

CONSUMER FINANCE BULLETIN 1992-1

TO THE MORTGAGE BROKER, LENDER, AND/OR SERVICER LICENSEE OR REGISTRANT ADDRESSED:

SUBJECT: MORTGAGE LOAN ADVERTISING

Section 226.24 of Regulation Z (12 CFR 226.24), which implements the federal Truth-in-Lending Act, establishes very clear requirements for advertising loans, including mortgage loans.

It has come to the Bureau's attention that certain mortgage companies are not in compliance with the legal requirements for advertising. For example, advertising the simple annual rate of interest without the annual percentage rate, or advertising it more prominently than the A.P.R., does not comply with the regulation and is also a violation of the Mortgage Brokers, Lenders, and Servicers Act.

Additionally, if a mortgage advertisement states any one of the following "triggering terms" - the amount or percentage of the down payment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge - then each of the following terms must also be included in the ad: (1) the amount or percentage of the down payment, (2) the terms of repayment, (3) the "annual percentage rate," and, if the rate may be increased after consummation, that fact.

As part of its regulatory responsibility, the Bureau will investigate any complaint of improper mortgage advertising and will take appropriate regulatory action, including the imposition of fines and possible license or registration revocation against licensees and registrants whose advertising does not comply with state and federal laws.

For further compliance information on the Truth-in-Lending Act and Regulation Z, contact the Federal Trade Commission at (216) 522-4207. Questions regarding this bulletin should be directed to the Consumer Finance Division of the Financial Institutions Bureau at (517) 373-3470.

/s/

/s/

Ann Gaultney, Director
Consumer Finance Division

Russell S. Kropschot
Acting Commissioner

July 28, 1992

Date

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