is not required to obtain credit. I also understand that depending on the event, the protection may only temporarily suspend my duty to make minimum payments, not reduce the balance I owe. I understand that my balance will actually grow during the suspension period as interest continues to accumulate.

To Enroll, Initial Here. X \_\_\_\_\_ ◀

22. Under Part 226, a new Appendix M1, Appendix M2, and Appendix M3 are added to read as follows.

► **APPENDIX M1 TO PART 226—GENERIC REPAYMENT ESTIMATES**

(a) Calculating generic repayment estimates.

(1) Definitions. (i) “Retail credit card” means a credit card that is issued by a retailer that can be used only in transactions with the retailer or a group of retailers that are related by common ownership or control, or a credit card where a retailer arranges for a creditor to offer open-end credit under a plan that allows the consumer to use the credit only in transactions with the retailer or a group of retailers that are related by common ownership or control.

(ii) “General-purpose credit card” means a credit card other than a retail credit card.

(2) Minimum payment formula.

(i) Issuer-operated toll-free telephone number.

(A) General-purpose credit cards. When calculating the generic repayment estimate for general-purpose credit cards, card issuers must use the minimum payment formula that applies to most of its general-purpose credit card accounts. The issuer must use this “most common” formula to calculate the generic repayment estimate for all of its general-purpose credit card accounts, regardless of whether this formula applies to a particular account. To calculate which minimum payment formula is most common, card issuers must choose a day in the last six months, consider all general-purpose card accounts held by the issuer on that day, and determine which formula applies to the most accounts. If more than one minimum payment formula applies to an account, the card issuer must use the formula applicable to the general-revolving feature to determine which formula is most common. Card issuers must re-evaluate which minimum payment formula is most common every 12 months. For example, assume a card issuer is required to comply with the requirements in § 226.7(b)(12) and this appendix by July 5 of a particular year. The issuer may choose any day between January 5 and July 4 of that year to use in deciding the minimum payment formula that is most common. For the following and each subsequent year, the issuer must again choose a day between January 5 and July 4 to use in deciding the minimum payment formula that is most common, but the day that is chosen need not be the same day chosen the previous year.

(B) Retail credit cards. When calculating the generic repayment estimate for retail credit cards, card issuers must use the minimum payment formula that applies to most of their retail credit card accounts. If an issuer offers credit card accounts on behalf of more than one retailer, the card issuer must group credit card accounts for each retailer separately, and determine the minimum payment formula that is most common to each retailer. The issuer must use the “most common” formula for each retailer, regardless of whether this formula applies to a particular account for that retailer. To calculate which

minimum payment formula is most common, card issuers must choose a day in the last six months, consider all retail card accounts for each retailer held by the issuer on that day, and determine which formula applies to the most accounts for that retailer. If more than one minimum payment formula applies to an account, the card issuer must use the formula applicable to the general revolving feature to determine which formula is most common for each retailer. Card issuers must re-evaluate which minimum payment formula is most common for retail credit card accounts with respect to each retailer every 12 months. For example, assume a card issuer is required to comply with the requirements in § 226.7(b)(12) and this appendix by July 5 of a particular year. The issuer may choose any day between January 5 and July 4 of that year to use in deciding the minimum payment formula that is most common. For the following year, the issuer must again choose a day between January 5 and July 4 to use in deciding the minimum payment formula that is most common, but the day that is chosen need not be the same day the previous year.

(ii) FTC-operated toll-free telephone number. When calculating the generic repayment estimate, the FTC must use the following minimum payment formula: 5 percent of the outstanding balance, or \$15, whichever is greater.

(3) Annual percentage rate. When calculating the generic repayment estimate, credit card issuers and the FTC must use the highest annual percentage rate on which the consumer has outstanding balances. An issuer and the FTC may use an automated system to prompt the consumer to enter the highest annual percentage rate on which the consumer has an outstanding balance, and calculate the generic repayment estimate based on the consumer's response.

(4) Beginning balance. When calculating the generic repayment estimate, credit card issuers and the FTC must use as the beginning balance the outstanding balance on a consumer's account as of the closing date of the last billing cycle. An issuer and the FTC may use an automated system to prompt the consumer to enter the outstanding balance included on the last periodic statement received by the consumer, and calculate the generic repayment estimate based on the consumer's response.

(5) Assumptions. When calculating the generic repayment estimate, credit card issuers and the FTC must make the following assumptions. Card issuers and the FTC must make these assumptions regardless of whether they match the actual terms of the consumer's account.

(i) Only minimum monthly payments are made each month.

(ii) No additional extensions of credit are obtained.

(iii) There is no grace period.

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

- (v) The average daily balance method is used to calculate the balance.
  - (vi) All months are the same length (i.e., 30.41667 days long). Leap year is ignored.
  - (vii) Payments are credited on the last day of the month.
- (b) Disclosing the generic repayment estimate to consumers.
- (1) Required disclosures. Except as provided in paragraph (b)(3) of this section, when responding to a request for generic repayment estimates through a toll-free telephone number, credit card issuers and the FTC must make the following disclosures:
- (i) The generic repayment estimate. If the generic repayment estimate calculated above is less than 2 years, credit card issuers and the FTC must disclose the estimate in months. Otherwise, the estimate must be disclosed in years. The estimate must be rounded down to the nearest whole year if the estimate contains a fractional year less than 0.5, and rounded up to the nearest whole year if the estimate contains a fractional year equal to or greater than 0.5.
  - (ii) The beginning balance on which the generic repayment estimate is calculated.
  - (iii) The APR on which the generic repayment estimate is calculated.
  - (iv) The assumption that only minimum payments are made and no other amounts are added to the balance.
  - (v) The fact that the repayment period is an estimate, and the actual time it take to pay off the balance by only making minimum payments will differ based on the consumer's account terms and future account activity.
- (2) Model form. Credit card issuers and the FTC may use the following disclosure to meet the requirements set forth in paragraph (b)(1) of this section:
- It will take approximately \_\_ [months/years] to pay off a \_\_\_ balance at \_\_% APR, assuming that you only make minimum payments and no other amounts are added to the balance. This repayment period is only an estimate. The actual time it may take you to pay off this balance by only making minimum payments will differ based on your account terms and future account activity.
- (3) Negative amortization. If negative amortization occurs when calculating the repayment estimate, credit card issuers and the FTC must disclose to the consumer that based on the assumptions used to calculate the repayment estimate, the consumer will not pay off the balance by paying only the minimum payment. Card issuers and the FTC may use the following disclosure to meet the requirements set forth in this paragraph: “Based on the assumptions that we used to calculate the time to repay your balance, you will never repay the balance if you only make the minimum payment.”

(4) Permissible disclosures. Credit card issuers and the FTC may provide the following information when responding to a request for the generic repayment estimate through a toll-free telephone number, so long as the following information is provided after the disclosures in paragraph (b)(1) of this section are given:

(i) A description of the assumptions used to calculate the generic repayment estimate as described in paragraph (a)(5) of this section.

(ii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this section if an additional amount was paid each month in addition to the minimum payment amount, allowing the consumer to select the additional amount. In calculating this estimate, card issuers and the FTC must use the same terms described in paragraph (a) of this section, except they also must assume the additional amount was paid each month in addition to the minimum payment amount.

(iii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this section if the consumer made a fixed payment amount each month, allowing the consumer to select the amount of the fixed payment. In calculating this estimate, card issuers and the FTC must use the same terms described in paragraph (a) of this section, except they also must assume the consumer made a fixed payment amount each month.

(iv) The monthly payment amount that would be required to pay off the outstanding balance within a specific number of months, allowing the consumer to select the payoff period. In calculating the monthly payment amount, card issuers and the FTC must use the same terms described in paragraph (a) of this section, as appropriate.

(v) Reference to web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(vi) The total interest that a consumer may pay if the consumer makes minimum payments for the length of time disclosed in the generic repayment estimate.

## **APPENDIX M2 TO PART 226 — ACTUAL REPAYMENT DISCLOSURES**

### (a) Calculating actual repayment disclosures.

(1) Definitions. (i) “Retail credit card” means a credit card that is issued by a retailer that can be used only in transactions with the retailer or a group of retailers that are related by common ownership or control, or a credit card where a retailer arranges for a creditor to offer open-end credit under a plan that allows the consumer to use the credit only in transactions with the retailer or a group of retailers.

(ii) “General purpose credit card” means a credit card other than a retail credit card.

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

(2) Minimum payment formulas. When calculating actual repayment disclosures, credit card issuers must use the minimum payment formula(s) that apply to a cardholder’s account. If any promotional terms related to payments currently apply to a cardholder’s account, such as a “deferred payment plan,” credit card issuers may assume no promotional terms apply to the account.

(3) Annual percentage rate. When calculating annual repayment estimates, a credit card issuer must use the annual percentage rates that apply to a cardholder’s account, based on the portion of the balance to which the rate applies. If any promotional terms related to annual percentage rates currently apply to a cardholder’s account, such as introductory rates or deferred interest plans, credit card issuers may assume no promotional terms apply to the account.

(4) Beginning balance. When calculating the actual repayment disclosure, credit card issuers must use as the beginning balance the outstanding balance on a consumer’s account as of the closing date of the last billing cycle.

(5) Assumptions. When calculating the actual repayment disclosure, credit card issuers may make the following assumptions regardless of whether they are the same as the actual terms of the consumer’s account.

- (i) Only minimum monthly payments are made each month.
- (ii) No additional extensions of credit are obtained, including new purchases, transactions, fees, rebates, charges or other activity.
- (iii) The annual percentage rate or rates that apply to a cardholder’s account will not change, through either the operation of a variable rate or the change to a rate.
- (iv) There is no grace period.
- (v) The final payment pays the account in full (i.e., there is no residual finance charge after the final month in a series of payments).
- (vi) The average daily balance method is used to calculate the balance.
- (vii) All months are the same length (i.e., 30.41667 days long). Leap year is ignored.
- (viii) Payments are credited on the last day of the month.
- (ix) Payments are allocated to lower APR balances before higher APR balances.

(b) Disclosing the actual repayment disclosure to consumers through a toll-free telephone number.

(1) Required disclosures. Except as provided in paragraph (b)(3) of this section, when responding to a request for actual repayment disclosures through a toll-free telephone number, credit card issuers must make the following disclosures:

(i) The actual repayment disclosure. If the actual repayment disclosure is less than 2 years, credit card issuers must disclose the estimate in months. Otherwise, the estimate must be disclosed in years. The estimate must be rounded down to the nearest whole year if the estimate contains a fractional year less than 0.5, and rounded up to the nearest whole year if the estimate contains a fractional year equal or greater than 0.5.

(ii) The outstanding balance on which the actual repayment disclosure is calculated.

(iii) The assumption that only minimum payments are made.

(iv) The fact that the repayment period is an estimate, and is based on several assumptions about the consumer's account terms and future activity.

(2) Model form. Credit card issuers may use the following disclosure to meet the requirements set forth in paragraph (b)(1) of this section:

Your outstanding balance as of the last billing statement was \$ \_\_\_\_.  
If you make only the minimum payment each month it would take you about \_\_\_\_ [months/years] to repay this outstanding balance. This repayment period is only an estimate and is based on several assumptions about your account terms and future activity on the account.

(3) Negative amortization. If negative amortization occurs when calculating the repayment estimate, credit card issuers must disclose to the consumer that based on the current terms applicable to the consumer's account, the consumer will not pay off the balance by paying only the minimum payment. Card issuers may use the following disclosure to meet the requirements set forth in this paragraph: "Your outstanding balance as of the last billing statement was \$ \_\_\_\_\_. You will never repay the balance if you only make the minimum payment."

(4) Permissible disclosures. Credit card issuers may provide the following information when responding to a request for the actual repayment disclosure through a toll-free telephone number, so long as the following information is provided after the disclosures in paragraph (b)(1) of this section are given:

(i) A description of the assumptions used to calculate the actual repayment disclosure as described in paragraph (a)(5) of this section.

(ii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this section if an additional amount was paid each month in addition to the minimum payment amount, allowing the consumer to select the additional amount. In calculating this estimate, credit card issuers must use the same terms described in paragraph (a) of this section used to calculate the actual repayment disclosure, except they also must assume the additional amount was paid each month in addition to the minimum payment amount.

(iii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this section if the consumer made a fixed payment amount each month, allowing the consumer to select the amount of the fixed payment. In calculating this estimate, card issuers must use the same terms described in paragraph (a) of this section to calculate the actual repayment disclosure, except they also must assume the consumer made a fixed payment amount each month.

(iv) The monthly payment amount that would be required to pay off the outstanding balance within a specific number of months, allowing the consumer to select the payoff period. In calculating the monthly payment amount, card issuers must use the same terms described in paragraph (a) of this section, as appropriate.

(v) Reference to web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(vi) The total interest that a consumer may pay if the consumer makes minimum payments for the length of time disclosed in the actual repayment disclosure.

(c) Disclosing the actual repayment disclosures on periodic statements.

(1) Required disclosures. Except as provided in paragraph (c)(3) of this section, when providing the actual repayment disclosure on the periodic statement, credit card issuers must make the following disclosures:

(i) The actual repayment disclosure. If the actual repayment disclosure is less than 2 years, credit card issuers must disclose the estimate in months. Otherwise, the estimate must be disclosed in years. The estimate must be rounded down to the nearest whole year if the estimate contains a fractional year less than 0.5, and rounded up to the nearest whole year if the estimate contains a fractional year equal to or greater than 0.5.

(ii) The fact that the repayment period is based on the current outstanding balance shown on the account.

(iii) The assumption that only minimum payments are made.

(2) Model form. Credit card issuers may use the disclosure in appendix G-18(D) to meet the requirements set forth in paragraph (c)(1) of this section.

(3) Negative amortization. If negative amortization occurs when calculating the actual repayment disclosure, credit card issuers must disclose to the consumer that based on the current terms applicable to the consumer's account, the consumer will not pay off the balance by making only the minimum payment. Card issuers may use the disclosure in appendix G-18(D) to meet the requirements set forth in this paragraph.

(4) Permissible disclosures. Card issuers may provide the following information on the periodic statement, so long as the following information is provided after the disclosures in paragraph (c)(1) are given:

(i) The fact that the repayment period is an estimate, and is based on several assumptions about the consumer's account terms and future activity.

(ii) A reference to another location on the statement where the consumer may find additional information about the repayment estimate.

(iii) A description of the assumptions used to calculate the actual repayment disclosure as described in paragraph (a)(5) of this section.

(iv) The length of time it would take to repay the outstanding balance shown on the statement if an additional amount was paid each month in addition to the minimum payment amount. Card issuers may choose the additional amount. In calculating this estimate, card issuers must use the same terms described in paragraph (a) of this section used to calculate the actual repayment period, except they also must assume the additional amount was paid each month in addition to the minimum payment amount.

(v) The length of time it would take to repay the outstanding balance shown on the statement if the consumer made a fixed payment amount each month. Card issuers may choose the amount of the fixed payment. In calculating this estimate, card issuers must use the same terms described in (a) of this section used to calculate the actual repayment disclosure, except they also must assume the consumer made a fixed payment amount each month.

(vi) The monthly payment amount that would be required to pay off the outstanding balance within a specific number of months. Card issuers may choose the specific number of months used in the calculation. In calculating the monthly payment amount, card issuers must use the same terms described in paragraph (a) of this section, as appropriate.

(vii) Reference to web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(viii) The total interest that a consumer may pay if the consumer makes minimum payments for the length of time disclosed in the actual repayment disclosure.

**APPENDIX M3 TO PART 226—SAMPLE CALCULATIONS OF GENERIC REPAYMENT ESTIMATES AND ACTUAL REPAYMENT DISCLOSURES**

(a) Generic repayment estimates. The following is an example of how to calculate the generic repayment estimates using the guidance in appendix M1 where the APR is 17 percent, the outstanding balance is \$1,000, and the minimum payment formula is 2 percent of the outstanding balance or \$20, whichever is greater. The following calculation is written in SAS code.

DATA ONE;

RATE1=0.17; \*APR;  
TBAL=1000; \*OUTSTANDING BALANCE;

\*INITIALIZE COUNTER OF MONTHS, PERIODIC RATE AND FINANCE CHARGES;

MONTHS=0;  
PERRATE1=0;  
FC1=0;

\*ABSOLUTE MINIMUM PAYMENT RULE USED;  
MINPMT=20;

\*CALCULATE PERIODIC RATE;  
PERRATE1=((1+(RATE1/365))\*\*30.41667)-1; \*ADB METHOD;

\*CALCULATE MONTHS TO PAYOFF;

DO WHILE (TBAL GT 0);

MONTHS=MONTHS+1;

PMT=0.02\*TBAL;

\*TWO PERCENT MIN PAYMENT RULE;

FC1=TBAL\*PERRATE1;

\*CALCULATE FINANCE CHARGE;

TBAL=TBAL+FC1;

\*ADD FINANCE CHARGE TO BALANCE;

IF PMT LT MINPMT THEN PMT=MINPMT;

TBAL = TBAL-PMT;

END;

\*RESULTS;

PROC PRINT DATA=ONE;

VAR MONTHS;

PROC PRINT DATA=ONE;

VAR PMT FC1 TBAL PERRATE1;

(b) Actual Repayment Disclosures. The following is an example of how to calculate the actual repayment disclosures using the guidance in M2 where three APRs apply, the total outstanding balance is \$1000, and the minimum payment formula is 2 percent of the outstanding balance or \$20, whichever is greater. The following calculation is written in SAS code.

```
DATA ONE;
```

```
*INITIALIZE NUMBERS OF APRS, PERIODIC RATES, BALANCES, AND
PERIODIC FINANCE CHARGES;
```

```
ARRAY RATE(3);
```

```
ARRAY PERRATE(3);
```

```
ARRAY BAL(3);
```

```
ARRAY FC(3);
```

```
*INITIALIZE APRS AND BALANCES, PLACING RATES FROM LOWEST TO
HIGHEST;
```

```
RATE1=0.019; *APR #1;
```

```
RATE2=0.17; *APR #2;
```

```
RATE3=0.21; *APR #3;
```

```
BAL1=500; *B ALANCE ASSOCIATED WITH APR #1;
```

```
BAL2=250; *BALANCE ASSOCIATED WITH APR #2;
```

```
BAL3=250; *BALANCE ASSOCIATED WITH APR #3;
```

```
*INITIALIZE TOTAL BALANCE AND COUNTER OF MONTHS;
```

```
TBAL=0;
```

```
MONTHS=0;
```

```
*ABSOLUTE MINIMUM PAYMENT RULE USED;
```

```
MINPMT=20;
```

```
*CALCULATE PERIODIC RATES AND INITIAL TOTAL BALANCE;
```

```
DO I=1 TO 3;
```

```
PERRATE(I)=((1+(RATE(I)/365))**30.41667)-1; *ADB METHOD;
```

```
TBAL=TBAL+BAL(I);
```

```
END;
```

```
*CALCULATE MONTHS TO PAYOFF FOR LOWEST RATE BALANCE;
```

```
DO WHILE (BAL(1) GT 0);
```

```
MONTHS=MONTHS+1;
```

```
PMT=0.02*TBAL;
```

```
*TWO PERCENT MIN PMT RULE;
```

```
DO I=1 TO 3;
```

```
FC(I)=BAL(I)*PERRATE(I); *CALCULATE FINANCE CHARGES;
```

```
END;
```

```
DO I=1 TO 3;
```

```
BAL(I)=BAL(I)+FC(I); *ADD FINANCE CHARGES TO BALANCES;
```

```

    TBAL=TBAL+FC(I);
END;
IF PMT LT MINPMT THEN PMT=MINPMT;
BAL(1)=BAL(1)-PMT;          *APPLYING PAYMENT TO LOWEST APR
                             BALANCE;
    TBAL=TBAL-PMT;
END;

*CALCULATE MONTHS TO PAYOFF FOR NEXT LOWEST RATE BALANCE, IF
ANY, CARRYING OVER NUMBER FROM LOWER RATE BALANCE;

BAL(2)=BAL(2)+BAL(1);
DO WHILE (BAL(2) GT 0);
    MONTHS=MONTHS+1;
    PMT=0.02*TBAL;          *TWO PERCENT MIN PMT RULE;
    DO I=2 TO 3;
        FC(I)=BAL(I)*PERRATE(I); *CALCULATE FINANCE CHARGES;
    END;
    DO I=2 TO 3;
        BAL(I)=BAL(I)+FC(I);    *ADD FINANCE CHARGES TO BALANCES;
        TBAL=TBAL+FC(I);
    END;
    IF PMT LT MINPMT THEN PMT=MINPMT;
    BAL(2)=BAL(2)-PMT;        *APPLYING PAYMENT TO SECOND
                             LOWEST APR BALANCE;
    TBAL=TBAL-PMT;
END;

*CALCULATE MONTHS TO PAYOFF FOR NEXT LOWEST RATE BALANCE, IF
ANY, CARRYING OVER NUMBER FROM LOWER RATE BALANCES;

BAL(3)=BAL(3)+BAL(2);
DO WHILE (BAL(3) GT 0);
    MONTHS=MONTHS+1;
    PMT=0.02*TBAL;          *TWO PERCENT MIN PMT RULE;
    FC(3)=BAL(3)*PERRATE(3); *CALCULATE FINANCE CHARGE;
    BAL(3)=BAL(3)+FC(3);    *ADD FINANCE CHARGES TO BALANCE;
    TBAL=TBAL+FC(3);
    IF PMT LT MINPMT THEN PMT=MINPMT;
    BAL(3)=BAL(3)-PMT;     *APPLYING PAYMENT TO REMAINING
                             BALANCE;
    TBAL=TBAL-PMT;
END;

*RESULTS;
PROC PRINT DATA=ONE;

```

VAR MONTHS;  
 PROC PRINT DATA=ONE;  
 VAR PMT FC1 BAL1 FC2 BAL2 FC3 BAL3 TBAL; ◀

23. In Supplement I to Part 226:
  - A. Revise the Introduction.
  - B. Revise subpart A.
  - C. In Subpart B, revise sections 226.6 through 226.14.
  - D. Revise Appendix F, Appendix G and H, and Appendix G.
  - E. Remove the References paragraph at the end of sections 226.1, 226.2, 226.3, 226.4, 226.5, 226.6, 226.7, 226.8, 226.9, 226.10, 226.11, 226.12, 226.13, 226.14, 226.16, Appendix E and Appendix F.

## **SUPPLEMENT I TO PART 226—OFFICIAL STAFF INTERPRETATIONS**

### **INTRODUCTION**

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

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

[3. Status of previous interpretations. All statements and opinions issued by the Federal Reserve Board and its staff interpreting previous Regulation Z remain effective until October 1, 1982 only insofar as they interpret that regulation. When compliance with revised Regulation Z becomes mandatory on October 1, 1982, the Board and staff interpretations of the previous regulation will be entirely superseded by the revised regulation and this commentary except with regard to liability under the previous regulation.]

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