

Amendments to the Official Staff Commentary on Regulation Z Truth in Lending July 2003*

1. *Effective January 1, 2003, comment 32(a)(1)(ii)-2, paragraph viii, is added to read as follows:*

- viii. For 2003, \$488, reflecting a 1.64 percent increase in the CPI-U from June 2001 to June 2002, rounded to the nearest whole dollar.

The following amendments are effective April 1, 2003, with a mandatory compliance date of October 1, 2003.

2. *Comment 6(b)-2, paragraphs ix and x, are added to read as follows:*

- ix. A fee to expedite delivery of a credit card, either at account opening or during the life of the account, provided delivery of the card is also available by standard mail service (or other means at least as fast) without paying a fee for delivery
- x. A fee charged for arranging a single payment on the credit account, upon the consumer's request (regardless of how frequently the consumer requests the service), if the credit plan provides that the consumer may make payments on the account by another reasonable means, such as by standard mail service, without paying a fee to the creditor

3. *Comment 12(a)(2)-6 is amended to read as follows:*

- 6. *One-for-one rule—exception.* The regulation does not prohibit the card issuer from:

* A complete commentary pamphlet, as amended effective April 1, 2003, consists of—

- the regulation pamphlet dated May 2002 (see inside front cover) and
- this slip sheet.

- i. Replacing a debit/credit card with a credit card and another card with only debit functions (or debit functions plus an associated overdraft capability), since the latter card could be issued on an unsolicited basis under Regulation E

- ii. Replacing an accepted card with more than one renewal or substitute card, provided that:

- A. No replacement card accesses any account not accessed by the accepted card;
- B. For terms and conditions required to be disclosed under section 226.6, all replacement cards are issued subject to the same terms and conditions, except that a creditor may vary terms for which no change in terms notice is required under section 226.9(c); and
- C. Under the account's terms the consumer's total liability for unauthorized use with respect to the account does not increase.

4. *Comment 18(g)-5 is amended to read as follows:*

5. *Mortgage insurance.* The payment schedule should reflect the consumer's mortgage insurance payments until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. The payment schedule must reflect the legal obligation, as determined by applicable state or other law. For example, assume that under applicable law, mortgage insurance must terminate after the 130th scheduled monthly payment, and the creditor collects at closing and places in escrow two months of

premiums. If, under the legal obligation, the creditor will include mortgage insurance premiums in 130 payments and refund the escrowed payments when the insurance is terminated, the payment schedule should reflect 130 premium payments. If, under the legal obligation, the creditor will apply the amount escrowed to the two final insurance payments, the payment schedule should reflect 128 monthly premium payments. (For assumptions in calculating a payment schedule that includes mortgage insurance that must be automatically terminated, see comments 17(c)(1)-8 and 17(c)(1)-10.)

5. *Comment 19(b)(1)-2 is amended by removing “comment 19(b)-4” and adding “comment 19(b)-5” in its place.*
6. *Comment 32(a)(1)(i)-4 is amended to read as follows:*

4. *Treasury securities.* To determine the yield on comparable Treasury securities for the annual percentage rate test, creditors may use the yield on actively traded issues adjusted to constant maturities published in the Board’s “Selected Interest Rates” (statistical release H-15). Creditors must use the yield corresponding to the constant maturity that is closest to the loan’s maturity. If the loan’s maturity is exactly halfway between security maturities, the annual percentage rate on

the loan should be compared with the yield for Treasury securities having the lower yield. In determining the loan’s maturity, creditors may rely on the rules in section 226.17(c)(4) regarding irregular first payment periods. For example:

- i. If the H-15 contains a yield for Treasury securities with constant maturities of 7 years and 10 years and no maturity in between, the annual percentage rate for an 8-year mortgage loan is compared with the yield of securities having a 7-year maturity, and the annual percentage rate for a 9-year mortgage loan is compared with the yield of securities having a 10-year maturity.
- ii. If a mortgage loan has a term of 15 years, and the H-15 contains a yield of 5.21 percent for constant maturities of 10 years, and also contains a yield of 6.33 percent for constant maturities of 20 years, then the creditor compares the annual percentage rate for a 15-year mortgage loan with the yield for constant maturities of 10 years.
- iii. If a mortgage loan has a term of 30 years, and the H-15 does not contain a yield for 30-year constant maturities, but contains a yield for 20-year constant maturities, and an average yield for securities with remaining terms to maturity of 25 years and over, then the annual percentage rate on the loan is compared with the yield for 20-year constant maturities.