OFFICE OF LEGISLATIVE RESEARCH
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Issue Brief

Disclosure Requirements Under the Truth-In-Lending Act

Disclosure Requirements

The Connecticut Truth-In-Lending Act generally requires financial institutions and others to clearly and conspicuously disclose to consumers certain loan information (CGS § 36a-675 et seq.). The state Banking Department administers the act, which incorporates by reference the federal Truth-In-Lending Act (TILA) and its implementing regulation (Regulation Z). Under federal law, Connecticut is exempt from the credit transactions and credit billing provisions of the federal TILA because the Connecticut TILA requirements are substantially similar to the federal requirements, and Connecticut law has adequate provisions for enforcement (15 U.S.C. §§ 1633 & 1666j).

The federal act generally applies to lenders who, in the course of business, regularly extend credit to consumers for personal, family, or household (i.e., non-business) expenses that include a finance charge or that must be paid back in more than four installments.

Among other things, TILA requires disclosures on open- and closed-end credit, and imposes additional requirements on mortgages and credit secured by real estate (e.g., home equity lines of credit).

In certain circumstances, the disclosure must also include a brief description (e.g., the cost of credit as a yearly rate).

Connecticut is one of only five states that have received federal waivers allowing state administration and enforcement of the federal TILA (12 C.F.R. § 1026.29).

Definitions

Open-End Credit

Open-end credit is credit in which (1) the creditor reasonably expects repeat transactions; (2) the creditor may impose a finance charge on outstanding, unpaid balances; and (3) the total credit extended to the consumer is generally available, subject to outstanding balances (e.g., a line of credit or credit card) (12 C.F.R. § 1026.2).

Closed-End Credit

In general, closed-end credit is credit in which all the funds are released to the borrower when the loan closes, which is then paid back in periodic installments and subject to a finance charge (e.g., a mortgage or real estate secured loan) (12 C.F.R. § 1026.2).

Finance Charge

The cost of credit, including any charge payable by the consumer or charged by the creditor, excluding certain fees and other items. This includes things like interest and service, transaction, activity, and carrying charges but excludes items such as application fees, late payment fees, and certain real estate related fees (12 C.F.R. § 1026.4).

TILA Disclosures

Open-End Credit

TILA requires creditors of open-end credit that is not secured by real estate to disclose to the consumer the:

1. annual percentage rate (APR), including any initial, discounted, penalty, and variable rates;
2. periodic or one time fees associated with the credit;
3. any charges, including transaction and finance charges;
4. grace periods;
5. how the balance is calculated;
6. cash advance, late, over limit, balance transfer, and returned payment fees;
7. required insurance, debt cancellation or debt suspension coverage, if any;
8. available credit;
9. links to the Consumer Financial Protection Bureau's website; and
10. consumer's rights to dispute transactions (12 C.F.R. §1026.6(b)).

In addition, consumers must be given periodic statements that include finance charges, credits, transactions, rates, and other information.

Closed-End Credit

TILA requires creditors of closed-end credit to clearly and conspicuously disclose to the consumer the:

1. creditor's identity;
2. amount financed, including an itemization;
3. finance and late payment charges, if any;
4. APR, including any variable rate;
5. total sale price, payment, and payment schedule;
6. demand feature, if any (i.e., the lender can demand the total payment immediately);
7. required prepayments;
8. information about security interests created by the loan, if any;
9. insurance and debt cancellation charges;
10. contract reference information; and
11. any deposits the borrower may be required to maintain (12 C.F.R. § 1026.18).

Mortgages and Real Estate Secured Loans

Generally, creditors of real estate secured loans must disclose information required by the applicable open- or closed-end credit provisions. In addition, these creditors must also disclose, among other things, (1) the retention and security interest, including the risk to a borrower's home; (2) the possible actions the creditor may take; (3) the payment terms and APR; (4) any fees; and (5) any negative amortization and tax implications (12 C.F.R. §1026.40(c)).

For mortgages, creditors must also disclose additional information, including loan type and term, interest rates, and sale price. High cost and reverse mortgages require additional disclosures.

Learn More

Consumer Financial Protection Bureau

Regulation Z

CGS § 36a-675 et seq.

OLR Report 2016-R-0322, "Truth-In-Lending Law Disclosures And Connecticut Car Dealerships"

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