

**QUICK REFERENCE GUIDE TO DISCLOSURES**  
**TRUTH IN LENDING ACT AND REGULATION Z<sup>(1)</sup>**  
(CLOSED-END HOME MORTGAGE TRANSACTIONS)

Type of Disclosure <sup>(2)</sup> § of Reg. Z	Circumstances When Required	Method and Timing of Disclosure	Party Responsible for Disclosure	Contents of Disclosure	Form of Disclosure
<p><b>Truth in Lending Disclosures</b></p> <p>§§ 226.17 – 226.36</p> <ul style="list-style-type: none"> <li>• <b>Early Disclosures</b> § 226.19(a)(1)</li> <li>• <b>Corrected Disclosures</b> § 226.19(a)(2)</li> <li>• <b>Final Disclosure</b> § 226.17(b) § 226.19(a)(2)</li> </ul>	<p>Early disclosures required by §226.18 (generally referred to as the “Initial TIL”) must be provided to consumers for any mortgage transaction subject to RESPA (except home equity line of credit and timeshare loans) that is secured by the principal dwelling of a consumer, including residential mortgage transactions to finance the purchase or initial construction of the dwelling, home refinance loans, and home equity loans.</p> <p>If the annual percentage rate (APR) disclosed in the early disclosures is or becomes inaccurate (considering applicable tolerances for accuracy set out in §226.22) the creditor must provide the consumer corrected disclosures with all changed terms before consummation. Under §226.22 tolerances, the APR is generally considered accurate if overstated (i.e., if the disclosed APR is greater than the actual APR) or not understated by more than 1/8% in a <i>regular</i> transaction or 1/4% in an <i>irregular</i> transaction, as those terms are therein defined. See tolerances described in §§226(a)(4) and 226.18(d)(1).</p> <p>Any changed terms of the loan that do not cause the APR disclosed in the early disclosures or corrected disclosures, if any, to become inaccurate (and therefore do not require delivery of correction disclosures at least 3 business days before consummation) must be made by the creditor no later than loan consummation.</p>	<p>By delivery or by placing disclosures in mail not later than 3 business days after the creditor receives the consumer’s written application and 7 business days before loan consummation. “Business day” for this purpose means all calendar days except Sunday and the specific federal legal public holidays specified in 5 U.S.C. §6103(a).</p> <p>Corrected disclosures must be received by the consumer no later than 3 business days before loan consummation. The consumer may waive or modify the 7-business-day or this 3-business-day timing requirement only in narrow circumstances in which the consumer determines the extension of credit is necessary to meet a <i>bona fide personal family emergency</i>. See §226.19(a)(3).</p> <p>If the early or correction disclosures are mailed to the consumer, the consumer is presumed to have received them 3 business days after the date of mailing. (Accordingly, correction disclosures should be mailed not later than 6 business days before the scheduled loan closing date.)</p>	<p>The creditor must make TILA disclosures. “Creditor” means generally a person to whom the obligation is initially payable on the face of the note (which would include a mortgage broker named in the note as payee in a “tabled-funded” transaction.)</p>	<p>Disclosures must reflect the actual terms of the legal obligation between the creditor and consumer and generally must contain all information set out in § 226.18, including the following as applicable:</p> <ol style="list-style-type: none"> <li>(1) Creditor Identity;</li> <li>(2) Amount Financed;</li> <li>(3) Itemization of Amount Financed;</li> <li>(4) Finance Charge;</li> <li>(5) Annual Percentage Rate (APR);</li> <li>(6) Variable rate feature;</li> <li>(7) Schedule of Payments;</li> <li>(8) Total of Payments;</li> <li>(9) Demand Feature;</li> <li>(10) Total Sales Price</li> <li>(11) Prepayment feature;</li> <li>(12) Late payment terms;</li> <li>(13) Security interest;</li> <li>(14) Insurance and debt cancellation;</li> <li>(15) Contract reference statement;</li> <li>(16) Assumption policy; and</li> <li>(17) Required deposit.</li> </ol>	<p>The form of disclosures must conform to requirements of § 226.17, including requirements that they be made clearly and conspicuously in writing in a form the borrower may keep; that they be grouped together and segregated from everything else; that the Finance Charge and APR be more conspicuous than other disclosures; and that they contain no information not directly related. Sample forms are set out as Appendix H-1 and H-2 to Reg. Z.</p> <p>Effective January 1, 2010, disclosures must contain the following additional statement grouped together with other required disclosures:</p> <p>“You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.”</p>

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<p>• <b>Itemization of Amount Financed</b> § 226.18(c)</p>	<p>(NOTE: Under common industry practices, creditors routinely provide final disclosures, generally referred to as the “Final TIL,” at loan consummation, even if no terms have changed from those disclosed in early disclosures or corrected disclosures.)</p> <p>A separate written itemization of the amount financed is required for each transaction <i>except</i> the following:</p> <p>(1) When the creditor provides a written statement that the borrower has the right to receive an itemization and provides a space for the borrower to indicate whether it’s desired, and the borrower does not request it; and</p> <p>(2) When Good Faith Estimates of settlement costs are provided to the borrower in transactions subject to RESPA, the GFE may be substituted for the itemization of amount financed. See Footnote 40 to § 226.18(C).</p>	<p>Until the early disclosures are received by the consumer, neither the creditor nor any other person may impose a fee on the consumer related to the application (except a bona fide and reasonable fee for a consumer credit report).</p> <p>By delivery in the same manner and at the same time as early disclosures and any correction and final disclosures are delivered to the consumer, but separate from those disclosures.</p>	<p>Creditor</p>	<p>A separate written itemization of amount financed, including:</p> <ol style="list-style-type: none"> <li>(1) Amount of any proceeds delivered directly to borrower;</li> <li>(2) Amount credited to the borrower’s account with the creditor;</li> <li>(3) Amounts paid to others by the creditor on the borrower’s behalf; and</li> <li>(4) The prepaid finance charge.</li> </ol>	<p>The separate form of disclosure is set out as Appendix H-3 to Reg. Z, although creditors have considerable flexibility in revising or supplementing the format and information.</p>
<p>• <b>Reverse Mortgage Disclosures</b> § 226.33</p>	<p>Loans meeting the definition of a “reverse mortgage” in § 226.33(a) require additional written disclosures of the “total annual loan cost of credit” (generally referred to as the “TALC”).</p> <p>(NOTE: Reverse mortgage loans also are subject to</p>	<p>TALC disclosures are required to be delivered “in addition to other disclosures” required by TILA, and presumably in the same manner and subject to same timing rules as other disclosures, but not later than loan consummation.</p>	<p>Creditor</p>	<p>TALC disclosures must contain (1) <i>Notice</i>. A statement that the borrower is not obligated to complete the transaction merely because the borrower has received the disclosures or has signed an application for a reverse mortgage loan; and (2) a good faith projection of the total cost of the credit expressed as a table of “Total Annual Loan Costs Rates,” using that term, that reflects factors such as (a) costs and charges to the borrower, (b) payments (advances) to, or for the benefit of, the borrower; (c) additional compensation to the lender (such as “shared appreciation” the lender is entitled to receive); (d) any limitations on the borrower’s liability (such as non-recourse limits); (e) assumed appreciation rates for the dwelling securing the loan at rates of 0%, 4%, and 8%, respectively; and (f) and assumed loan periods of 2 years; the actuarial life expectancy of the borrower (or youngest of the borrowers); and that same life expectancy multiplied by a factor of 1.4 and rounded to the nearest full year.</p>	<p>Content must be in a form substantially to the model form found in paragraph (d) of Appendix K to Reg. Z.</p>

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<p><b>Right of Rescission</b> § 226.23</p> <p><b>Notice</b></p> <p><b>Waiver</b></p>	<p>Disclosures required for all refinance, equity, and other credit transactions in which a security interest is taken (or retained) in a consumer's principal dwelling. Consumers who are entitled to rescind (i.e., natural persons having an ownership interest and occupying the property as a principal dwelling) generally may exercise the right to rescind until midnight of the third business day after consummation. A rescission by any one consumer is effective as to all consumers.</p> <p>Certain transactions described in §226.23(f) are exempt from the right of rescission, including notably:</p> <ol style="list-style-type: none"> <li>(1) Residential mortgage transactions to finance the purchase or initial construction of a principal dwelling;</li> <li>(2) Refinancing of existing security interest by the same creditor (except to the extent refinancing exceeds amount of outstanding principal, plus closing costs).</li> </ol> <p>A consumer may waive the right of Rescission only under narrow circumstances in which the consumer determines that funding of the extension of credit is necessary to meet a <i>bona fide personal financial emergency</i>. See §226.23(e).</p>	<p>Two (2) copies of Notice of Right to Cancel and one (1) copy of TILA early disclosures must be delivered to <i>each consumer</i> entitled to rescind (Note: Only one copy of the Notice of Right to Cancel to each consumer is required if notice is delivered by electronic communication as provided in §226.36(b)).</p> <p>Creditors are not specifically required to provide the Notice of Right to Rescind to consumers at loan closing, but the 3-business-day rescission period does not begin to run until the <i>last to occur</i> of (1) loan consummation (closing); (2) delivery of all TILA material disclosures; or (3) delivery of the notice of the right of rescission. If proper notices of the right to rescind and TILA material disclosures are not delivered at consummation, the right of rescission generally does not expire until 3 years after the date of consummation (or, if earlier, the sale of the subject property or the consumer's interest in the property).</p>	<p>Creditors are responsible for (i) providing consumers entitled to rescind all required notices of the right of rescission and TILA material disclosures; and (ii) delaying funding of the loan (or otherwise performing under the loan) until the 3 business-day rescission period has expired and the creditor is "reasonably satisfied" that the consumer has not rescinded. Creditors typically require a written confirmation from the consumer after the rescission period has expired to evidence that loan was not rescinded before authorizing funding of the loan.</p> <p>To exercise the right to rescind, a consumer must notify the creditor of the rescission via mail, telegram, or other means of communication. Notice is considered given when mailed by the consumer, when filed for telegraphic transmission, or, if sent via other means, when delivered to the creditor's designated place of business.</p>	<p>Disclosure must be on a separate document that identifies the transaction and clearly and conspicuously discloses the following:</p> <ol style="list-style-type: none"> <li>(1) The acquisition or retention of a security interest in the consumer's principal dwelling;</li> <li>(2) The rights of the consumer to rescind the loans;</li> <li>(3) How the consumer may exercise that right (with a form provided for that purpose designating the address of the creditor's place of business);</li> <li>(5) The legal effects of rescission (as described in §226.23(d); and</li> <li>(6) The date the rescission period expires.</li> </ol>	<p>Creditor must use appropriate model form set out in Appendix H-8 and H-9 to Reg. Z, or a "substantially similar notice."</p>
<p><b>Variable Rate Transaction Disclosures:</b> § 226.19(b)</p> <p>• ARM Loan Program Disclosure §226.19(b)(2)</p>	<p>Variable rate disclosures are required for credit transactions in which under the terms of the obligation (i) the loan term is longer than one year; (ii) the annual percentage rate (APR) may increase after consummation; and (iii) the transaction is secured by the consumer's principal dwelling.</p>	<p>By delivery at the time an application form is provided to the consumer or before the consumer pays a non-refundable fee, whichever is earlier.</p> <p>If the consumer's application reaches the creditor by telephone or through an intermediary agent or broker, disclosures may be delivered or</p>	<p>Creditor</p>	<p>For each variable-rate program in which the consumer expresses an interest, ARM Loan Program must be provided that include:</p> <ol style="list-style-type: none"> <li>(1) Fact that interest rate, payment or term of loan can change;</li> <li>(2) The index or formula used in making adjustments, with a source of information about the index or formula;</li> <li>(3) Explanation of how adjusted interest rates and payments will be determined (including an explanation of how the index</li> </ol>	

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<ul style="list-style-type: none"> <li>CHARM Booklet § 226.29(b)(1)</li> </ul>		<p>placed in the mail not later than 3 business days following receipt of the application.</p>		<p>is adjusted, such as by adding a margin);</p> <p>(4) Statement that consumer should ask about current interest rate and margin value;</p> <p>(5) Fact that interest rate will be discounted and statement that consumer should ask about current discount;</p> <p>(6) Frequency of interest rate and payment changes;</p> <p>(7) Any rules relating to changes of any terms;</p> <p>(8) At the creditor's option, either (i) a historical example illustrating how loan payments and the loan balance would have been affected by interest rate changes based on the terms of the loan over the most recent 15 years of index values; or (ii) a worst case example illustrating the maximum interest rate and payment for a \$10,000 loan</p> <p>(9) how consumer may calculate payments on loan based on historical example; or A worst case example.</p> <p>Preprinted contents of booklet entitled "Consumer Handbook on Adjustable Rate Mortgages" published by the Federal Reserve Board of Governors, generally referred to as the "CHARM Booklet."</p>	<p>Current version revised December 29, 2006, with mandatory compliance date for its use of October 1, 2007. Current version may be accessed at:  <a href="http://www.federalreserve.gov/pubs/ams/amshure.pdf">http://www.federalreserve.gov/pubs/ams/amshure.pdf</a></p>
<p>Section 32 "High Rate-High Cost" Loan Disclosures § 226.32</p> <ul style="list-style-type: none"> <li>Consumer Notice</li> </ul>	<p>Disclosures required in certain credit transactions secured by the consumer's principal dwelling (generally referred to as "Section 32" or "HOEPA" loans) in which either:</p> <p>(1) the APR at closing exceeds comparable Treasury Securities rate by more than 8 percentage points (or 10 percentage points for subordinate-lien loans); or</p> <p>(2) "Total points and fees," as therein defined, payable by consumer exceed the greater of 8% of the total loan amount or \$400 (now adjusted by CPI-U to \$579 for 2010).</p> <p>Exempt from Section 32 requirements are:</p> <p>(1) Residential mortgage transactions to</p>	<p>Disclosures must be furnished at least 3 business days <i>prior</i> to consummation (closing).</p> <p>In restricted cases of a "bona fide personal financial emergency," consumer after receiving this notice may waive this three-business-day waiting period in writing.</p>	<p>Creditor</p>	<p>Disclosure including the Annual Percentage Rate; the amount of the Regular Monthly payment; and, if a variable rate transaction, a "worst case statement that the rate may increase and the amount of the single maximum payment based on the maximum rate (generally referred to as the "life time cap") and a Notice legend to effect that:</p> <p>(1) Consumer is not required to close the transaction just because consumer has signed an application or received the disclosure;</p> <p>(2) If consumer closes, creditor will have a lien on the consumer's home; and</p> <p>(3) Consumer can lose home if consumer fails to meet his or her obligations.</p>	<p>Promulgated Statement set forth in § 226.32(C)(1) and information required by 32(C)(2)-(4).</p>

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<ul style="list-style-type: none"> <li>Assignee Notice</li> </ul>	<p>finance purchase or initial construction of dwelling; (2) Reverse mortgages; (3) Open-end credit plans.</p> <p>(NOTE: Section 32 loans also are subject to substantive limitations on certain loan terms, including balloon payments, negative amortization features, prepayment penalties, post-default interest rate increases, and due-on-demand clauses. See § 226.32(d).</p> <p>Statutory notice to assignee is required when Section 32 loan is sold or otherwise assigned.</p>	At sale or assignment of Section 32 Loan.	Creditor or assignor	Statement to the effect that the loan is one that is subject to special rules under TILA; and that purchasers or assignees of the mortgage could be liable for all claims and defenses under the mortgage that the borrower could assert against the creditor.	Promulgated Statement in § 226.32(e)(3), Reg. Z

**End notes:**

- (1) Source of authority is Regulation Z [12 C.F.R. Part 226] to the Truth in Lending Act [15 U.S.C.A § 1601 et seq.], as amended by the Final Rules of the Board of Directors of the Federal Reserve System published in the Federal Register, respectively, on May 19, 2009 at 74 FR. 23,289 and on July 30, 2008 at 73 FR.44, 522.
- (2) Post-closing disclosures required of servicers by § 226.20, Regulation Z, regarding assumptions and annual variable-rate adjustment notices are not included in this Quick Reference Guide.