

# REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION  
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: May 2003

NO.: 03-RA-08

TO: Federal Credit Unions

SUBJECT: Regulation Z – Revisions to the Official Staff Commentary

The purpose of this regulatory alert is to inform you of the most recent changes in the official staff commentary on Regulation Z which implements the Truth in Lending Act.

The changes concern:

- Certain credit card related fees,
- Rules for replacing an accepted credit card with one or more cards,
- Discussion on disclosure of private mortgage insurance premiums, and
- Selection of the Treasury security yields for determining whether a mortgage loan is covered by provisions in Regulation Z that implement the Home Ownership and Equity Protection Act.

## **Certain Credit Card Related Fees**

### Fees for expediting payment on a credit or charge account

When a member requests that a payment be expedited (typically to avoid being assessed a late fee), the official staff commentary concludes that a fee for expediting payment would not be a finance charge or an “other charge” 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. The fee should be disclosed at the time the member requests the expedited payment. The fee should also be shown on the monthly statement.

### Fees for expediting delivery of a credit or charge card

When a member requests expedited delivery of a credit card, a fee for expediting delivery is neither a finance charge or an “other charge”, 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. This fee should be disclosed at the time the member requests the expedited delivery.

### **Replacing an Accepted Credit Card**

As technology has advanced, credit card providers are now able to issue credit cards in different sizes and formats. Credit card issuers may replace an accepted card with more than one renewal or substitute card, provided that:

- The replacement cards access only the account of the accepted card,
- All replacement cards are issued subject to the same terms and conditions as the accepted card, except that the creditor may vary terms for which no change in terms notice is required under §226.9(c), (e.g. a replacement card could be issued at a lower APR), and
- The total liability for unauthorized use does not increase.

### **Disclosure of Private Mortgage Insurance Premiums**

Under the Homeowners Protection Act of 1998 (HPA), the payment of Private Mortgage Insurance (PMI) premiums generally ends before the term of the loan expires. The disclosed payment schedule must include the PMI payments until the date on which the credit union must automatically terminate coverage, even though the member may request the PMI be cancelled earlier.

### **Mortgage Loans Covered by the Home Ownership and Equity Protection Act**

The Home Ownership and Equity Protection Act of 1994 (HOEPA) requires additional disclosures and provides substantive protections for certain home-secured loans (i.e., closed-end, non purchase-money mortgages) carrying rates or fees above specified triggers. HOEPA covers mortgage loans for which the annual percentage rate exceeds the yield on Treasury securities with a comparable maturity by a specified number of percentage points (8 for first-lien loans, 10 for subordinate-lien loans).

To determine the applicable yield on Treasury securities, credit unions should use yields on actively traded issues adjusted to constant maturities that are on the Federal Reserve Board's "Selected Interest Rates" (statistical release H-15). The H-15 is published daily and is posted on the Board's Internet website at [www.federalreserve.gov/releases/h15](http://www.federalreserve.gov/releases/h15).

These revisions to the official staff commentary were effective April 1, 2003. Mandatory compliance begins October 1, 2003. The final rule can be found on the Federal Reserve Board's website at [www.federalreserve.gov/boarddocs/press/bcreg/2003/20030328/attachment.pdf](http://www.federalreserve.gov/boarddocs/press/bcreg/2003/20030328/attachment.pdf).

Sincerely,

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Dennis Dollar  
Chairman