

March 16, 1995

Sandy Kleve
Project Manager/Compliance
Ultradata Credit Union Systems
5020 Franklin Drive
Pleasanton, CA 94588-3354

Re: Periodic Statement Disclosures (Your Letter of March 6, 1995)

Dear Ms. Kleve:

You requested an opinion letter regarding the ability of a credit union to print the annual percentage rate ("APR") for share and certificate accounts on periodic statements. A credit union may print the dividend rate on a periodic statement, but may not use the term "annual percentage rate" or the acronym "APR."

ANALYSIS

Generally, credit unions must disclose the annual percentage yield earned ("APYE"), dollar amount of dividends earned, fees imposed, and the length of the period on periodic statements. 12 C.F.R. 707.6(b). However, the term "periodic statement" is defined to exclude statements setting forth information on term share accounts and passbook accounts, even if provided to a member on a regular basis four or more times a year. 12 C.F.R. 707.2(t). The issue of additional information that may be provided on a periodic statement is addressed in the Official Staff Commentary to Part 707:

4. Other information. Additional information that may be given on or with a periodic statement includes:

- i. Dividend rates and corresponding periodic rates to the dividend rate applied to the balances during the statement period.
- ii. The dollar amount of dividends earned year-to-date.
- iii. Bonuses paid (or any de minimis consideration of \$10 or less).
- iv. Fees for other products, such as safe deposit boxes.
- v. Accounts not covered by the periodic statement disclosure requirements (passbook and term share accounts) may disclose any information on the statement related to such accounts, so long as such information is accurate and not misleading.

12 C.F.R. Part 707.6(a)4. Thus, a credit union can provide the annual percentage yield ("APY") in addition to other information required on a periodic statement for both exempt and covered accounts.

It is the position of the NCUA, that the use of the term "annual percentage rate" and the acronym "APR" is misleading and inaccurate when used outside of the context for account opening disclosures. The preamble to the final Truth in Savings rule explains:

Section 274(3) of [the Truth in Savings Act ("TISA")] also provides that the interest rate may be referred to as the "annual percentage rate." Again following the [Federal Reserve Board's ("FRB's")] lead, the [NCUA] Board requires that credit unions refer to this figure using the term "dividend rate" and permits credit unions to use the term "annual percentage rate" only in addition to the term "dividend rate" and only for account disclosures (not in advertisements).

The Board believes it is essential, in order to assist members in comparing accounts, to require the use of standardized terminology in this area. The Board believes, as do twenty-seven commenters, that it may be

confusing for prospective accountholders to see the same figure labeled as the "dividend rate" in some advertisements and disclosures and as the "annual percentage rate" in others. Also, the term "annual percentage rate," as required to be disclosed under Regulation Z, is commonly understood by members to encompass the total cost of credit -- including both interest and other finance charges. The Board, and the commenters, are concerned that member confusion may result if the term "annual percentage rate" is used to designate a dividend rate for the member's share account at a credit union, if the same terminology is used to designate a rate that includes both interest, and, for example, points, for the member's mortgage loan with the same credit union. Since the potential for confusion is greatest in advertisements, the Board proposes to permit use of the term "annual percentage rate" only in the account disclosures and then only in addition to the term "dividend rate." In no case would a credit union be required to refer to the dividend rate as the annual percentage rate. The Board follows the FRB final Regulation DD in this matter.

Final Rule, 58 Fed.Reg. 50394, 50401-50402 (September 27, 1993).

Thus, credit unions may not use the term "annual percentage rate" or the acronym "APR" in providing additional information on the periodic statement for credit union accounts. However, a credit union can refer to the "dividend rate" of an account on the periodic statement. In the Final Rule, the Board stated that it demurred on the issue of whether a credit union could refer to the "dividend rate" as "DR." Final Rule, 58 Fed. Reg. at 50402. After consideration, and understanding the limits put on the length of messages by software and hardware parameters on periodic statements, we opine that a credit union can refer to the "dividend rate" as "DR" on a periodic statement.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/MS:sg
SSIC 3600
95-0318

Sandy Kleve