

## *TRUTH IN LENDING*

The Federal Consumer Credit Protection Act (known as the Truth In Lending Act) went into effect in 1969. This act was implemented by Federal Reserve Board Regulation Z, and requires that lenders show the borrower how much he is paying for credit in both dollar and percentage terms. The act came into being because of the problems of borrowers ending up paying higher rates than what was advertised.

To clear up some weaknesses of the 1969 act, the Truth In Lending Simplification and Reform Act was passed in 1982. The Federal Reserve Board also issued a Revised Regulation Z at the same time which details rules and regulations which affect real estate agents.

If an advertisement contains any one of the Truth in Lending Act financing terms (called trigger terms), the ad must also include other required information. Here are the trigger terms:

1. The amount of down payment (no down, \$1,000 down, 5% down)
2. The amount of any payment (\$350/month, payments 1%/month, less than \$500/month)
3. The number of payments (only 48 payments and you own it)
4. The period of repayment (30 year financing, owner will carry for 5 years, 15 year second)
5. The dollar amount of any finance charge (finance this for only \$700, pay on interest for 3 years)

If any of the above trigger terms are used, then the following five disclosures must appear in your ad also. They are:

1. The cash price or the amount of the loan.
2. The amount of down payment
3. The number, amount and frequency of repayments
4. The annual percentage rate
5. The total payments or the deferred payment price  
(Item 5 is not a requirement in the case of the loan secured by a first lien on the dwelling that is being purchased or the case of the sale of a dwelling.)

If you wish to say something about financing and avoid triggering full disclosure, you may use general statements such as: low down, owner will carry, terms to fit your budget, easy monthly payments, assumable loan, FHA financing available.

The annual percentage rate (APR) is a figure which give the borrower a standard by which to compare financing from different lenders. The APR combines the interest rate along with the other costs of the loan into a single figure that shows the true cost of borrowing.