Reg Z

to change prior to opening the plan.

which such actions may occur.

payment may result.10b

extensions of credit.

conditions.

§ 226.5b Requirements for home equity plans.

The requirements of this section apply to open-end credit plans secured by the consumer's dwelling. For purposes of this section, an annual percentage rate is the annual percentage rate corresponding to the periodic rate as determined under § 226.14(b). (a) Form of disclosures—(1) General. The disclosures required by paragraph (d) of this section shall

be made clearly and conspicuously and shall be grouped together and segregated from all unrelated information. The disclosures may be provided on the application form or on a separate form. The disclosure described in paragraph (d)(4)(iii), the itemization of third-party fees described in paragraph (d)(8), and the variable-rate information described in paragraph (d)(12) of this section may be provided separately from the other required disclosures.

(2) Precedence of certain disclosures. The disclosures described in paragraph (d)(1) through (4)(ii) of this section shall precede the other required disclosures. (3) For an application 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.

(b) Time of disclosures. The disclosures and brochure required by paragraphs (d) and (e) of this section shall be provided at the time an application is provided to the consumer. 10a

an application is provided. If such persons have the disclosures required under paragraph (d) of this section for a creditor's home equity plan, they also shall provide the disclosures at such time.

(d) Content of disclosures. The creditor shall provide the following disclosures, as applicable:

(1) Retention of information. A statement that the consumer should make or otherwise retain a copy

(2) Conditions for disclosed terms. (i) A statement of the time by which the consumer must submit an application to obtain specific terms disclosed and an identification of any disclosed term that is subject

(ii) A statement that, if a disclosed term changes (other than a change due to fluctuations in the index in a variable-rate plan) prior to opening the plan and the consumer therefore elects not to open the

(3) Security interest and risk to home. A statement that the creditor will acquire a security interest in

(ii) A statement that the consumer may receive, upon request, information about the conditions under

(iii) In lieu of the disclosure required under paragraph (d)(4)(ii) of this section, a statement of such

(ii) An explanation of how the minimum periodic payment will be determined and the timing of the payments. If paying only the minimum periodic payments may not repay any of the principal or may repay less than the outstanding balance, a statement of this fact, as well as a statement that a balloon

(iii) An example, based on a \$10,000 outstanding balance and a recent annual percentage rate,10c showing the minimum periodic payment, any balloon payment, and the time it would take to repay the \$10,000 outstanding balance if the consumer made only those payments and obtained no additional

(6) Annual percentage rate. For fixed-rate plans, a recent annual percentage rate10c imposed under

(7) Fees imposed by creditor. An itemization of any fees imposed by the creditor to open, use, or maintain the plan, stated as a dollar amount or percentage, and when such fees are payable.

(8) Fees imposed by third parties to open a plan. A good faith estimate, stated as a single dollar amount or range, of any fees that may be imposed by persons other than the creditor to open the plan, as well as a statement that the consumer may receive, upon request, a good faith itemization of

(9) Negative amortization. A statement that negative amortization may occur and that negative amortization increases the principal balance and reduces the consumer's equity in the dwelling.

(11) Tax implications. A statement that the consumer should consult a tax advisor regarding the

(10) Transaction requirements. Any limitations on the number of extensions of credit and the amount of credit that may be obtained during any time period, as well as any minimum outstanding balance

(12) Disclosures for variable-rate plans. For a plan in which the annual percentage rate is variable, the

(i) The fact that the annual percentage rate, payment, or term may change due to the variable-rate

(iv) An explanation of how the annual percentage rate will be determined, including an explanation of

(v) A statement that the consumer should ask about the current index value, margin, discount or

make later rate adjustments, and the period of time such initial rate will be in effect.

maximum annual percentage rate that may be imposed under each payment option.

(vi) A statement that the initial annual percentage rate is not based on the index and margin used to

(viii) Any rules relating to changes in the index value and the annual percentage rate and resulting changes in the payment amount, including, for example, an explanation of payment limitations and

(ix) A statement of any annual or more frequent periodic limitations on changes in the annual percentage rate (or a statement that no annual limitation exists), as well as a statement of the

(x) The minimum periodic payment required when the maximum annual percentage rate for each payment option is in effect for a \$10,000 outstanding balance, and a statement of the earliest date or

(xi) An historical example, based on a \$10,000 extension of credit, illustrating how annual percentage rates and payments would have been affected by index value changes implemented according to the terms of the plan. The historical example shall be based on the most recent 15 years of index values (selected for the same time period each year) and shall reflect all significant plan terms, such as negative amortization, rate carryover, rate discounts, and rate and payment limitations, that would

(xii) A statement that rate information will be provided on or with each periodic statement.

(f) Limitations on home equity plans. No creditor may, by contract or otherwise:

(i) Such change is based on an index that is not under the creditor's control; and

(e) Brochure. The home equity brochure published by the Board or a suitable substitute shall be

(2) Terminate a plan and demand repayment of the entire outstanding balance in advance of the original term (except for reverse mortgage transactions that are subject to paragraph (f)(4) of this

(i) There is fraud or material misrepresentation by the consumer in connection with the plan;

(iv) Federal law dealing with credit extended by a depository institution to its executive officers specifically requires that as a condition of the plan the credit shall become due and payable on

(i) Provide in the initial agreement that it may prohibit additional extensions of credit or reduce the credit limit during any period in which the maximum annual percentage rate is reached. A creditor also may provide in the initial agreement that specified changes will occur if a specified event takes place (for example, that the annual percentage rate will increase a specified amount if the consumer leaves

(ii) Change the index and margin used under the plan if the original index is no longer available, the new index has an historical movement substantially similar to that of the original index, and the new index and margin would have resulted in an annual percentage rate substantially similar to the rate in

(iv) Make a change that will unequivocally benefit the consumer throughout the remainder of the plan.

(vi) Prohibit additional extensions of credit or reduce the credit limit applicable to an agreement during

(iii) Make a specified change if the consumer specifically agrees to it in writing at that time.

(A) The value of the dwelling that secures the plan declines significantly below the dwelling's

(B) The creditor reasonably believes that the consumer will be unable to fulfill the repayment

(D) The creditor is precluded by government action from imposing the annual percentage rate

extent that the value of the security interest is less than 120 percent of the credit line; or

repayment of the entire outstanding balance in advance of the original term except:

(ii) If the consumer transfers title to the property securing the note;

receives the disclosures and brochure required under this section.10d

as a result, the consumer elects not to open the plan.

(E) The priority of the creditor's security interest is adversely affected by government action to the

(F) The creditor is notified by its regulatory agency that continued advances constitute an unsafe and

(4) For reverse mortgage transactions that are subject to § 226.33, terminate a plan and demand

(iii) If the consumer ceases using the property securing the note as the primary dwelling; or

(h) Imposition of nonrefundable fees. Neither a creditor nor any other person may impose a nonrefundable fee in connection with an application until three business days after the consumer

(g) Refund of fees. A creditor shall refund all fees paid by the consumer to anyone in connection with an application if any term required to be disclosed under paragraph (d) of this section changes (other than a change due to fluctuations in the index in a variable-rate plan) before the plan is opened and,

[Reg. Z, 54 FR 24686, June 9, 1989, as amended at 55 FR 38312, Sept. 18, 1990; 55 FR 42148, Oct. 17, 1990; 57 FR 34681, Aug. 6, 1992; 60 FR 15471, Mar. 24, 1995; 66 FR 17338, Mar. 30, 2001; 72 FR

(a) Actually available terms. If an advertisement for credit states specific credit terms, it shall state

(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

(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.

(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.

(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

(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

(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

(i) Any loan fee that is a percentage of the credit limit under the plan and an estimate of any other

(ii) Any periodic rate used to compute the finance charge, expressed as an annual percentage rate as

(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

(ii) A reasonably current annual percentage rate that would have been in effect using the index and

(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 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

(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

(4) Tax implications. An advertisement that states that any interest expense incurred under the homeequity 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 homeequity 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

(i) The interest on the portion of the credit extension that is greater than the fair market value of the

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

(5) Misleading terms. An advertisement may not refer to a home-equity plan as "free money" or

(6) Promotional rates and payments. (i) Definitions. The following definitions apply for purposes of

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

(A) Promotional rate. The term "promotional rate" means, in a variable-rate plan, any annual

effect under the index and margin that will be used to make rate adjustments under the plan.

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

margin will be used to determine other minimum payments under the plan; and

loan, that the promotional rate or promotional payment may be applicable.

advertisement linked to an application or solicitation provided electronically.

to each listing of the promotional rate or payment:

consumers to obtain the additional cost information.

increase while the plan is open.

226.5a(e).

or transactions.

applicable.

electronic advertisement.

promotional rate or promotional fee.

rates that might apply; and

solicitations subject to § 226.5a(e).

payments during the deferred interest period.

full within the deferred interest period; and

of the deferred interest period.

rule prior to October 1, 2011]

regarding interest or payments during the deferred interest period.

(i) When the promotional rate or promotional fee will end;

(iii) The fee that will apply after the end of the promotional period.

standards in §§ 226.5b or 226.16(b)(1)(ii) as applicable; and

(i) Is not derived by applying the index and margin to the outstanding balance when such index 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

(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

(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

(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

(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

(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

(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

(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 §

(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

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

(iv) Promotional fee means a fee required to be disclosed under § 226.6(b)(1) and (2) applicable to an open-end (not home-secured) plan, or 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 fee that will be in effect at

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

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

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

(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

(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.

(2) Definitions. "Deferred interest" means finance charges, accrued on balances or transactions, that a consumer is not obligated to pay or that will be waived or refunded to a consumer if those balances or transactions are paid in full by a specified date. The maximum period from the date the consumer becomes obligated for the balance or transaction until the specified date by which the consumer must pay the balance or transaction in full in order to avoid finance charges, or receive a waiver or refund of finance charges, is the "deferred interest period." "Deferred interest" does not include any finance

(3) Stating the deferred interest period. If a deferred interest offer is advertised, the deferred interest period must be stated in a clear and conspicuous manner in the advertisement. If the phrase "no interest" or similar term regarding the possible avoidance of interest obligations under the deferred interest program is stated, the term "if paid in full" must also be stated in a clear and conspicuous manner preceding the disclosure of the deferred interest period in the advertisement. If the deferred interest offer is included in a written or electronic advertisement, the deferred interest period and, if applicable, the term "if paid in full" must also be stated in immediate proximity to each statement of "no interest," "no payments," "deferred interest," "same as cash," or similar term regarding interest or

(4) Stating the terms of the deferred interest or similar offer. If any deferred interest offer is advertised, the information in paragraphs (h)(4)(i) and (h)(4)(ii) of this section must be stated in the advertisement, in language similar to Sample G--24 in Appendix G to this part. If the deferred interest offer is included in a written or electronic advertisement, the information in paragraphs (h)(4) (i) and (h)(4)(ii) of this section must also be stated in a prominent location closely proximate to the first statement of "no interest," "no payments," "deferred interest," "same as cash," or similar term

(i) A statement that interest will be charged from the date the consumer becomes obligated for the balance or transaction subject to the deferred interest offer if the balance or transaction is not paid in

(ii) A statement, if applicable, that interest will be charged from the date the consumer incurs the balance or transaction subject to the deferred interest offer if the account is in default before the end

advertisement or pop-up advertisement linked to an application or solicitation provided electronically.

[Source: 75 Fed. Reg. 7816, Feb. 22, 2010; amended at 76 Fed. Reg. 23002, effective October 1, 2011, mandatory compliance date October 1, 2011. Creditors may, at their option, comply with this

(5) Envelope excluded. The requirements in paragraph (h)(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

charges the consumer avoids paying in connection with any recurring grace period.

(h) Deferred interest or similar offers. (1) Scope. The requirements of this paragraph apply to any advertisement of an open-end credit plan not subject to § 226.5b, including promotional materials accompanying applications or solicitations subject to § 226.5a(c) or accompanying applications or

(iii) Promotional period means the maximum time period for which a promotional fee may be

the end of that period for such plan or types of balances or transactions.

prominence and in close proximity to the minimum periodic payment statement:

advertisement also shall state with equal prominence and in close proximity to the initial rate:

fees imposed for opening the plan, stated as a single dollar amount or a reasonable range.

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

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

(i) That a balloon payment will result; and

shall clearly and conspicuously state that:

contain a similarly misleading term.

paragraph (d)(6) of this section:

dwelling is not tax deductible for Federal income tax purposes; and

(B) Promotional payment. The term "promotional payment" means:

sufficient detail to permit determination of the disclosures required by paragraph (b) of this section, it

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

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

level of the more commonly sold higher-priced property or services offered.

only those terms that actually are or will be arranged or offered by the creditor.

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

shall be considered a single advertisement if:

(C) The consumer is in default of any material obligation under the agreement;

obligations under the plan because of a material change in the consumer's financial circumstances;

demand, provided that the creditor includes such a provision in the initial agreement.

(ii) The consumer fails to meet the repayment terms of the agreement for any outstanding balance;

(iii) Any action or inaction by the consumer adversely affects the creditor's security for the plan, or any

(ii) A statement that the annual percentage rate does not include costs other than interest.

(iii) The index used in making rate adjustments and a source of information about the index.

the plan and a statement that the rate does not include costs other than interest.

such fees. In lieu of the statement, the itemization of such fees may be provided.

and minimum draw requirements, stated as dollar amounts or percentages.

deductibility of interest and charges under the plan.

how the index is adjusted, such as by the addition of a margin.

(vii) The frequency of changes in the annual percentage rate.

have been affected by the index movement during the period.

following disclosures, as applicable:

premium, and annual percentage rate.

time the maximum rate may be imposed.

(1) Change the annual percentage rate unless:

(ii) Such index is available to the general public.

right of the creditor in such security; or

the creditor's employment).

any period in which:

(3) Change any term, except that a creditor may:

effect at the time the original index became unavailable.

(v) Make an insignificant change to terms.

appraised value for purposes of the plan;

provided for in the agreement;

unsound practice.

(i) In the case of default;

63474, Nov. 9, 2007]

§ 226.16 Advertising.

that could be imposed.

forth the following:

margin.

payments.

interest and charges.

balance.

determined under § 226.14(b).

(iv) Upon the consumer's death.

feature.

rate carryover.

provided.

section) unless:

plan, the consumer may receive a refund of all fees paid in connection with the application.

(4) Possible actions by creditor. (i) A statement that, under certain conditions, the creditor may terminate the plan and require payment of the outstanding balance in full in a single payment and impose fees upon termination; prohibit additional extensions of credit or reduce the credit limit; and,

the consumer's dwelling and that loss of the dwelling may occur in the event of default.

as specified in the initial agreement, implement certain changes in the plan.

(5) Payment terms. The payment terms of the plan, including:

(i) The length of the draw period and any repayment period.

of the disclosures.

(c) Duties of third parties—Persons other than the creditor who provide applications to consumers for

home equity plans must provide the brochure required under paragraph (e) of this section at the time