

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 amends 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 to read as follows:

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 subject 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;¹ (iii) the credit is subject to a 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;

¹ [Reserved]

(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 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, 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 mortgage transactions that are subject to § 226.32. Section 226.35 prohibits specific acts and practices in connection with higher-priced mortgage loans, as defined in § 226.35(a). Section 226.36 prohibits specific acts and practices in connection with credit secured by a consumer's principal dwelling.

(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.

(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 to read as follows:

§ 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 U.S.C. 1601 et seq.).

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

(3) [Reserved]²

(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 of 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.

² [Reserved]

(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 §§ 226.19(a)(1)(ii) and 226.31, the term means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 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, 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 of 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 a 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, 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 credit³ 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)(3)(i) and § 226.7(a)(4) through (7) and (b)(4) through (6) 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 a dwelling) in the preceding calendar year. If a

³ [Reserved]

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.

(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 contract.

(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 to read as follows:

§ 226.3 Exempt transactions.

This regulation does not apply to the following:⁴

(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

⁴ [Reserved]

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.

(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, a tax-sheltered annuity under Section 403(b) of the Internal Revenue Code, or an eligible governmental deferred compensation plan under Section 457(b) of the Internal Revenue Code (26 U.S.C. 401(a); 26 U.S.C. 403(b); 26 U.S.C. 457(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 to read as follows:

§ 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) Charges or premiums paid for debt cancellation or debt suspension coverage written in connection with a credit transaction, whether or not the 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,⁵ 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,⁶ 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

⁵ [Reserved]

⁶ [Reserved]

transactions involving an insurance plan that limits the total amount of indebtedness subject to coverage.

(3) Voluntary debt cancellation or debt suspension fees. 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 may be excluded from the finance charge, whether or not the coverage is insurance, if the following conditions are met:

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

(ii) 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) 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.

(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 evidence that the consumer, after being provided the disclosures orally, 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 to read as follows:

SUBPART B—OPEN-END CREDIT

§ 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,⁷ in a form that the consumer may keep⁸, except that:

(A) The following disclosures need not be written: Disclosures under § 226.6(b)(3) of charges that are imposed as part of an open-end (not home-secured) plan that are not required to be disclosed under § 226.6(b)(2) and related disclosures under § 226.9(c)(2)(ii)(B) of charges; disclosures under § 226.9(c)(2)(v); 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 that need not be written under paragraph (a)(1)(ii)(A) of this section; 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);

⁷ [Reserved]

⁸ [Reserved]

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).

(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) For home-equity plans subject to § 226.5b, 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.⁹ The terms need not be more conspicuous when used for periodic statement disclosures under § 226.7(a)(4) 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 penalty APR shall be used, as applicable. The term penalty APR need not be used in reference to the annual percentage rate that applies with the loss of a promotional rate, assuming the annual percentage rate that applies is not greater than the annual percentage rate that would have applied at the end of the promotional period; or if the annual percentage rate that applies with the loss of a promotional rate is a variable rate, the annual percentage rate is calculated using the same

⁹ [Reserved]

index and margin as would have been used to calculate the annual percentage rate that would have applied at the end of the promotional period. 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).

(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)(1).

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

(v) 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).

(vi) 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).

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

(b) Time of disclosures. (1) Account-opening disclosures. (i) General rule. The creditor shall furnish account-opening disclosures 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)(2) may be disclosed after account opening but before the consumer agrees to pay or becomes obligated to pay for the charge, provided they are disclosed at a time and in a manner that a consumer would be likely to notice them. 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 or third-party creditor;

(B) The merchant or third-party creditor 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 the merchant or third-party creditor has provided 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) General. In general, a creditor may not collect any fee before account-opening disclosures are provided. A creditor may collect, or obtain the consumer's agreement to pay, membership fees, including application fees excludable from the finance charge under § 226.4(c)(1), before providing account-opening disclosures if, after receiving the disclosures, the consumer may reject the plan and have no obligation to pay (1) these fees (including application fees) or (2) any other fee or charge. A membership fee for purposes of this paragraph has the same meaning as a fee for the issuance or availability of credit described in § 226.5a(b)(2). 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 that fee or any other fee or charge.

(B) Home-equity plans. Creditors offering home-equity plans subject to the requirements of § 226.5b are not subject to the requirements of paragraph (b)(1)(iv)(A) of this section.

(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. However, if a consumer rejects the plan after receiving account-opening disclosures, the consumer must have no obligation to pay such an application fee, or if the fee was paid, it must be refunded. See § 226.5(b)(1)(iv).

(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, if delinquency collection proceedings have been instituted, if the creditor has charged off the account in accordance with loan-loss provisions and will not charge any additional fees or interest on the account, 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 (b)(8), as applicable, for the consumer to avoid an additional finance or other charge.¹⁰ 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 (b)(2) 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.

¹⁰ [Reserved]

(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), and (f), and republishing paragraphs (g)(1) through (g)(4); and adding paragraph (g)(5) to read as follows:

§ 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) (except for (b)(1)(iv)(B)) and (b)(7) through (15) of this section made pursuant to paragraph (c), (d)(2), (e)(1) or (f) of this section generally shall be 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 paragraphs (b)(1)(iv)(B) and (b)(6) of this section must be placed directly beneath the table.

(iv) When a tabular format is required, any annual percentage rate required to be disclosed pursuant to paragraph (b)(1) of this section, any introductory rate permitted to be disclosed pursuant to paragraph (b)(1)(ii) or required to be disclosed under paragraph (b)(1)(vii) of this section, any rate that will apply after a premium initial rate expires permitted to be disclosed under paragraph (b)(1)(iii) or required to be disclosed under paragraph (b)(1)(vii), and any fee or percentage amounts required to be disclosed pursuant to paragraphs (b)(2), (b)(4), (b)(8) through (b)(13) of this section must be disclosed in bold text. However, bold text shall not be used for: Any maximum limits on fee amounts disclosed in the table that do not relate to fees that vary by state; the amount of any periodic fee disclosed pursuant to paragraph (b)(2) of this section that is not an annualized amount; and other annual percentage rates or fee amounts disclosed in the table.

(v) For an application or a solicitation that is accessed by the consumer in electronic form, the disclosures required under this section may 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.

(3) 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) Fees that vary by state. Card issuers that impose fees referred to in paragraphs (b)(8) through (12) of this section that vary by state may, at the issuer's option, disclose in the table (i) the specific fee applicable to the consumer's account, or (ii) the range of the fees, if the disclosure includes a statement that the amount of the fee varies by state and refers the consumer to a disclosure provided with the table where the amount of the fee applicable to the consumer's account is disclosed. A card issuer may not list fees for multiple states in the table.

(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), (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 (15) 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 16-point type, except for the following: Oral disclosures of the annual percentage rate for purchases; or a penalty rate that may 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, 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. A disclosure of any applicable limitations on rate increases or decreases shall not be included in the table.

(ii) Discounted initial rate. If the initial rate is an introductory rate, as that term is defined in § 226.16(g)(2)(ii), the card issuer must disclose the rate that would otherwise apply to the account pursuant to paragraph (b)(1) of this section. 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. Except as provided in paragraph (b)(1)(vii) of this section, the issuer is not required to, but may disclose in the table the introductory rate along with the rate that would otherwise apply to the account if the card issuer also discloses the time period during which the introductory rate will remain in effect, and uses the term “introductory” or “intro” in immediate proximity to the introductory 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, the card issuer must disclose the premium initial rate pursuant to paragraph (b)(1) of this section. Except as provided in paragraph (b)(1)(vii) of this section, the issuer is not required to, but 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. Consistent with paragraph (b)(1) of this section, the premium initial rate for purchases must be in at least 16-point type. If the issuer also discloses in the table the rate that will apply after the premium initial rate for purchases expires, that rate also must be in at least 16-point type.

(iv) Penalty rates. (A) In general. Except as provided in paragraph (b)(1)(iv)(B), 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, the card issuer must disclose pursuant to paragraph (b)(1) of this section the increased rate that may 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.

(B) Introductory rates. If the issuer discloses an introductory rate, as that term is defined in § 226.16(g)(2)(ii), in the table or in any written or electronic promotional materials accompanying applications or solicitations subject to paragraph (c) or (e) of this section, the issuer must briefly disclose directly beneath the table the circumstances, if any, under which the introductory rate may be revoked, and the type of rate that will apply after the introductory rate is revoked.

(v) Rates that depend on consumer's creditworthiness. If a rate cannot be determined at the time disclosures are given because the rate depends, at least in part, 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, and other factors if applicable. If the rate that depends, at least in part, on a later determination of the consumer's creditworthiness is a penalty rate, as described in paragraph (b)(1)(iv) of this section, the card issuer at its option may disclose the highest rate that could apply, instead of disclosing the specific rates or the range of rates that could apply.

(vi) APRs that vary by state. Issuers imposing annual percentage rates that vary by state may, at the issuer's option, disclose in the table (A) the specific annual percentage rate applicable to the consumer's account, or (B) the range of the annual percentage rates, if the disclosure includes a statement that the annual percentage rate varies by state and refers the consumer to a disclosure provided with the table where the annual percentage rate applicable to the consumer's account is disclosed. A card issuer may not list annual percentage rates for multiple states in the table.

(vii) Issuers subject to 12 CFR § 227.24 or similar law. Notwithstanding paragraphs (b)(1)(ii) and (b)(1)(iii) of this section, issuers that are subject to 12 CFR § 227.24 or similar law must disclose in the table (A) any introductory rate applicable to the account, consistent with the requirements of paragraph (b)(1)(ii) of this section, and (B) any rate applicable upon the expiration of a premium initial rate, consistent with the requirements of paragraph (b)(1)(iii) of this section.

(2) Fees for issuance or availability. (i) Any annual or other periodic 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) Fixed finance charge; minimum interest charge. Any fixed finance charge and a brief description of the charge. Any minimum interest charge if it exceeds \$1.00 that could be imposed during a billing cycle, and a brief description of the charge. The \$1.00 threshold amount shall be adjusted periodically by the Board to reflect changes in the Consumer Price Index. The Board shall calculate each year a price level adjusted minimum interest charge using the Consumer Price Index in effect on the June 1 of that year. When the cumulative change in the adjusted minimum value derived from applying the annual Consumer Price level to the current minimum interest charge threshold has risen by a whole dollar, the minimum interest charge will be increased by \$1.00. The issuer may, at its option, disclose in the table minimum interest charges below this threshold.

(4) Transaction charges. Any transaction charge imposed by the card issuer for the use of the card for purchases.

(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. In disclosing in the tabular format a grace period that applies to all types of purchases, the phrase “How to Avoid Paying Interest on Purchases” shall be

used as the heading for the row describing the grace period. If a grace period is not offered on all types of purchases, in disclosing this fact in the tabular format, the phrase “Paying Interest” shall be used as the heading for the row describing this fact.

(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. 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) 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, as applicable.

(14) 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 and charged to the account when the account is opened is 15 percent or more of the minimum credit limit for 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 15 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 15 percent threshold test is met, the issuer in providing the disclosure must disclose the amount of available credit calculated by excluding those optional fees, and the available credit including those optional fees. This paragraph does not apply with respect to fees or security deposits that are not debited to the account.

(15) Web site reference. 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 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 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) and (b)(14) 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:

(i)(A) Does not impose a fee described in paragraph (b)(2) of this section; or
(B) Imposes such a fee but provides the consumer with a right to reject the plan consistent with § 226.5(b)(1)(iv); and

(ii) 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:

(A) The applicable information in paragraph (b) of this section; and
(B) As applicable, the fact that the consumer has the right to reject the plan and not be obligated to pay fees described in paragraph (b)(2) or any other fees or charges

until the consumer has used the account or made a payment on the account after receiving a billing statement.

(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) 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) 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.

(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 effect within 30 days before printing.

(f) In-person applications and solicitations. 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.

(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.

(5) Daily balance. For each day in the billing cycle, this balance is figured by taking the beginning balance each day, adding any new purchases, and subtracting any payment and credits.

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

§ 226.6 Account-opening disclosures.

(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. A creditor shall disclose the items in this section, to the extent applicable:

(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) 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) A disclosure of each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable,¹¹ and the corresponding annual percentage rate.¹² If a creditor offers a variable-rate plan, the creditor shall also disclose: the circumstances under which the rate(s) may increase; any limitations on the increase; and 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) An explanation of the method used to determine the balance on which the finance charge may be computed.

(iv) An explanation of how the amount of any finance charge will be determined,¹³ including a description of how any finance charge other than the periodic rate will be determined.

(2) 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:

¹¹ [Reserved]

¹² [Reserved]

¹³ [Reserved]

- (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 (d)(12)(ii).
 - (vii) The variable-rate disclosures described in § 226.5b(d)(12)(viii), (d)(12)(x), (d)(12)(xi), and (d)(12)(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.
- (4) 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.
- (5) 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 Model Form G-3 or, at the creditor's option G-3(A), in appendix G to this part.

(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) Form of disclosures; tabular format for open-end (not home-secured) plans. Creditors must provide the account-opening disclosures specified in paragraph (b)(2)(i) through (b)(2)(v) (except for (b)(2)(i)(D)(2)) and (b)(2)(vii) through (b)(2)(xiv) of this section in the form of a table with the headings, content, and format substantially similar to any of the applicable tables in G-17 in appendix G.

(i) Highlighting. In the table, any annual percentage rate required to be disclosed pursuant to paragraph (b)(2)(i) of this section; any introductory rate permitted to be disclosed pursuant to paragraph (b)(2)(i)(B) or required to be disclosed under paragraph (b)(2)(i)(F) of this section, any rate that will apply after a premium initial rate expires permitted to be disclosed pursuant to paragraph (b)(2)(i)(C) or required to be disclosed pursuant to paragraph (b)(2)(i)(F), and any fee or percentage amounts required to be disclosed pursuant to paragraphs (b)(2)(ii), (b)(2)(iv), (b)(2)(vii) through (b)(2)(xii) of this section must be disclosed in bold text. However, bold text shall not be used for: Any maximum limits on fee amounts disclosed in the table that do not relate to fees that vary by state; the amount of any periodic fee disclosed pursuant to paragraph (b)(2) of this section that is not an annualized amount; and other annual percentage rates or fee amounts disclosed in the table.

(ii) Location. Only the information required or permitted by paragraphs (b)(2)(i) through (b)(2)(v) (except for (b)(2)(i)(D)(2)) and (b)(2)(vii) through (b)(2)(xiv) of this section shall be in the table. Disclosures required by paragraphs (b)(2)(i)(D)(2),

(b)(2)(vi) and (b)(2)(xv) of this section shall be placed directly below the table.

Disclosures required by paragraphs (b)(3) through (b)(5) of this section that are not otherwise required to be in the table and other information may be presented with the account agreement or account-opening disclosure statement, provided such information appears outside the required table.

(iii) Fees that vary by state. Creditors that impose fees referred to in paragraphs (b)(2)(vii) through (b)(2)(xi) of this section that vary by state and that provide the disclosures required by paragraph (b) of this section in person at the time the open-end (not home-secured) plan is established in connection with financing the purchase of goods or services may, at the creditor's option, disclose in the account-opening table (A) the specific fee applicable to the consumer's account, or (B) the range of the fees, if the disclosure includes a statement that the amount of the fee varies by state and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the amount of the fee applicable to the consumer's account is disclosed. A creditor may not list fees for multiple states in the account-opening summary table.

(iv) 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.

(2) Required disclosures for account-opening table for open-end (not home-secured) plans. A creditor shall disclose the items in this section, to the extent applicable:

(i) 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 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)(2)(i) 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. A disclosure of any applicable limitations on rate increases or decreases shall not be included in the table.

(B) Discounted initial rates. If the initial rate is an introductory rate, as that term is defined in § 226.16(g)(2)(ii), the creditor must disclose the rate that would otherwise apply to the account pursuant to paragraph (b)(2)(i) of this section. Where the rate is not tied to an index or formula, the creditor 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 of paragraph (b)(4)(ii)(G) of this section. Except as provided in paragraph (b)(2)(i)(F) of this section, the creditor is not required to, but may disclose in the table the introductory

rate along with the rate that would otherwise apply to the account if the creditor also discloses the time period during which the introductory rate will remain in effect, and uses the term “introductory” or “intro” in immediate proximity to the introductory rate.

(C) Premium initial rate. If the initial rate is temporary and is higher than the rate that will apply after the temporary rate expires, the creditor must disclose the premium initial rate pursuant to paragraph (b)(2)(i) of this section. Except as provided in paragraph (b)(2)(i)(F) of this section, the creditor is not required to, but 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. Consistent with paragraph (b)(2)(i) of this section, the premium initial rate for purchases must be in at least 16-point type. If the creditor also discloses in the table the rate that will apply after the premium initial rate for purchases expires, that rate also must be in at least 16-point type.

(D) Penalty rates. (1) In general. Except as provided in paragraph (b)(2)(i)(D)(2) of this section, 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, the creditor must disclose pursuant to paragraph (b)(2)(i) of this section the increased rate that may 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 more than one penalty rate may apply, the creditor at its option may disclose the highest rate that could apply, instead of disclosing the specific rates or the range of rates that could apply.

(2) Introductory rates. If the creditor discloses in the table an introductory rate, as that term is defined in § 226.16(g)(2)(ii), creditors must briefly disclose directly beneath the table the circumstances under which the introductory rate may be revoked, and the rate that will apply after the introductory rate is revoked.

(E) Point of sale where APRs vary by state. Creditors imposing annual percentage rates that vary by state and providing the disclosures required by paragraph (b) of this section in person at the time the open-end (not home-secured) plan is established in connection with financing the purchase of goods or services may, at the creditor's option, disclose pursuant to paragraph (b)(2)(i) of this section in the account-opening table (1) the specific annual percentage rate applicable to the consumer's account, or (2) the range of the annual percentage rates, if the disclosure includes a statement that the annual percentage rate varies by state and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the annual percentage rate applicable to the consumer's account is disclosed. A creditor may not list annual percentage rates for multiple states in the account-opening table.

(F) Creditors subject to 12 CFR § 227.24 or similar law. Notwithstanding paragraphs (b)(2)(i)(B) and (b)(2)(i)(C) of this section, issuers that are subject to 12 CFR § 227.24 or similar law must disclose in the table (1) any introductory rate that would apply to the account, consistent with the requirements of paragraph (b)(2)(i)(B) of this section, and (2) any rate that would apply upon the expiration of a premium initial rate, consistent with the requirements of paragraph (b)(2)(i)(C) of this section.

(ii) Fees for issuance or availability. (A) 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; how frequently it will be imposed; and the annualized amount of the fee.

(B) Any non-periodic fee that relates to opening the plan. A creditor must disclose that the fee is a one-time fee.

(iii) Fixed finance charge; minimum interest charge. Any fixed finance charge and a brief description of the charge. Any minimum interest charge if it exceeds \$1.00 that could be imposed during a billing cycle, and a brief description of the charge. The \$1.00 threshold amount shall be adjusted periodically by the Board to reflect changes in the Consumer Price Index. The Board shall calculate each year a price level adjusted minimum interest charge using the Consumer Price Index in effect on the June 1 of that year. When the cumulative change in the adjusted minimum value derived from applying the annual Consumer Price level to the current minimum interest charge threshold has risen by a whole dollar, the minimum interest charge will be increased by \$1.00. The creditor may, at its option, disclose in the table minimum interest charges below this threshold.

(iv) Transaction charges. Any transaction charge imposed by the creditor for use of the open-end plan for purchases.

(v) Grace period. The date by which or the period within which any credit extended 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 creditor may disclose the range of days, the minimum number of days, or the average number of the days in the grace period, if the disclosure is identified as a range, minimum, or average.

In disclosing in the tabular format a grace period that applies to all features on the account, the phrase “How to Avoid Paying Interest” shall be used as the heading for the row describing the grace period. If a grace period is not offered on all features of the account, in disclosing this fact in the tabular format, the phrase “Paying Interest” shall be used as the heading for the row describing this fact.

(vi) Balance computation method. The name of the balance computation method listed in § 226.5a(g) that is used to determine the balance on which the finance charge is computed for each feature, or an explanation of the method used if it is not listed, along with a statement that an explanation of the method(s) required by paragraph (b)(4)(i)(D) of this section is provided with the account-opening disclosures. In determining which balance computation method to disclose, the creditor shall assume that credit extended will not be repaid within any grace period, if any.

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

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

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

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

(xi) Returned-payment fee. Any fee imposed by the creditor for a returned payment.

(xii) Required insurance, debt cancellation or debt suspension coverage. (A) 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

(B) A cross reference to any additional information provided about the insurance or coverage, as applicable.

(xiii) Available credit. If a creditor requires fees for the issuance or availability of credit described in paragraph (b)(2)(ii) 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 and charged to the account when the account is opened is 15 percent or more of the minimum credit limit for the plan, a creditor must disclose the available credit remaining after these fees or security deposit are debited to the account. The determination whether the 15 percent threshold is met must be based on the minimum credit limit for the plan. However, the disclosure provided under this paragraph must be based on the actual initial credit limit provided on the account. In determining whether the 15 percent threshold test is met, the creditor 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 15 percent threshold test is met, the creditor in providing the disclosure must disclose the amount of available credit calculated by excluding those optional fees, and the available credit including those optional fees. The creditor shall also disclose that the consumer has the right to reject the plan and not be obligated to pay those fees or any other fee or charges until the consumer has used the account or made a payment on the account after receiving a periodic statement. This paragraph does not apply with respect to fees or security deposits that are not debited to the account.

(xiv) 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 cards.

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

(3) Disclosure of charges imposed as part of open-end (not home-secured) plans.

A creditor shall disclose, to the extent applicable:

(i) For charges imposed as part of an open-end (not home-secured) plan, the circumstances under which the charge may be imposed, 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.

(ii) 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.

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

(A) Charges imposed on a cardholder by an institution other than the card issuer 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.

(4) Disclosure of rates for open-end (not home-secured) plans. A creditor shall disclose, to the extent applicable:

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

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

(B) Range of balances. 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) Type of transaction. The type of transaction to which the rate applies, if different rates apply to different types of transactions.

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

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

(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) Rate changes not due to index or formula. 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)(4)(i)(A) of this section.

(B) How long the initial rate will remain in effect and 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) The balances to which the new rate will apply.

(E) The balances to which the current rate at the time of the change will apply.

(5) Additional disclosures for open-end (not home-secured) plans. A creditor shall disclose, to the extent applicable:

(i) Voluntary credit insurance, debt cancellation or debt suspension. The disclosures in §§ 226.4(d)(1)(i) and (d)(1)(ii) and (d)(3)(i) through (d)(3)(iii) if the creditor offers optional credit insurance or debt cancellation or debt suspension coverage that is identified in § 226.4(b)(7) or (b)(10).

(ii) 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.

(iii) 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 Model Form G-3(A) in appendix G to this part.

9. Section 226.7 is amended by republishing the introductory text, 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 to read as follows:

§ 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 not to provide a disclosure under paragraph (a)(7) of this section must comply with paragraph (b)(6) of this section.

(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.

(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 accounting does not result in any finance or other charge.

(4) Periodic rates. (i) Except as provided in paragraph (a)(4)(ii) of this section, each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable,¹⁴ and the corresponding annual percentage rate.¹⁵ 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.

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

¹⁴ [Reserved]

¹⁵ [Reserved.]

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

(8) Grace period. The date by which or the time period within which 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.

(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.

(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.

(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. A promotional rate, as that term is defined in § 226.16(g)(2)(i) is required to be disclosed only 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 interest 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)(3), grouped together, in proximity to transactions identified under paragraph (b)(2) of this section, substantially similar to Sample G-18(A) in appendix G to this part.

(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 of finance charges attributable to periodic interest rates, using the term Total Interest, 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 to this part.

(iii) Fees. Charges imposed as part of the plan other than charges attributable to periodic interest rates must be grouped together under the heading Fees, identified consistent with the feature or type, and itemized, and a total of charges, using the term Fees, 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.

(7) Change-in-terms and increased penalty rate summary for open-end (not home-secured) plans. Creditors that provide a change-in-terms 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). See Forms G-18(F) and G-18(G) in appendix G to this part.

(8) Grace period. The date by which or the time period within which 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) The amount of the late-payment fee and any increased periodic rate(s) (expressed as an annual percentage rate(s)) that may be imposed on the account as a result of a late payment. If a range of late-payment fees may be assessed, the creditor may state the range of fees, or the highest fee and at the creditor's option with the highest fee an indication that the fee imposed could be lower. If the rate may be increased for more than one feature or balance, the creditor may state the range of rates or the highest rate that could apply and at the creditor's option an indication that the rate imposed could be lower.

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

(12) Minimum payment. (i) General disclosure requirements. Except as provided in paragraph (b)(12)(v) of this section, a card issuer, at its option, shall comply with any of paragraphs (b)(12)(ii), (b)(12)(iii) or (b)(12)(iv) of this section.

(ii) Generic repayment example and establishment of a toll-free telephone number. A card issuer that chooses this option to comply with the requirements of

paragraph (b)(12) of this section must comply with paragraph (b)(12)(ii)(A) or (b)(12)(ii)(B) as applicable.

(A) Credit card issuers not regulated by the FTC. This paragraph applies to card issuers that are not subject to the Federal Trade Commission's authority to enforce the act and this regulation as to the card issuer.

(1) General rule. Except as provided in paragraph (b)(12)(ii)(A)(2) or (b)(12)(ii)(A)(3) of this section, the card issuer must provide the following statement with a bold heading on each periodic statement, in accordance with the format requirements of paragraph (b)(13) of this section: “**Minimum Payment Warning**: 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].” The card issuer may, at its option, substitute an example that uses an annual percentage rate that is greater than 17 percent. 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 to this part, and disclose this toll-free telephone number as part of the statement above. In responding to a request for a generic repayment estimate, as described in appendix M1 to this part, through the toll-free telephone number, the card issuer may not provide any repayment information other than the repayment information required or permitted by appendix M1 to this part.

(2) Alternative disclosure where minimum payment exceeds 4%. If the required minimum periodic payment exceeds 4% of the balance upon which finance charges accrue, the card issuer may comply with this paragraph in lieu of paragraph (b)(12)(ii)(A)(1) of this section. Such card issuer may provide the following statement with a bold heading on each periodic statement, in accordance with the format requirements of paragraph (b)(13) of this section: “**Minimum Payment Warning:** 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].” The card issuer may, at its option, substitute an example that uses an annual percentage rate that is greater than 17 percent. The card 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 to this part, and disclose this toll-free telephone number as part of the statement above. In responding to a request for a generic repayment estimate, as described in appendix M1 to this part, through the toll-free telephone number, the card issuer may not provide any repayment information other than the repayment information required or permitted by appendix M1 to this part.

(3) Small depository institution issuers. After June 30, 2012 a small depository institution issuer is required to establish and maintain a toll-free telephone number for the purpose of providing its customers with generic repayment estimates, as described in appendix M1 to this part. Before June 30, 2012, small depository institution issuers,

when making a disclosure under paragraph (b)(12)(ii)(A)(1) or (2) of this section, may provide the toll-free telephone numbers and the Web site operated by or on behalf of the Federal Reserve Board. A small depository institution issuer must use the following language to disclose the Federal Reserve Board's toll-free telephone numbers: "For an estimate of the time it would take to repay your actual balance making only minimum payments, call the Federal Reserve Board at this toll-free telephone number: 1-888-445-4801 or visit the Board's Web site at <http://www.federalreserve.gov/creditcardcalculator>. (TTY toll-free telephone number: 1-888-319-4802.)" 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 chartered credit unions (as defined in section 101 of the Federal Credit Union Act), with total assets not exceeding \$250 million, as of December 31, 2009.

(B) FTC-regulated credit card issuers. This paragraph applies to card issuers that are subject to the Federal Trade Commission's authority under the Truth in Lending Act to enforce the act and this regulation as to a card issuer. The card issuer must disclose the following statement with a bold heading on each periodic statement, in accordance with the format requirements of paragraph (b)(13) of this section: "**Minimum Payment Warning:** 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 the Federal Trade Commission at this toll-free telephone number: [toll-free telephone number established

by the FTC] or visit the FTC's Web site at [Web site established by the FTC]. (TTY toll-free telephone number: [TTY toll-free telephone number established by the FTC].)"

The card issuer may, at its option, substitute an example that uses an annual percentage rate that is greater than 17 percent. The card issuer must disclose the toll-free telephone numbers and Web site established by or on behalf of the Federal Trade Commission.

(iii) Actual repayment disclosure through a toll-free telephone number. A card issuer that chooses this option for complying with the requirements of paragraph (b)(12) of this section must disclose the following statement with a bold heading on each periodic statement in accordance with the format requirements of paragraph (b)(13) of this section: "**Minimum Payment Warning:** 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 an estimate of how long it will take you to repay your balance making only minimum payments, call this toll-free telephone number:-----." The card 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 to this part, and disclose this toll-free telephone number as part of the statement above. In responding to a request for an actual repayment disclosure, as described in appendix M2 to this part, through the toll-free telephone number, the card issuer may not provide any repayment information other than the repayment information required or permitted by appendix M2 to this part.

(iv) Actual repayment disclosure on the periodic statement. A card issuer that chooses this option for complying with the requirements of paragraph (b)(12) of this section must provide on each periodic statement, in accordance with the format requirements of paragraph (b)(13) of this section, a disclosure of the actual repayment

information as described in appendix M2 to this part, in a form substantially similar to Sample G-18(C) in appendix G to this part.

(v) 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 the entire outstanding balance is subject to a fixed repayment period specified in the account agreement and the required minimum payments applicable to that balance will amortize the outstanding balance within the fixed repayment period;

(G) A billing cycle immediately following two consecutive billing cycles in which the consumer paid the entire balance in full, had a zero outstanding balance or had a credit balance; and

(H) A billing cycle where paying the minimum payment due for that billing cycle will pay the entire outstanding balance on the account for that billing cycle.

(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 amount of the late-payment 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, late-payment fee and annual percentage rate, ending balance, minimum payment due, and minimum payment disclosure shall be grouped together. Samples G-18(D) or G-18(E) in appendix G to this part set forth examples of how these terms may be grouped.

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 to read as follows:

§ 226.8 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.¹⁶

(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 identification¹⁷ of the property or services purchased, for creditors and sellers that are the same or related;¹⁸ or

¹⁶ [Reserved]

(ii) The seller's name; and the city and state or foreign country where the transaction took place.¹⁹ 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.

(b) Nonsale credit. For each credit transaction not involving the sale of property or services, the creditor must disclose a brief identification of the transaction;²⁰ 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

¹⁷ [Reserved]

¹⁸ [Reserved]

¹⁹ [Reserved]

²⁰ [Reserved]

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)(26), 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.

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

§ 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(a)(5) and (b)(5)(iii) 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 Model Form G-4 or Model Form G-4(A) in appendix G to this part, as applicable. Creditors offering home-equity plans subject to the requirements of § 226.5b may use either Model Form, at their option.

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

(1) If a creditor, within 30 days after mailing or delivering the account-opening disclosures under § 226.6(a)(1) or (b)(3)(ii)(A), 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 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 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)(1) or (b)(3)(ii)(A), 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) are mailed or delivered, or are provided within 30 days of the account-opening disclosures and the finance charge terms for the checks differ from the finance charge terms previously disclosed, 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 to this part:

(A) If a promotional rate, as that term is defined in § 226.16(g)(2)(i) applies to the checks:

(1) The promotional rate and the time period during which the promotional rate will remain in effect;

(2) The type of rate that will apply (such as whether the purchase or cash advance rate applies) after the promotional rate expires, and the annual percentage rate that will apply after the promotional rate expires. For 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; and

(3) The date, if any, by which the consumer must use the checks in order to qualify for the promotional rate. If the creditor will honor checks used after such date but will apply an annual percentage rate other than the promotional rate, the creditor must disclose this fact and the type of annual percentage rate that will apply if the consumer uses the checks after such date.

(B) If no promotional rate applies to the checks:

(1) The type of rate that will apply to the checks and the applicable annual percentage rate. For 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)(2)(iv); 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. When disclosing whether there is a grace period, the phrase “How to Avoid Paying Interest on Check Transactions” shall be used as the row heading when a grace period applies to credit extended by the use of the checks. When disclosing the fact that no grace period exists for credit extended by use of the checks, the phrase “Paying Interest” shall be used as the row heading.

(ii) Accuracy. The disclosures in paragraph (b)(3)(i) of this section must be accurate as of the time the disclosures are mailed or delivered. A variable annual percentage rate is accurate if it was in effect within 60 days of when the disclosures are mailed or delivered.

(c) Change in terms. (1) Rules affecting home-equity plans. (i) Written notice required. For home-equity plans subject to the requirements of § 226.5b, 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; the notice shall be given, however, before the effective date of the change.

(ii) Notice not required. For home-equity plans subject to the requirements of § 226.5b, a creditor is not required to provide notice under this section when the change involves a reduction of any component of a finance or other charge or when the change results from an agreement involving a court proceeding.

(iii) Notice to restrict credit. For home-equity plans subject to the requirements of § 226.5b, if the creditor prohibits additional extensions of credit or reduces the credit limit pursuant to § 226.5b(f)(3)(i) or (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)(3), (b)(4) or (b)(5) 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 (g) of this section instead of paragraph (c)(2) of this section.

(ii) Charges not covered by § 226.6(b)(1) and (b)(2). 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)(3) that is not required to be disclosed under § 226.6(b)(1) and (b)(2), a creditor may either, at its option:

(A) Comply with the requirements of paragraph (c)(2)(i) of this section; or

(B) Provide notice of the amount of the charge before the consumer agrees to or becomes obligated to pay the charge, at a time and in a manner that a consumer would be likely to notice the disclosure of 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 to § 226.6(b)(1) and (b)(2), 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 required by § 226.6(b)(1) and (b)(2);

(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;

(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; and

(7) If the change in terms being disclosed is an increase in an annual percentage rate, the balances to which the increased rate will be applied. If applicable, a statement identifying the balances to which the current rate will continue to apply as of the effective date of the change in terms.

(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 to this part. The table must disclose the changed term and information relevant to the change, if that relevant information is required by § 226.6(b)(1) and (b)(2). The new terms shall be described in the same level of detail as required when disclosing the terms under § 226.6(b)(2).

(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 front of any page of the statement. The summary of changes described in paragraph (c)(1)(iii)(A)(1) of this section must immediately follow the information described in

paragraph (c)(2)(iii)(A)(2) through (c)(2)(iii)(A)(7) of this section, and be substantially similar to the format shown in Sample G-20 in appendix G to this part.

(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 (c)(1)(iii)(A)(7) of this section, substantially similar to the format shown in Sample G-20 in appendix G to this part.

(iv) Notice not required. For open-end plans (other than home equity plans 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 (b)(7) that would apply if the account were renewed;^{20a} and

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

^{20a} [Reserved]

(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 to the cardholder written notice of the change not less than 30 days before the change in provider 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, except as provided in paragraph (g)(4) of this section, 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 delinquency or default rate or penalty rate, as applicable, has been triggered;

(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;

(D) A statement indicating to which balances the delinquency or default rate or penalty rate will be applied; and

(E) If applicable, a description of any balances to which the current rate will continue to apply as of the effective date of the rate increase, unless a consumer fails to make a minimum periodic payment within 30 days from the due date for that payment.

(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 any page of the periodic statement, 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) or (g)(4)(ii) of this section.

(4) Exceptions. (i) Workout arrangements. A creditor is not required to provide a notice pursuant to paragraph (g)(1) of this section if a rate applicable to a category of transactions is increased as a result of the consumer's default, delinquency or as a

penalty, in each case for failure to comply with the terms of a workout arrangement between the creditor and the consumer, provided that:

(A) The rate following any such increase does not exceed the rate that applied to the category of transactions prior to commencement of the workout arrangement; or

(B) If the rate that applied to a category of transactions prior to the commencement of the workout arrangement was a variable rate, the rate following any such increase is a variable rate determined by the same formula (index and margin) that applied to the category of transactions prior to commencement of the workout arrangement.

(ii) Decrease in credit limit. A creditor is not required to provide, prior to increasing the rate for obtaining an extension of credit that exceeds the credit limit, a notice pursuant to paragraph (g)(1) of this section, provided that:

(A) The creditor provides at least 45 days in advance of imposing the penalty rate a notice, in writing, that includes:

(1) A statement that the credit limit on the account has been or will be decreased.

(2) A statement indicating the date on which the penalty rate will apply, if the outstanding balance exceeds the credit limit as of that date;

(3) A statement that the penalty rate will not be imposed on the date specified in paragraph (g)(4)(ii)(A)(2) of this section, if the outstanding balance does not exceed the credit limit as of that date;

(4) The circumstances under which the penalty rate, if applied, will cease to apply to the account, or that the penalty rate, if applied, will remain in effect for a potentially indefinite time period;

(5) A statement indicating to which balances the penalty rate may be applied; and

(6) If applicable, a description of any balances to which the current rate will continue to apply as of the effective date of the rate increase, unless the consumer fails to make a minimum periodic payment within 30 days from the due date for that payment; and

(B) The creditor does not increase the rate applicable to the consumer's account to the penalty rate if the outstanding balance does not exceed the credit limit on the date set forth in the notice and described in paragraph 9(g)(4)(ii)(A)(2) of this section.

(C) (1) If a notice provided pursuant to paragraph (g)(4)(ii)(A) of this section is included on or with a periodic statement, the information described in paragraph (g)(4)(ii)(A) of this section must be in the form of a table and provided on the front of any page of the periodic statement; or

(2) If a notice required by paragraph (g)(4)(ii)(A) of this section is not included on or with a periodic statement, the information described in paragraph (g)(4)(ii)(A) of this section must be disclosed on the front of the first page of the notice. Only information related to the reduction in credit limit may be included with the notice, except that this notice may be combined with a notice described in paragraph (c)(2)(iii)(A) or (g)(1) of this section.

(iii) Certain rate increases applicable to outstanding balances. A creditor is not required to provide a notice pursuant to paragraph (g)(1) of this section prior to increasing the rate applicable to an outstanding balance as defined in 12 CFR § 227.24(a)(2), if:

(A) The creditor previously provided a notice pursuant to paragraph (g)(1) of this section containing the content specified in paragraph (g)(3) of this section;

(B) After that notice is provided but prior to the effective date of the rate increase or rate increases disclosed in the notice pursuant to paragraph (g)(3)(i)(B) of this section, the consumer fails to make a required minimum periodic payment within 30 days from the due date for that payment; and

(C) The rate increase applicable to outstanding balances takes effect on the effective date set forth in the notice.

12. Section 226.10 is amended by republishing paragraph (a) and (c), revising paragraph (b), and adding a new paragraph (d) to read as follows:

§ 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. (1) General rule. A creditor may specify reasonable requirements for payments that enable most consumers to make conforming payments.

(2) Examples of reasonable requirements for payments. Reasonable requirements for making payment may include:

(i) Requiring that payments be accompanied by the account number or payment stub;

(ii) Setting reasonable cut-off times for payments to be received by mail, by electronic means, by telephone, and in person. For example, it would be reasonable for a

creditor to set a cut-off time for payments by mail of 5 p.m. on the payment due date at the location specified by the creditor for the receipt of such payments;

- (iii) Specifying that only checks or money orders should be sent by mail;
- (iv) Specifying that payment is to be made in U.S. dollars; or
- (v) Specifying one particular address for receiving payments, such as a post office box.

(3) Nonconforming 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.

(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.

(d) Crediting of payments when creditor does not receive or accept payments on due date. If the due date for payments is a day on which the creditor does not receive or accept payments by mail, the creditor may not treat a payment received by mail the next business day as late for any purpose.

13. Section 226.11 is revised to read as follows:

§ 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) Credit the amount of the credit balance to the consumer's account;
- (2) Refund any part of the remaining credit balance within seven business days from receipt of a written request from the consumer;
- (3) 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) A creditor 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 or more consecutive months. An account is inactive for purposes of this paragraph 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 to read as follows:

§ 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.²¹

(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 use²² 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 notice²³ 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

²¹ [Reserved]

²² [Reserved]

²³ [Reserved]

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. 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.²⁴ (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.²⁵

(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 (c)(2) of this section apply only if:

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

(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.²⁶

²⁴ [Reserved]

²⁵ [Reserved]

²⁶ [Reserved]

(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 is to be reflected as a credit to the consumer's credit card account, that creditor shall, within 7 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 3 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 revising paragraphs (a), (b), (d), (g)(2) and (g)(3), republishing paragraphs (c), (e), (f), (g)(1), (g)(4), (h), and (i), and removing and reserving footnotes 27 through 31 to read as follows:

§ 226.13 Billing error resolution.²⁷

(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, 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.

²⁷ [Reserved]

(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.²⁸ A billing error notice is a written notice²⁹ from a consumer that:

(1) Is received by a creditor at the address disclosed under § 226.7(a)(9) or (b)(9), as applicable, 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

²⁸ [Reserved]

²⁹ [Reserved]

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).³⁰ If the cardholder 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

³⁰ [Reserved]

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.

(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,³¹ 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;

³¹ [Reserved]

(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:

(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 (b)(3), as applicable, and § 226.7(a)(8) or (b)(8), as applicable, 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 (b)(3), as applicable, and § 226.7(a)(8) or (b)(8), as applicable 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), and (c) and by removing and reserving footnotes 31a through 35 to read as follows:

§ 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 $\frac{1}{8}$ th of 1 percentage point above or below the annual percentage rate determined in accordance with this section.^{31a} 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. 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, 226.16 , and 226.26 shall be computed by multiplying each periodic rate by the number of periods in a year.

(c) Optional effective annual percentage rate for periodic statements for creditors offering open-end plans subject to the requirements of § 226.5b. A creditor offering an open-end plan subject to the requirements of § 226.5b need not disclose an effective annual percentage rate. Such 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:

(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:

^{31a} [Reserved]

(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 applicable³² and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year.³³ 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

³² [Reserved]

³³ [Reserved]

quotient (expressed as a percentage) by the number of billing cycles in a year,³⁴ 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.³⁵ 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 to this part regarding determination of the denominator of the fraction under this paragraph.

(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 (c)(3) of this section.

(d) Calculations where daily periodic rate applied. If the provisions of paragraph (c)(1)(ii) or (c)(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:

(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

³⁴ [Reserved]

³⁵ [Reserved]

(2) By dividing the total finance charge by the sum of the daily balances and multiplying the quotient by 365.

17. Section 226.16 is amended by republishing paragraph (a), revising paragraphs (b), (c), (d), and (e), adding new paragraphs (f), (g), and (h), and removing and reserving footnotes 36d and 36e to read as follows:

§ 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)(3) 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 (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 this paragraph is set forth in an advertisement, the advertisement shall also clearly and conspicuously set forth the following:^{36d}

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

(ii) 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.

^{36d} [Reserved]

(iii) Any membership or participation fee that could be imposed.

(2) If an advertisement for credit to finance the purchase of goods or services specified in the advertisement states a periodic payment amount, the advertisement shall also state the total of payments and the time period to repay the obligation, assuming that the consumer pays only the periodic payment amount advertised. The disclosure of the total of payments and the time period to repay the obligation must be equally prominent to the statement of the periodic payment amount.

(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), 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) 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.

(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)(1) or (a)(2) 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 with equal prominence and in close proximity to the initial rate:

(i) The period of time such initial rate will be in effect; and

(ii) 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 of any minimum periodic payment and a balloon payment may result if only the minimum periodic payments are made, even if such a payment is uncertain or unlikely, the advertisement also shall state with equal prominence and in close proximity to the minimum periodic payment statement that a balloon payment may result, if applicable.^{36e} A balloon payment

^{36e} [Reserved.]

results if paying the minimum periodic payments does not fully amortize the outstanding balance by a specified date or time, and the consumer is required to repay the entire outstanding balance at such time. If a balloon payment will occur when the consumer makes only the minimum payments required under the plan, an advertisement for such a program which contains any statement of any minimum periodic payment shall also state with equal prominence and in close proximity to the minimum periodic payment statement:

(i) That a balloon payment will result; and

(ii) The amount and timing of the balloon payment that will result if the consumer makes only the minimum payments for the maximum period of time that the consumer is permitted to make such payments.

(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. If an advertisement distributed in paper form or through the Internet (rather than by radio or television) is for a home-equity plan secured by the consumer's principal dwelling, and the advertisement states that the advertised extension of credit may exceed the fair market value of the dwelling, the advertisement shall clearly and conspicuously state that:

(i) The interest on the portion of the credit extension that is greater than the fair market value of the dwelling is not tax deductible for Federal income tax purposes; and

(ii) The consumer should consult a tax adviser for further information regarding the deductibility of interest and charges.

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

(6) Promotional rates and payments. (i) Definitions. The following definitions apply for purposes of paragraph (d)(6) of this section:

(A) Promotional rate. The term “promotional rate” means, in a variable-rate plan, any annual percentage rate that is not based on the index and margin that will be used to make rate adjustments under the plan, if that rate is less than a reasonably current annual percentage rate that would be in effect under the index and margin that will be used to make rate adjustments under the plan.

(B) Promotional payment. The term “promotional payment” means:

(1) For a variable-rate plan, any minimum payment applicable for a promotional period that:

(i) Is not derived by applying the index and margin to the outstanding balance when such index and margin will be used to determine other minimum payments under the plan; and

(ii) Is less than other minimum payments under the plan derived by applying a reasonably current index and margin that will be used to determine the amount of such payments, given an assumed balance.

(2) For a plan other than a variable-rate plan, any minimum payment applicable for a promotional period if that payment is less than other payments required under the plan given an assumed balance.

(C) Promotional period. A “promotional period” means a period of time, less than the full term of the loan, that the promotional rate or promotional payment may be applicable.

(ii) Stating the promotional period and post-promotional rate or payments. If any annual percentage rate that may be applied to a plan is a promotional rate, or if any payment applicable to a plan is a promotional payment, the following must be disclosed in any advertisement, other than television or radio advertisements, in a clear and conspicuous manner with equal prominence and in close proximity to each listing of the promotional rate or payment:

(A) The period of time during which the promotional rate or promotional payment will apply;

(B) In the case of a promotional rate, any annual percentage rate that will apply under the plan. If such rate is variable, the annual percentage rate must be disclosed in accordance with the accuracy standards in §§ 226.5b or 226.16(b)(1)(ii) as applicable; and

(C) In the case of a promotional payment, the amounts and time periods of any payments that will apply under the plan. In variable-rate transactions, payments that will be determined based on application of an index and margin shall be disclosed based on a reasonably current index and margin.

(iii) Envelope excluded. The requirements in paragraph (d)(6)(ii) of this section do not apply to an envelope 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.

(e) Alternative disclosures—television or radio advertisements. An advertisement made through television or radio stating any of the terms requiring additional disclosures under paragraphs (b)(1) or (d)(1) of this section may alternatively comply with paragraphs (b)(1) or (d)(1) of this section by stating the information required by paragraphs (b)(1)(ii) or (d)(1)(ii) of this section, as applicable, and listing a toll-free telephone number, or any telephone number that allows a consumer to reverse the phone charges when calling for information, along with a reference that such number may be used by consumers to obtain the additional cost information.

(f) 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.

(g) Promotional Rates. (1) Scope. The requirements of this paragraph apply to any 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. (i) Promotional rate means any annual percentage rate applicable to one or more balances or transactions on an open-end (not home-secured) plan for a specified period of time that is lower than the annual percentage rate that will be in effect at the end of that period on such balances or transactions.

(ii) Introductory rate means a promotional rate offered in connection with the opening of an account.

(iii) Promotional period means the maximum time period for which the promotional 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 in a written or electronic advertisement.

(4) Stating the promotional period and post-promotional rate. If any annual percentage rate that may be applied to the account is a promotional rate under paragraph (g)(2)(i) of this section, the information in paragraphs (g)(4)(i) and (g)(4)(ii) of this section must be stated in a clear and conspicuous manner in the advertisement. If the rate is stated in a written or electronic advertisement, the information in paragraphs (g)(4)(i) and (g)(4)(ii) of this section must also be stated in a prominent location closely proximate to the first listing of the promotional rate.

(i) When the promotional rate will end; and

(ii) The annual percentage rate that will apply after the end of the promotional period. If such rate is variable, the annual percentage rate must comply with the accuracy standards in §§ 226.5a(c)(2), 226.5a(d)(3), 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 at least in part 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 (g)(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.

18. Section 226.30 is amended by republishing the introductory text and paragraphs (a) and (b) and by removing and reserving footnote 50.

§ 226.30 Limitation on rates.

A creditor shall include in any consumer credit contract secured by a dwelling and subject to the act and this regulation the maximum interest rate that may be imposed during the term of the obligation⁵⁰ when:

(a) In the case of closed-end credit, the annual percentage rate may increase after consummation, or

(b) In the case of open-end credit, the annual percentage rate may increase during the plan.

19. Appendix E to part 226 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 the card issuer and the seller are the same or related persons; no finance charge is imposed; 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 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

⁵⁰ [Reserved.]

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(a)(5) or § 226.6(b)(5)(iii).
2. Section 226.6(a)(2) or § 226.6(b)(3)(ii)(B) , as applicable. The disclosure required by § 226.6(a)(2) or § 226.6(b)(3)(ii)(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.
3. Section 226.6(a)(4) or § 226.6(b)(5)(ii).
4. Section 226.7(a)(2) or § 226.7(b)(2), as applicable; § 226.7(a)(9) or § 226.7(b)(9), as applicable. Creditors may comply by placing the required disclosures on the invoice or statement sent to the consumer for each transaction.
5. Section 226.9(a). Creditors may comply by mailing or delivering the statement required by § 226.6(a)(5) or § 226.6(b)(5)(iii) (see appendix G-3 and G-3(A) to this part) 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(a)(5) or § 226.6(b)(5)(iii), or an alternative billing error rights statement substantially similar to that in appendix G-4 and G-4(A) to this part, with each invoice sent to a consumer.
6. Section 226.9(c). A tabular format is not required.
7. Section 226.10.
8. 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.

9. Section 226.12 including § 226.12(c) and (d), as applicable. Section 226.12(e) is inapplicable.

10. 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.

11. Section 226.15, as applicable.

20. Appendix F to Part 226 is revised to read as follows:

**APPENDIX F TO PART 226—OPTIONAL ANNUAL PERCENTAGE RATE COMPUTATIONS
FOR CREDITORS OFFERING OPEN-END PLANS SUBJECT TO THE REQUIREMENTS OF
§ 226.5B**

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 balances³² subject to periodic rates to the sum of the amounts subject to specific transaction charges. (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.”) 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

³²[Reserved]

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 1½ 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 4½ 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 1½ 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 3½ percent x 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.

21. Appendix G to Part 226 is amended by:

A. Revising the table of contents at the beginning of the appendix;

B. Revising Forms G-1, G-2, G-3, G-4, G-10(A), G-10(B), G-11, and G-13(A) and (B);

C. Revising the headings of Forms G-1, G-3, G-4, and G-10(C);

D. Adding new Forms G-1(A), G-2(A), G-3(A), G-4(A), G-10(D) and (E), G-16(A) and (B), G-17(A) through (D), G-18(A) through (G), G-19, G-20, and G-21 in numerical order; and

E. Removing and reserving Form G-12.

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

G-1 Balance Computation Methods Model Clauses (Home-equity Plans) (§§ 226.6 and 226.7)

G-1(A) Balance Computation Methods Model Clauses (Plans other than Home-equity Plans) (§§ 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) (§ 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

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)(2))
- G-17(B) Account-opening Sample (§ 226.6(b)(2))
- G-17(C) Account-opening Sample (§ 226.6(b)(2))
- G-17(D) Account-opening Sample (§ 226.6(b)(2))
- G-18(A) Transactions; Interest Charges; Fees Sample (§ 226.7(b))
- G-18(B) Late Payment Fee Sample (§ 226.7(b))
- G-18(C) Actual Repayment Period Sample Disclosure on Periodic Statement
(§ 226.7(b))
- G-18(D) New Balance, Due Date, Late Payment and Minimum Payment Sample (Credit
cards) (§ 226.7(b))
- G-18(E) New Balance, Due Date, and Late Payment Sample (Open-end Plans (Non-
credit-card Accounts)) (§ 226.7(b))
- G-18(F) Periodic Statement Form
- G-18(G) 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 (Home-equity Plans)

(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).

(f) Daily balance method (including current transactions)

We figure [a portion of] the finance charge on your account by applying the periodic rate to the “daily balance” of your account for each day in the billing cycle. To get the “daily balance” we take the beginning balance of your account each day, add any new [purchases/advances/fees], and subtract [any unpaid finance charges and] any payments or credits. This gives us the daily balance.

G-1(A) – Balance Computation Methods Model Clauses (Plans Other Than Home-equity Plans)

(a) Adjusted balance method

We figure the interest 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 interest or other finance charges and] any payments and credits received during the present billing cycle.

(b) Previous balance method

We figure the interest charge on your account by applying the periodic rate to the amount you owe at the beginning of each billing cycle. We do not subtract any payments or credits received during the billing cycle.

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

We figure the interest charge on your account by applying the periodic rate to the “average daily balance” of your account. To get the “average daily balance” we take the beginning balance of your account each day and subtract [any unpaid interest or other finance charges and] any payments or credits. We do not add in any new [purchases/advances/fees]. 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 the interest charge on your account by applying the periodic rate to the “average daily balance” of your account. To get the “average daily balance” we take the beginning balance of your account each day, add any new [purchases/advances/fees], and subtract [any unpaid interest or other finance charges and] any payments or credits. 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 the interest charge on your account by applying the periodic rate to the amount you owe at the end of each billing cycle (including new [purchases/advances/fees] and deducting payments and credits made during the billing cycle).

(f) Daily balance method (including current transactions)

We figure the interest charge on your account by applying the periodic rate to the “daily balance” of your account for each day in the billing cycle. To get the “daily balance” we take the beginning balance of your account each day, add any new [purchases/advances/fees], and subtract [any unpaid interest or other finance charges and] any payments or credits. This gives us the daily balance.

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. [You may also contact us on the Web: [Creditor Web or e-mail address]] In any case, your liability will not exceed [insert \$50 or any lesser amount under agreement with the cardholder].

G-2(A)—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 may also contact us on the Web: [Creditor Web or e-mail address]]

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 may also contact us on the Web: [Creditor Web or e-mail address]] 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]

[You may also contact us on the Web: [Creditor Web or e-mail 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 [or electronically]. 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 on that amount.
- 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 are dissatisfied with the goods or services that you have purchased with your 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 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 not yet have fully paid for the purchase.

If all of the criteria above are met and you are still dissatisfied with the purchase, contact us in writing [or electronically] at:

[Creditor Name]

[Creditor Address]

[[Creditor Web or e-mail 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. [You may also contact us on the Web: [Creditor Web or e-mail address]] 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]

[You may also contact us on the Web: [Creditor Web or e-mail 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 [or electronically] . 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 on that amount.
- The charge in question may remain on your statement, and we may continue to charge you interest on that amount. But, if we determine that we made a mistake, you will not have to pay the amount in question or any interest or other fees related to 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 are dissatisfied with the goods or services that you have purchased with your 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 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 not yet have fully paid for the purchase.

If all of the criteria above are met and you are still dissatisfied with the purchase, contact us in writing [or electronically] at:

[Creditor Name]

[Creditor Address]

[[Creditor Web 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.

* * * * *

[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)

[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 us at (address)].

(b) 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]

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-17(D) Account-Opening Sample

[Insert G-17(D) 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) 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(C) Actual Repayment Period Sample Disclosure on Periodic Statement

(a) When Zero or Negative Amortization Does Not Occur

Minimum Payment Warning: If you make only the minimum payment on time each month and no other amounts are added to the balance, we estimate that it will take you approximately 13 months to pay off the balance shown on this statement.

(b) When Zero or Negative Amortization Occurs

Minimum Payment Warning: You will never pay off the outstanding balance shown on this statement if you only pay the minimum payment.

G-18(D) New Balance, Due Date, Late Payment and Minimum Payment Sample (Credit Card)

[Insert G-18(D) New Balance, Due Date, Late Payment and Minimum Payment Sample
(Credit Card)]

G-18(E) New Balance, Due Date, and Late Payment Sample (Open-end Plans (Non-
credit-card Accounts))

[Insert G-18(E) New Balance, Due Date, and Late Payment Sample (Open-end Plans
(Non-credit-card Accounts))]

G-18(F) Periodic Statement Form

[Insert G-18(F) Periodic Statement Form]

G-18(G) Periodic Statement Form

[Insert G-18(G) 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]

22. Appendix H to part 226 is amended by revising the table of contents, and
adding new forms H-17(A) and H-17(B).

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 [insert charge for the initial term of coverage]. 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 \$200.00. 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 _____

23. New appendix M1, appendix M2, and appendix M3 to part 226 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. (1) When calculating the generic repayment estimate for general purpose credit cards, a card issuer must use the minimum payment formula that applies to most of its general purpose consumer 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 consumer credit card accounts held by the issuer on that day, and determine which formula applies to the most accounts. In considering all general purpose credit card accounts, a creditor may use a statistical sample of its general purpose consumer credit card accounts developed and validated using accepted statistical principles and methodology. In choosing which formula is the “most common,” the issuer may ignore differences among the formulas related to whether past due amounts or over-the-credit-limit amounts are included in the formula for calculating the minimum payment.

(2) If more than one minimum payment formula applies to an account, the card issuer must use the formula applicable to the general-revolving feature that applies to new transactions to determine which formula is most common. In addition, if more than one minimum payment formula applies to an account, when calculating the generic repayment estimate, the issuer must use the “most common” minimum payment formula applicable to the general revolving feature identified above and apply it to the entire balance on the account as described in paragraph (a)(4) of this appendix, regardless of whether this formula applies to a particular balance on that account. For example,

assume for all of its accounts, an issuer uses one minimum payment formula to calculate the minimum payment amount for balances existing before January 1, 2009, and uses a different minimum payment formula to calculate the minimum payment amount for balances incurred on or after January 1, 2009. To calculate the minimum payment amount, this creditor must use the minimum payment formula applicable to balances incurred on or after January 1, 2009, and apply that formula to the entire outstanding balance.

(3) Card issuers must re-evaluate which minimum payment formula is most common at least 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 determine the minimum payment formula that is most common, but the day that is chosen need not be the same day chosen the previous year. At the issuer's option, the issuer may re-evaluate which minimum payment formula is most common more often than every 12 months. In the example above, if the issuer changed the minimum formula that applies to most of its credit card accounts on October 1 of a particular year, the issuer could change the minimum payment formula used to calculate the generic repayment estimates on October 1. For the following and each subsequent year, the issuer may either continue to evaluate which minimum payment formula is the most common during the January 5 to July 4 timeframe, or may switch to choosing any

day in the six months prior to October 1 of a particular year to evaluate which minimum payment formula is most common.

(B) Retail credit cards. (1) 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 consumer 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 consumer credit card accounts for each retailer held by the issuer on that day, and determine which formula applies to the most accounts for that retailer. In considering all retail purpose credit card accounts, a creditor may use a statistical sample of its retail purpose consumer credit card accounts developed and validated using accepted statistical principles and methodology. In determining which formula is the “most common,” the issuer may ignore differences among the formulas related to whether past due amounts or over-the-credit-limit amounts are included in the formula for calculating the minimum payment.

(2) If more than one minimum payment formula applies to an account, the card issuer must use the formula applicable to the general revolving feature that applies to new transactions to determine which formula is most common for each retailer. In addition, if more than one minimum payment formula applies to an account, when calculating the generic repayment estimate, the issuer must use the “most common” minimum payment

formula applicable to the general revolving feature identified above for each retailer and apply it to the entire balance on the account as described in paragraph (a)(4) of this appendix, regardless of whether this formula applies to a particular balance on that account. For example, assume for all of its accounts, a creditor uses the following minimum payment formulas: (1) a minimum payment formula applicable to a general revolving feature that applies to balances existing before January 1, 2009; (2) a minimum payment formula applicable to a general revolving feature that applies to balances incurred on or after January 1, 2009; and (3) a minimum payment formula applicable to special purchases, such as “club plan purchases.” To calculate the minimum payment amount, this creditor must use the minimum payment formula applicable to the general revolving feature that applies to balances incurred on or after January 1, 2009, and apply that formula to the entire outstanding balance.

(3) Card issuers must re-evaluate which minimum payment formula is most common for retail credit card accounts with respect to each retailer at least 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 determine 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 determine the minimum payment formula that is most common, but the day that is chosen need not be the same day chosen the previous year. At the issuer’s option, the issuer may re-evaluate which minimum payment formula is most common more often than every 12 months. In the example above, if the issuer changed the minimum formula that applies to most of its credit card accounts on October

1 of a particular year, the issuer could change the minimum payment formula used to calculate the generic repayment estimates on October 1. For the following and each subsequent year, the issuer may either continue to evaluate which minimum payment formula is the most common during the January 5 to July 4 timeframe, or may switch to choosing any day in the six months prior to October 1 of a particular year to evaluate which minimum payment formula is most common.

(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. When calculating the generic repayment estimate, credit card issuers and the FTC may round the beginning

balance as described above to the nearest whole dollar or prompt the consumer to enter that balance rounded to the nearest whole dollar.

(5) Assumptions. When calculating the generic repayment estimate, credit card issuers for each of the terms below, may either make the following assumption about that term, or use the account term that applies to a consumer's account.

(i) Only minimum monthly payments are made each month. In addition, minimum monthly payments are made each month – for example, a debt cancellation or suspension agreement, or skip payment feature does not apply to the account.

(ii) No additional extensions of credit are obtained, such as new purchases, transactions, fees, charges or other activity. No refunds or rebates are given.

(iii) The annual percentage rate described in paragraph (a)(3) of this appendix will not change, through either the operation of a variable rate or the change to a rate. For example, if a penalty annual percentage rate currently applies to a consumer's account, an issuer may assume that the penalty annual percentage rate will apply to the consumer's account indefinitely, even if the consumer may potentially return to a non-penalty annual percentage rate in the future under the account agreement.

(iv) There is no grace period.

(v) The final payment pays the account in full (i.e., there is no residual interest 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 and leap year is ignored. A monthly or daily periodic rate may be assumed. If a daily periodic rate is assumed, the issuer may either

assume (1) a year is 365 days long, and all months are 30.41667 days long, or (2) a year is 360 days long, and all months are 30 days long.

(viii) Payments are credited on the last day of the month.

(ix) The account is not past due and the account balance does not exceed the credit limit.

(x) When calculating the generic repayment estimate, the assumed payments, current balance and interest charges for each month may be rounded to the nearest cent, as shown in appendix M3 to this part.

(6) Tolerance. A generic repayment estimate shall be considered accurate if it is not more than 2 months above or below the generic repayment estimate determined in accordance with the guidance in this appendix (prior to rounding described in paragraph (b)(1)(i) of this appendix). For example, assume the generic repayment estimate calculated using the guidance in this appendix is 28 months (2 years, 4 months), and the generic repayment estimate calculated by the issuer or the FTC is 30 months (2 years, 6 months). The generic repayment estimate should be disclosed as 2 years, due to the rounding rule set forth in paragraph (b)(1)(i) of this appendix. Nonetheless, based on the 30 month estimate, the issuer or FTC disclosed 3 years, based on that rounding rule. The issuer and the FTC would be in compliance with this guidance by disclosing 3 years, instead of 2 years, because the issuer's or FTC's estimate is within the 2 months' tolerance, prior to rounding. In addition, even if an issuer's or FTC's estimate is more than 2 months above or below the generic repayment estimate calculated using the guidance in this appendix, so long as the issuer or FTC discloses the correct number of years to the consumer based on the rounding rule set forth in paragraph (b)(1)(i) of this

appendix, the issuer or the FTC would be in compliance with this guidance. For example, assume the generic repayment estimate calculated using the guidance in this appendix is 32 months (2 years, 8 months), and the generic repayment estimate calculated by the issuer or the FTC is 38 months (3 years, 2 months). Under the rounding rule set forth in paragraph (b)(1)(i) of this appendix, both of these estimates would be rounded and disclosed to the consumer as 3 years. Thus, if the issuer or the FTC disclosed 3 years to the consumer, the issuer or the FTC would be in compliance with this guidance even though the generic repayment estimate calculated by the issuer or the FTC is outside the 2 months' tolerance amount.

(b) Disclosing the generic repayment estimate to consumers.

(1) Required disclosures. Except as provided in paragraph (b)(3) of this appendix, 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 annual percentage rate 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 may take to pay off the balance by only making minimum payments will differ based on the consumer's account terms and future account activity.

(vi) At the issuer's or the FTC's option, a description of the minimum payment formula(s) or the minimum payment amounts used to calculate the generic repayment estimate, including a disclosure of the dollar amount of the minimum payment calculated for the first month.

(vii) At the issuer's or the FTC's option, the total amount of interest that a consumer would pay if the consumer makes minimum payments for the length of time disclosed in the generic repayment estimate.

(2) Model language. Credit card issuers and the FTC may use the following disclosure to meet the requirements set forth in paragraph (b)(1) of this appendix as applicable:

It will take approximately ---- [months/years] to pay off a balance of \$ ---- with an APR of ----%, if you make only the minimum payment on time each month and no other amounts are added to the balance. This estimate is based on the information you provided and assumptions about your account. The actual time it may take you to pay off this balance by only making minimum payments will differ based on the terms of your account and future account activity.

(3) Zero or negative amortization. If zero or negative amortization occurs when calculating the generic repayment estimate, credit card issuers and the FTC must disclose

to the consumer that based on the information provided by the consumer and assumptions used to calculate the generic repayment estimate, the issuer or FTC estimates that consumer will never 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, as applicable: “Based on the information you provided and assumptions that we used to calculate the time to repay your balance, we estimate that you will never pay off your credit card balance if you only make the minimum payment because your payment is less than the interest charged each month.”

(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 appendix are given:

(i) A description of the assumptions used to calculate the generic repayment estimate as described in paragraph (a)(5) of this appendix.

(ii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this appendix 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 appendix, except they 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 appendix if the consumer made a fixed payment amount each month, allowing the consumer to select the amount of the fixed payment. For example,

an issuer or the FTC could prompt the consumer to enter in a payment amount in whole dollars (e.g., \$50) and disclose to the consumer how long it would take to repay the beginning balance if the consumer made that payment each month. In calculating this estimate, card issuers and the FTC must use the same terms described in paragraph (a) of this appendix, except they must assume the consumer made a fixed payment amount each month.

(iv) The monthly payment amount that would be required to pay off the beginning balance described in paragraph (b)(1)(ii) of this appendix within a specific number of months or years, allowing the consumer to select the payoff period. For example, an issuer or the FTC could prompt the consumer to enter in the number of years to repay the beginning balance, and disclose to the consumer the monthly payment amount that the consumer would need to pay each month in order to repay the balance in that number of years. In calculating the monthly payment amount, card issuers and the FTC must use the same terms described in paragraph (a) of this appendix, as appropriate.

(v) Reference to Web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(vi) The total amount of interest that a consumer may pay under repayment options described in paragraphs (b)(4)(ii), (iii) or (iv).

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 that are related by common ownership or control.

(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 the actual repayment disclosure, credit card issuers must use the minimum payment formula(s) that apply to a cardholder’s account. If more than one minimum payment formula applies to an account, the issuer must apply each minimum payment formula to the portion of the balance to which the formula applies. If any promotional terms related to payments apply to a cardholder’s account, such as a deferred billing plan where minimum payments are not required for 12 months, credit card issuers may assume no promotional terms apply to the account.

(3) Annual percentage rate. When calculating the actual repayment disclosure, 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 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. When calculating the actual repayment disclosure, credit card issuers may round the beginning balance as described above to the nearest whole dollar.

(5) Assumptions. When calculating the actual repayment disclosure, credit card issuers and the FTC for each of the terms below, may either make the following assumption about that term, or use the account term that applies to a consumer's account.

(i) Only minimum monthly payments are made each month. In addition, minimum monthly payments are made each month – for example, a debt cancellation or suspension agreement, or skip payment feature does not apply to the account.

(ii) No additional extensions of credit are obtained, such as new purchases, transactions, fees, charges or other activity. No refunds or rebates are given.

(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. For example, if a penalty annual percentage rate currently applies to a consumer's account, an issuer may assume that the penalty annual percentage rate will apply to the consumer's account indefinitely, even if the consumer may potentially return to a non-penalty annual percentage rate in the future under the account agreement.

(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 and leap year is ignored. A monthly or daily periodic rate may be assumed. If a daily periodic rate is assumed, the issuer may either

assume (1) a year is 365 days long, and all months are 30.41667 days long, or (2) a year is 360 days long, and all months are 30 days long.

(viii) Payments are credited on the last day of the month.

(ix) Payments are allocated to lower annual percentage rate balances before higher annual percentage rate balances.

(x) The account is not past due and the account balance does not exceed the credit limit.

(xi) When calculating the actual repayment estimate, the assumed payments, current balance and interest charges for each month may be rounded to the nearest cent, as shown in appendix M3 to this part.

(6) Tolerance. An actual repayment disclosure shall be considered accurate if it is not more than 2 months above or below the actual repayment disclosure determined in accordance with the guidance in this appendix (prior to rounding described in paragraph (b)(1)(i) of this appendix). For example, assume the actual repayment estimate calculated using the guidance in this appendix is 28 months (2 years, 4 months), and the actual repayment estimate calculated by the issuer is 30 months (2 years, 6 months). The actual repayment estimate should be disclosed as 2 years, due to the rounding rule set forth in paragraph (b)(1)(i) of this appendix. Nonetheless, based on the 30 month estimate, the issuer disclosed 3 years, based on that rounding rule. The issuer would be in compliance with this guidance by disclosing 3 years, instead of 2 years, because the issuer's estimate is within the 2 months' tolerance, prior to rounding. In addition, even if an issuer's estimate is more than 2 months above or below the actual repayment estimate calculated using the guidance in this appendix, so long as the issuer discloses the correct number of

years to the consumer based on the rounding rule set forth in paragraph (b)(1)(i) of this appendix, the issuer would be in compliance with this guidance. For example, assume the actual repayment estimate calculated using the guidance in this appendix is 32 months (2 years, 8 months), and the actual repayment estimate calculated by the issuer is 38 months (3 years, 2 months). Under the rounding rule set forth in paragraph (b)(1)(i) of this appendix, both of these estimates would be rounded and disclosed to the consumer as 3 years. Thus, if the issuer disclosed 3 years to the consumer, the issuer would be in compliance with this guidance even though the actual repayment estimate calculated by the issuer is outside the 2 months' tolerance amount.

(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 appendix, 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. If more than one minimum payment formula applies to an account, when calculating the actual repayment period, the issuer must apply each minimum payment formula to the portion of the balance to which the formula applies. The issuer may either disclose the longest repayment period calculated, or the repayment period calculated for each

minimum payment formula. For example, assume that an issuer uses one minimum payment formula to calculate the minimum payment amount for a general revolving feature, and another minimum payment formula to calculate the minimum payment amount for special purchases, such as a “club plan purchase.” Also, assume that based on a consumer’s balances in these features and the annual percentage rates that apply to such features, that the repayment period calculated pursuant to this appendix for the general revolving feature is 5 years, while the repayment period calculated for the special purchase feature is 3 years. This issuer may either disclose 5 years as the repayment period for the entire balance to the consumer, or disclose 5 years as the repayment period for the balance in the general revolving feature and 3 years as the repayment period for the balance in the special purchase feature.

(ii) The beginning balance on which the actual repayment disclosure is calculated.

(iii) The assumption that only minimum payments are made and no other amounts are added to the balance.

(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.

(v) At the issuer’s option, a description of the minimum payment formula(s) or the minimum payment amounts used to calculate the actual repayment disclosure, including a disclosure of the dollar amount of the minimum payment calculated for the first month.

(vi) At the issuer's option, the total amount of interest that a consumer would pay if the consumer makes minimum payments for the length of time disclosed in the actual repayment disclosure.

(2) Model language. Credit card issuers may use the following disclosure to meet the requirements set forth in paragraph (b)(1) of this appendix:

Your outstanding balance as of the last billing statement was \$-----. If you make only the minimum payment on time each month and no other amounts are added to your balance, we estimate that it would take approximately ----- [months/years] to pay off this balance. This estimate is based on several assumptions about the terms of your account and future account activity.

(3) Zero or negative amortization. If zero or 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 and on assumptions used to calculate the repayment estimate, the issuer estimates that the consumer will never 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, as applicable: "Your outstanding balance as of the last billing statement was \$-----. Based on the current terms applicable to your account and on assumptions that we used to calculate the time to repay your balance, we estimate that you will never pay off your credit card balance if you only make the minimum payment because your payment is less than the interest charged each month."

(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 appendix are given:

- (i) A description of the assumptions used to calculate the actual repayment disclosure as described in paragraph (a)(5) of this appendix.
- (ii) The length of time it would take to repay the beginning balance described in paragraph (b)(1)(ii) of this appendix 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 appendix used to calculate the actual repayment disclosure, except they 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 appendix if the consumer made a fixed payment amount each month, allowing the consumer to select the amount of the fixed payment. For example, an issuer could prompt the consumer to enter in a payment amount in whole dollars (e.g., \$50) and disclose to the consumer how long it would take to repay the beginning balance if the consumer made that payment each month. In calculating this estimate, card issuers must use the same terms described in paragraph (a) of this appendix to calculate the actual repayment disclosure, except they must assume the consumer made a fixed payment amount each month.
- (iv) The monthly payment amount that would be required to pay off the beginning balance described in paragraph (b)(1)(ii) of this appendix within a specific number of months or years, allowing the consumer to select the payoff period. For

example, an issuer could prompt the consumer to enter in the number of years to repay the beginning balance, and disclose to the consumer the monthly payment amount that the consumer would need to pay each month in order to repay the balance in that number of years. In calculating the monthly payment amount, card issuers must use the same terms described in paragraph (a) of this appendix, as appropriate.

(v) Reference to Web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(vi) The total amount of interest that a consumer may pay under repayment options described in paragraph (b)(4)(ii), (iii) or (iv) of this appendix.

(c) Disclosing the actual repayment disclosures on periodic statements.

(1) Required disclosures. Except as provided in paragraph (c)(3) of this appendix, 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 periodic statement.

(iii) The assumption that only minimum payments are made and no other amounts are added to the balance.

(iv) At the issuer's option, a description of the minimum payment formula(s) or the minimum payment amounts used to calculate the generic repayment estimate, including a disclosure of the dollar amount of the minimum payment calculated for the first month.

(v) At the issuer's option, the total amount of interest that a consumer would pay if the consumer makes minimum payments for the length of time disclosed in the actual repayment disclosure.

(2) Model form. Credit card issuers may use the disclosure in Sample G-18(C) in appendix G to this part to meet the requirements set forth in paragraph (c)(1) of this appendix.

(3) Zero or negative amortization. If zero or negative amortization occurs when calculating the actual repayment disclosure, credit card issuers must disclose to the consumer that the issuer estimates that the consumer will never pay off the balance by making only the minimum payment. Card issuers may use the disclosure in Sample G-18(C) in appendix G to this part 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) of this appendix 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 actual repayment disclosure.

(iii) A description of the assumptions used to calculate the actual repayment disclosure as described in paragraph (a)(5) of this appendix.

(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 appendix used to calculate the actual repayment disclosure, except they 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 paragraph (a) of this appendix used to calculate the actual repayment disclosure, except they 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 shown on the statement within a specific number of months or years. Card issuers may choose the specific number of months or years used in the calculation. In calculating the monthly payment amount, card issuers must use the same terms described in paragraph (a) of this appendix, as appropriate.

(vii) Reference to Web-based calculation tools that permit consumers to obtain additional estimates of repayment periods.

(viii) The total amount of interest that a consumer may pay under repayment options described in paragraphs (c)(4)(iv), (v) or (vi) of this appendix.

**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 to this part where the annual percentage rate 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;

* inputs;

* annual percentage rate; apr=0.17;

perrate=(apr/12); * calculate monthly periodic rate;
*perrate = ((1+(apr/365))**30.41667)-1; *this formula would be used if a daily
periodic rate is assumed, and a 365 day year is used with 30.41667 days per month;

* outstanding balance; cbal=1000;
* dollar minimum payment; dmin=20;
* percent minimum payment; pmin=0.02;

* initialize counter for months;
month=0;

eins:
month=month+1; * increment month counter;
pmt=round(pmin*cbal,0.01); * calculate payment as percentage of balance;

if pmt lt dmin then pmt=dmin; * set dollar minimum payment;
xxxbal=round(cbal*(1+perrate),0.01);
if pmt gt xxxbal then
    pmt=xxxbal; * set final payment amount;

fc=round(cbal*perrate,0.01); * calculate interest charge;
prpmt=pmt-fc; * calculate principal payment;

* print month, balance, payment amount, interest charge, and principal payment;
```

```
put month= cbal= pmt= fc= prpmt= ;
```

```
cbal=round(cbal-prpmt,0.01); * deduct principal payment from balance;
```

```
if cbal gt 0 then go to eins; * go to next month if balance is greater than zero;
```

```
* print number of months to repay debt, final balance (zero),  
  periodic rate;
```

```
put title= '  ';
```

```
put title='number of months to repay debt, final balance, periodic rate';
```

```
put month= cbal= perrate=;
```

```
put title= '  ';
```

```
run;
```

(b) Actual Repayment Disclosures. The following is an example of how to calculate the actual repayment disclosures using the guidance in appendix M2 to this part where three annual percentage rates 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, balance and periodic interest charges;
```

```
array apr(3);
```

```
array perrate(3);
```

```
array cbal(3);
```

```
array fc(3);
```

```
* inputs;
```

```
*initialize APRs, and balances, placing rates from lowest to highest;
```

```
*annual percentage rates from lowest to highest;
```

```
apr1=0.019;
```

```
apr2=0.17;
```

```
apr3=0.21;
```

```
cbal1=500; * outstanding balance associated with apr1;
```

```
cbal2=250; * outstanding balance associated with apr2;
```

```

cbal3=250; * outstanding balance associated with apr3;

dmin=20; * dollar minimum payment;
pmin=0.02; * percent minimum payment;

* initialize counter for months and total balance;
month=0;
tbal = 0;

*calculate periodic rates and initial total balance;

do I=1 to 3;
perrate(I)=(apr(I)/12); * calculate monthly periodic rate;

*the following formula would be used if a daily periodic rate is assumed, and a 365 day
year is used with 30.41667 days per month;
*perrate = ((1+(apr(I)/365))**30.41667)-1;

tbal= tbal+cbal(I);
end;

*calculate months to pay off for lowest rate balance;

do while (cbal(1) gt 0);
  month = month+1;
  pmt= round(pmin*tbal,.01); *calculate payment as percentage of balance;
  if pmt lt dmin then pmt=dmin; * set dollar minimum payment;

  do I=1 to 3;
  fc(I)= round (cbal(I)*perrate(I), 0.01); *calculate interest charges;
  end;

  do I=1 to 3;
  cbal(I)=cbal(I)+fc(I); tbal=tbal+fc(I); *add interest charges to balances;
  end;

  cbal(1)=cbal(1)-pmt; *applying payment to lowest APR balance;
  tbal = tbal-pmt;

end;

*calculate months to pay off for next lowest rate balance, if any, carrying over number
from lower rate balance;

cbal(2)=cbal(2)+cbal(1);

```

```

do while (cbal(2) gt 0);
  month=month+1;
  pmt=round (pmin*tbal, 0.01); *calculate payment as percentage of balance;
  if pmt lt dmin then pmt=dmin; * set dollar minimum payment;

  do I=2 TO 3;
    fc(I)=round (cbal(I)*perrate(I), 0.01); *calculate interest charges;
  end;

  do I=2 TO 3;
    cbal(I)=cbal(I)+fc(I); tbal=tbal+fc(I); *add interest charges to the balances;
  end;

  cbal(2)=cbal(2)-pmt; *applying payment to second lowest APR;
  tbal=tbal-pmt;

end;

*calculate months to pay off for next lowest rate balance, if any, carrying over number
from lower rate balances;

cbal(3)=cbal(3)+cbal(2);

do while (cbal(3) gt 0);
  month= month+1;
  pmt=round (pmin*tbal, 0.01); *calculate payment as percentage of balance;
  if pmt lt dmin then pmt=dmin; * set dollar minimum payment;

  fc(3)=round (cbal(3)*perrate(3), 0.01); *calculate interest charge;

  cbal(3)=cbal(3)+fc(3); *add interest charges to balance;

  tbal= tbal+fc(3);

  cbal(3)=cbal(3)-pmt; *applying payment to remaining balance;

  tbal = tbal-pmt;

end;

* print number of months to repay debt, final balance (zero),
periodic rate;
put title=' ';
put title='number of months to repay debt, final balance';
put month= tbal=;
put title=' ';
run;

```