SIGNING AN APPLICATION OR RECEIVING THESE DISCLOSURES DOES NOT REQUIRE YOU TO COMPLETE THIS LOAN

[Reg. Z, 60 FR 15474, Mar. 24, 1995, as amended at 60 FR 50400, Sept. 29, 1995]

APPENDIX L TO PART 226—ASSUMED LOAN PERIODS FOR COMPUTATIONS OF TOTAL ANNUAL LOAN COST RATES

(a) *Required tables.* In calculating the total annual loan cost rates in accordance with appendix K of this part, creditors shall assume three loan periods, as determined by the following table.

(b) *Loan periods.* (1) Loan Period 1 is a two-year loan period.

(2) Loan Period 2 is the life expectancy in years of the youngest borrower to become obligated on the reverse mortgage loan, as shown in the U.S. Decennial Life Tables for 1979–1981 for females, rounded to the nearest whole year.

(3) Loan Period 3 is the life expectancy figure in Loan Period 3, multiplied by 1.4 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

(4) At the creditor's option, an additional period may be included, which is the life expectancy figure in Loan Period 2, multiplied by .5 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

Age of youngest borrower	Loan period 1 (in years)	[Optional loan period (in years)]	Loan period 2 (life expectancy) (in years)	Loan period 3 (in years)
62	2	[11]	21	29
63	2	[10]	20	28
64	2	[10]	19	27
65	2	[9]	18	25
66	2	[9]	18	25
67	2	[9]	17	24
68	2	[8]	16	22
69	2	[8]	16	22
70	2	[8]	15	21
71	2	[7]	14	20
72	2	[7]	13	18
73	2	[7]	13	18
74	2	[6]	12	17
75	2	[6]	12	17
76	2	[6]	11	15
77	2	[5]	10	14
78	2	[5]	10	14
79	2	[5]	9	13
80	2	[5]	9	13
81	2	[4]	8	11
82	2	[4]	8	11
83	2	[4]	7	10
84	2	[4]	7	10
85	2	[3]	6	8
86	2	[3]	6	8
87	2	[3]	6	8
88	2	[3]	5	7
89	2	[3]	5	7
90	2	[3]	5	7
91	2	[2]	4	6
92	2	[2]	4	6
93	2	[2]	4	6
94	2	[2]	4	6
95 and over	2	[2]	3	4

[60 FR 15476, Mar. 24, 1995]

APPENDIX M1 TO PART 226—GENERIC REPAYMENT ESTIMATES

EFFECTIVE DATE NOTE: At 74 FR 5441, Jan. 29, 2009, appendix M1 to part 226 was added, effective July 1, 2010.

(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: A minimum payment formula applicable to a general revolving feature that applies to balances existing before January 1, 2009; a minimum payment formula applicable to a general revolving feature that applies to balances incurred on or after January 1, 2009; and 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 a year is 365 days long, and all months are 30.41667 days long, or 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) of this Appendix.

[Reg. Z, 74 FR 5441, Jan. 29, 2009]

EFFECTIVE DATE NOTE: At 74 FR 5441, Jan. 29, 2009, appendix M1 was added to part 226, effective July 1, 2010.

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