



September 30, 2009

Proposed Amendments to HELOC Disclosures

EXECUTIVE SUMMARY

- The Federal Reserve Board (Fed) has issued a proposed rule to amend the disclosure requirements of Regulation Z for home-equity lines of credit.
- The proposal will replace the generic disclosure at application with a one-page disclosure summarizing the basic information and risks about HELOCS.
- It will require that within three days after receiving the consumer's application, a creditor will need to provide disclosures specifically tailored to the actual credit terms for which the consumer qualifies in a tabular format.
- In addition, at account-opening, creditors will need to provide final disclosures in the same format, to facilitate comparison with the earlier disclosures.
- Under the proposal, to the extent a creditor can change any terms of the plan, creditors will have to notify consumers 45 days in advance of the change.
- Creditors will be prohibited from terminating an account for delinquency until the payment is more than 30 days late.
- Lastly, consumer protections that apply when a consumer's credit line has been suspended or reduced will be modified, and require creditors to provide additional information about the reasons for the action and consumers' right to request reinstatement.
- Comments are due to the Fed by December 24; please **submit your comments to CUNA by December 10.**

Please feel free to fax your responses to CUNA at (202) 638-7052, or e-mail them to Senior Vice President and Deputy General Counsel Mary Dunn at mdunn@cuna.coop and Regulatory Counsel Luke Martone at lmartone@cuna.coop. You may also contact us at (800) 356-9655, ext. 6743, with any questions. Click here <http://edocket.access.gpo.gov/2009/pdf/E9-18121.pdf> for the proposed rule in the *Federal Register*.

I. Finance Charge Issues

The disclosure requirements for debt cancellation and debt suspension coverage apply if it is "written in connection with" the credit. Similar to open-end (not home secured) credit disclosures, under the proposal the term "written in connection with" will be expanded to include insurance that is sold throughout the life of the HELOC. This means consumers must receive the cost disclosures and information that the purchase is voluntary, regardless of when the insurance is purchased.

For telephone sales, the proposal will extend to all open-end creditors the option to provide the disclosures orally and receive the consumer's request for the insurance orally if the creditor maintains evidence of compliance with these oral disclosure requirements and mails written information within three days of the sale. The creditor may not use leading questions or "negative consent" as a means to obtain the oral request from the consumer.

II. General Disclosure Requirements

In addition to proposed changes to the specific disclosure rules, the proposal will provide guidance in situations where a creditor is uncertain whether an open-end credit plan is covered by the HELOC rules or those for open-end (not home-secured) credit. This would address any uncertainty for creditors that offer open-end credit secured by real property, where it is unclear whether that property is, or remains, the consumer's dwelling. Specifically, the proposal will permit creditors to assume that the property securing the line of credit is the consumer's principal residence or a second or vacation home and, therefore, covered by the HELOC rules.

The proposal will require that certain information be provided in a table. The table will be included with account-opening disclosures, early disclosures, change-in-terms notices, and in disclosures when a rate is increased due to delinquency or default. The table will be similar to that required for open-end (not home-secured) credit. The proposal will require that all tables be in 10-point type size. Additionally, all open-end credit disclosures and other required communications will need to be "clear and conspicuous."

The following changes related to disclosure terminology are being proposed:

- "Finance charge" and "annual percentage rate":
 - Similar to the open-end (not home-secured) credit disclosure changes, disclosure of the terms "finance charge" and "annual percentage rate" will no longer be required to be in a more conspicuous manner than other terms for home-equity plans.
- "Borrowing period," "repayment period," and "balloon payment":
 - The terms "borrowing period," "repayment period," and "balloon payment" will be required to be in the disclosures that are required to be presented in a table format, as applicable.
- "Required" for required credit insurance or debt cancellation or suspense coverage:
 - Similar to the open-end (not home-secured) credit disclosure changes, if debt cancellation or debt suspension coverage is required, the term "required" must be used and the program must be identified by name.

Model Forms and Samples

The Fed has provided model forms and sample language that credit unions and others may use to satisfy the disclosure requirements that are outlined in the proposal. [Click here](#) for a compilation of these forms and samples.

III. Timing of Disclosures

The proposal will change the timing requirements for disclosures; some will be required at the time of application, and others three business days after application (*early disclosures*).

Account-Opening Disclosures

Similar to the open-end (not home-secured) credit disclosure changes, the proposal will provide an exception to the requirement that account-opening disclosures be provided before the first transaction under the plan. The exception applies to charges not required to be disclosed in the account-opening table. As discussed above, these disclosures will not have to be in writing, and may be disclosed after account-opening but before the consumer agrees to pay or becomes obligated to pay for the charge, as long as disclosed at a time and manner that the consumer would likely notice them.

In addition, the proposal will clarify that even if certain charges may be disclosed after account-opening, the creditor may not impose a charge for a feature or service previously available under the plan for no charge, or increase a fee for a service previously available for less.

IV. Application Disclosures

Currently, creditors must provide two types of disclosures at the time a HELOC application is provided to a consumer: “application disclosures” and a HELOC brochure.

Application Disclosures

The proposal will replace the application disclosures with transaction-specific HELOC disclosures (“early HELOC disclosures”) that must be given within three business days after application (but no later than account-opening). Under the proposal, the information required to be disclosed in the early HELOC disclosures will differ from that currently required, including:

- The addition of several disclosures, such as the credit limit and APRs offered to the consumer.
- The elimination of several disclosures, such as the current requirement to include certain information related to variable rates, including the historical payment example table.
- The revision of certain application disclosures.

“Key Questions” Document

The proposal will require creditors to provide a “Key Questions to Ask about Home Equity Lines of Credit” document with each application; this document will replace the currently required HELOC brochure. The one-page “Key Questions” document will be published by the Fed and contain information about HELOCs, including potentially risky features, such as variable rates and balloon payments. The retainability requirement will continue to apply to this disclosure.

The “Key Questions” document will include answers to the following:

- Can my interest rate increase?
- Can my minimum payment increase?
- When can I borrow money?
- How soon do I have to pay off my balance?
- Will I owe a balloon payment?
- Do I have to pay any fees?
- Should I get a home equity loan instead of a line of credit?

The proposal will apply certain disclosure requirements (currently required for the “HELOC brochure”) to the “Key Questions document,” including:

- *General purpose applications*
 - This involves the limited exception to including HELOC application disclosures with a general purpose application.
- *Publicly available applications*
 - This involves the requirement that HELOC applications that are available without the need for a consumer to request them (“take-one forms”) be accompanied by application disclosures, such as by attaching the disclosures to the application.
- *Denial or withdrawal of application*
 - This involves the exception that application disclosures be provided within three days of receiving the application if the creditor determines the application will be denied or the consumer withdraws the application.
- *Prominent location*
 - This involves the requirement that application disclosures be in a prominent location on or with the application.
- *Electronic disclosures*
 - This involves disclosures for applications accessed electronically.
- *Duties of third parties*
 - This involves the requirement (1) that a third party who provides applications to consumers must also include the “Key Questions” document; (2) that the duty to provide the document are those of the third party; and the exception that the creditor provide the consumer with a (second) copy of the document if it determines a third party has already done so.

Applications Contained in Publications, or Requested by Telephone/Intermediary

For telephone applications and those received through an intermediary, the proposed “Key Questions” document will need to be delivered or mailed within three business days of receiving the application. In these cases, the “Key Questions” document will need to be provided along with the early HELOC disclosures.

Currently, a creditor need not provide application disclosures and the HELOC brochure with applications in magazines or other publications. However, the proposal will eliminate this exception and require that the “Key Questions” document be included with applications in magazines.

Mail Applications

Under the proposal, if the creditor sends an application through the mail, the “Key Questions” document must be included. In addition, if an application is mailed to the consumer following a telephone request, the creditor will be required to send the “Key Questions” document along with the application.

Response Cards

Under the proposal, if the creditor sends the consumer an application in response to receiving a response card, the “Key Questions” document must be included with the application. In addition, if a creditor calls the consumer in response to receiving a response card and an application is taken over the phone, the “Key Questions” document will need to be delivered or mailed within three business days of taking the application.

Duties of Third Parties

The proposal will require third parties that make applications available in magazines and other publications to include the “Key Questions” document; no similar requirement currently exists.

Under the proposal, third parties will not be required to provide the “Key Questions” document with respect to telephone applications. Additionally, for telephone applications taken by a third party, the creditor will have the duty to provide “Key Questions” document within three days of receiving the application.

V. Early HELOC Disclosures

Currently, creditors must provide “application disclosures” and a HELOC brochure with an application. The proposal will replace the “application disclosures” with transaction-specific disclosures (“early HELOC disclosures”) that will need to be given within three business days after application. If a creditor determines within this three-day period that the application will not be approved, or the consumer withdraws the application, the creditor does not need to provide early HELOC disclosures.

The proposal will require early HELOC disclosures to be based on (1) the actual APR qualified for, and (2) the credit limit the consumer likely qualifies for (as opposed to disclosures based on a hypothetical draw of \$10,000).

Form of Disclosures (Table)

The proposal imposes stricter format requirements for the early HELOC disclosures than are currently required for application disclosures. These disclosures will need to be provided in a table with headings, content, and format substantially similar to the samples provided, and only disclosures explicitly permitted will be allowed. Samples are on pages 1, 4, 6, and 10 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

Under the proposal, variable-rate information will need to be disclosed in the early HELOC table and may not be disclosed separately. The table will also need to include information about one-time fees imposed by third parties to open the HELOC plan.

Under the proposal, creditors will not be allowed to include in the table disclosure of the conditions under which they can take certain actions, such as terminating the plan—although the fact that the creditor may take these actions will be disclosed in the table. The creditor will be permitted to include this information with, but not in, the early HELOC disclosures table.

The proposal will remove the requirement that certain disclosures precede certain information included in the early HELOC disclosures. In addition, the proposal will no longer require a statement that the consumer should retain a copy of the disclosures (since the early HELOC disclosures will be in a retainable form).

Under the proposal, any terms in the table that are subject to change prior to the opening of the plan will need to be below the table in bold and grouped with the following disclosures:

- The consumer is not required to accept the terms in the table (must be in bold);
- The consumer may be entitled to a refund of fees paid if the consumer decides not to open the plan (must be in bold);
- The customer’s signature only confirms receipt of the disclosure statement (must be in bold, if applicable);

- Statement identifying any disclosed term that is subject to change prior to opening the plan (must be in bold);
- Cross reference to the disclosure in the table of a consumer's right to a refund of fees;
- The consumer should ask any questions he or she may have regarding the disclosures (must be in bold); and
- The consumer may obtain additional information on the Fed's website (must be in bold).

Highlighting of Certain Disclosures

Under the proposal, certain disclosures will need to be included below the table because they provide general information a consumer may want to consider when deciding whether to open the HELOC plan being offered—as opposed to information in the table that provides specific information about the terms being offered.

The proposal generally will require that fees included in the early HELOC table be disclosed in bold text. However, while the total amount of account-opening fees will need to be in bold, the itemization of those fees may not be in bold. In addition, periodic fees for availability of the plan that are not an annualized amount may not be in bold.

Under the proposal, creditors will need to use certain terminology when disclosing the draw period, any repayment period, and for certain other disclosures in the early HELOC table. In addition, the proposal will remove the “more conspicuous requirement” for the term “annual percentage rate.”

The proposal does not include specific provisions on early HELOC disclosures in electronic form. Thus, creditors will need the consumer's consent, in accordance with the E-Sign Act, to provide early HELOC disclosures electronically.

Method of Providing Disclosures

Unlike the current rule, the proposal will not allow disclosure of all aspects of the plan in the table. For example, a creditor will be prohibited from disclosing in the early HELOC table terms applicable to a fixed-rate and -term payment feature offered during the draw period of the plan, unless that feature is the only plan offered during the draw period.

Disclosures Based on a Percentage

Under the proposal, except for one-time fees for opening the plan, if the amount of any fee that is required to be in the table is determined by a percentage of another amount, that percentage used and that other amount may be disclosed instead of the amount of the fee. In addition, any limit on the number of extensions of credit and the amount of credit that may be obtained, as well as any minimum outstanding balance and draw requirements, may be disclosed in dollars or as a percentage.

A creditor will need to disclose in the table a total of one-time fees to open the account, including those by a third party. Both the total and itemization of these fees will need to be disclosed as a dollar amount (or range)—not as a percentage of another amount.

Fixed-Rate and -Term Feature During Draw Period

HELOC plans typically offer the ability to obtain advances that must be repaid based on a variable interest rate that applies to all outstanding balances. Some HELOC plans, however, also offer a fixed-rate and -term payment feature, where a consumer is permitted to repay all or part of the balance during the draw period at a fixed rate that applies to all outstanding balances.

Contrary to the current rule, under the proposal, if a HELOC plan offers a variable-rate feature and a fixed-rate and -term feature during the draw period, a creditor generally may not disclose in the table the terms applicable to the fixed-rate and -term feature; but may be disclosed outside the table. However, the table will need to disclose information on the fixed-rate and -term feature if they are the only plans offered.

Creditors offering a fixed-rate and -term feature (in addition to a variable-rate feature) will need to disclose in the table:

- That the consumer may borrow at a fixed interest rate during the draw period;
- The credit line available at a fixed interest rate for a fixed term; and
- Either a statement that the consumer may request further details about the payment feature, or, if information is provided with the table, its location.

In responding to a request for additional information, a creditor will need to provide it as soon as possible. Additional information about the fixed-rate and -term feature provided upon request (or outside the table) will need to disclose the APRs and applicable payment terms, as well as any fees related to use of the feature.

Unlike the current rule, the proposal will require identification information above the table, including:

- The consumer's name and address;
- The identity of the creditor making the disclosure;
- The date the disclosure was prepared; and
- The loan originator's unique identifier, as defined by the "SAFE Act." (This information must be provided by all originators, if applicable.)

No Obligation Statement

Under the proposal, a creditor must disclose that the consumer has no obligation to accept the terms in the table, as well as that the consumer's signature on the early HELOC disclosures simply confirms receipt (if applicable). These disclosures will need to be below the table in a format substantially similar to the models on pages 6 and 8 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

Conditions for Disclosed Terms

The proposal will require that a creditor include below the table any disclosed term that is subject to change prior to opening the plan. Specifically, if a creditor does not guarantee any terms, it will need to disclose that all terms are subject to change. The creditor will be permitted to guarantee only certain terms, as long as it discloses which may change. The table will also need to include a statement under the heading "Fees" that, if a disclosed term changes (other than from index fluctuations for a variable-rate plan) and the consumer elects not to open the plan, it may receive a full refund. Similarly, under "Fees" there will need to be a statement that the consumer may receive a full refund of fees paid, if it notifies the creditor within three business days of receiving the early HELOC disclosures not to open the plan.

Security Interest and Risk to Home

The proposal will require the creditor to disclose in the table under "Risks" that the creditor will acquire a security interest in the consumer's home and loss of the home may occur in the event of default.

Possible Actions by Creditor

Consistent with the current rule, the table will need to disclose that, under certain conditions, the creditor may terminate the plan and require the outstanding balance in a single payment and impose fees; prohibit additional extensions of credit or reduce the credit limit; and make other changes in the plan. In addition, under the proposal, the table will need to include a statement that the creditor under certain conditions may make changes in the plan, including a change that would unequivocally benefit the consumer, even if the creditor does not include specific changes in the plan for specific events in the initial agreement.

Tax Implications

The proposal will require disclosure in the early HELOC table that interest on the portion of the amount borrowed that is greater than the home's fair market value may not be deductible from income taxes, and the consumer should consult a tax adviser for further information on deductibility. This requirement will apply to all HELOC applicants, even if the plan offered is not designed to allow extensions of credit that exceed the market value of the home.

Payment Terms

Under the proposal, the creditor will be required to distinguish in the early HELOC table payment terms applicable to the draw period and the repayment period, by using the headings "Borrowing Period" or "Repayment Period" in a format substantially similar to models on pages 6 and 10 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

The table will also need to include disclosure of the length of the plan, draw period, and any repayment period—in a format substantially similar to the models. If there is no repayment period, a creditor will need to disclose that after the draw period ends, the remaining balance must be paid in full.

For some HELOC plans, the length of the plan and draw period are the same because no repayment period exists. Under the proposal, in such instances, a creditor can satisfy the requirement to disclose the length of the plan by disclosing the length of the draw period.

Currently, the application disclosures must include an explanation of how the minimum payments will be determined and the timing of the payments. In addition, the current rule provides that if paying only the minimum may not repay the principal or may repay less than the balance, the creditor must disclose this fact, as well as that a balloon payment may result. In addition, the current rule requires a creditor to provide examples of required payments based on a \$10,000 outstanding balance and a recent APR.

Under the proposal, a creditor will not be allowed to disclose in the table more than two payment options offered on the HELOC—even if more are offered. Specifically, if a creditor only offers two payment plans (excluding fixed-rate and -term plans unless they are the only ones offered), both will need to be disclosed in the table. A creditor will need to disclose sample payments for each payment plan included in the table based on the assumption that the consumer borrows the full credit line at account-opening, and does not obtain additional credit. If two payment plans are disclosed in the table, the table must include which plan(s) results in the least and most interest, based on the assumptions. If one of the two plans will result in a balloon payment, that fact will need to be disclosed. Additionally, if a creditor offers a plan that would result in repayment of the entire principal if only minimum payments are made during that period, this plan will need to be included in the table.

Minimum Payments

Unlike the current rule, the proposal will not allow a creditor to disclose in the table other charges that may be a part of the payment or the balance computation method, and may not include a description of any floor payment, where the payment will not go below that amount.

Under the proposal, a creditor will be required to provide payment examples for the current and maximum APRs for each plan in the table. The examples must show the first minimum payments for the draw and any repayment periods, as well as the balance outstanding at the beginning of the repayment period, based on the following assumptions:

- The consumer borrows the maximum credit available (as stated in the early HELOC disclosures) at account-opening, and does not obtain additional credit;
- The consumer makes only minimum payments during the draw and repayment periods; and
- The APRs remain the same during these periods

Unlike the payment examples currently required—which must be based on a recent APR—the proposed examples must be based on the maximum APR possible for the plan, as well as the current APR offered to the consumer. Under the proposal, a creditor will need to use the APR that would apply after any introductory APR expires.

The proposal also will require a creditor to disclose, as part of the payment examples, that the examples are not the consumer's actual payments and actual payments will depend on the amount borrowed and interest rate that period.

The proposal will no longer require a creditor to include the “time to repay” disclosure.

Balloon Payments

Under the proposal, if a creditor only discloses one payment plan in the early HELOC disclosures and that plan may result in a balloon payment, a creditor will be required to disclose in the table information about the balloon payment at the beginning of the payment terms section, as well as with the payment examples. Specifically, if a creditor offers only one payment plan and paying only the minimum payments may not repay any of the principal or may repay less than the balance by the end of the plan, the creditor must disclose this fact, as well as that a balloon payment may result. Creditors will not be allowed to state that a balloon payment will not result under a plan, even if true. The proposal includes models to facilitate compliance with this provision on page 8 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

Consistent with the current rule, the proposal will require a creditor to disclose that a balloon payment “may” result if such an occurrence is possible, even if unlikely; creditors also will need to disclose that a balloon payment “will” occur under a payment plan (if applicable).

Annual Percentage Rate

Unlike the current rule, the proposal will require a creditor to disclose in the early HELOC table the current APRs offered for each payment plan included in the table. For variable-rate plans that also offer fixed-rate and -term payment options, a creditor will only be allowed to disclose in the table information applicable to the variable-rate plan.

The proposal will require disclosure of any rate changes included in the initial agreement applicable to the payment plans disclosed in the table. The creditor will be required to disclose the preferred-rate that applies to the plan, and the rate that would apply if the event is triggered.

A creditor will be allowed to disclose APRs only in the early HELOC table. These APRs will need to be in at least 16-point font, except for: any minimum or maximum APRs that may apply; and any disclosure of rate changes included in the initial agreement, except for rates that would follow an introductory rate. All other disclosures in the table will need to be a minimum of 10-point font. The proposal will prohibit a creditor from disclosing in the table any penalty rate included in the initial agreement that may be imposed in lieu of termination of the plan.

In addition to the disclosures currently required for plans with a variable-rate feature, the proposal will also require a creditor to disclose that a variable-rate account exists when rate changes are part of the plan and are tied to an index or formula. In disclosing a variable-rate APR, a creditor will need to use the term “variable rate” in underlined font. Unlike the current rule, the proposal will no longer require explicit disclosure of the fact that the payment or other terms may change due to the variable-rate feature.

The proposal will require a creditor to disclose in the table the type of index used in making rate adjustments (such as prime) and the value of the margin. However, a creditor will not be allowed to disclose in the table the current value of the index, such as that the prime rate is currently 4%.

Unlike the current rule, the proposal will require disclosure in the table of any periodic limits on changes in the APR that are longer than a year. In addition, a creditor also will be required to disclose any minimum rate that will apply to the plans disclosed in the table, such as a rate floor. A creditor also will need to disclose any rate limits, including those that occur in more than one year, annually, or less than annually. Rate limitations imposed on more or less than an annual basis will need to be stated as a specific amount of time. If a creditor does not impose periodic limits, this fact will need to be disclosed. Specifically, the proposal provides that the maximum APR that may be imposed under each payment option disclosed in the table over the term of the plan will need to be provided. The maximum APR will need to be stated as a specific number.

As mentioned above, a creditor currently must provide a historical example, based on a \$10,000 extension of credit, illustrating how APRs and payments would have been affected by changes in the index value. The proposal will instead require a creditor to disclose in the table the lowest and highest values of the index in the past 15 years.

The proposal provides that if the initial rate is an introductory rate, a creditor will be required to label it “introductory,” and disclose the length of the introductory period, as well as the rate that would otherwise apply. If the rate that would otherwise apply is variable, the creditor will need to disclose it based on the applicable index or formula.

Fees Imposed by the Creditor and Third Parties to Open the Plan

Unlike the current rule, the proposal will require a creditor to disclose and itemize in the table the total of all onetime fees imposed by the creditor and any third parties to open the plan, stated in dollars, and also disclose when the fees are payable.

In addition, the proposal will allow a creditor to provide a range for these fees, if the dollar amount is not known when the early HELOC disclosures are delivered. Regarding the total of onetime fees, the proposal provides that if the exact total is not known when the disclosures are delivered, a creditor must disclose the highest total of one-time account-opening fees possible and indicate that the costs may be “up to” that amount.

Unlike the current rule, the proposal will prohibit a creditor from disclosing in the table the amount of any property insurance premiums, even if such insurance is required.

Fees Imposed by the Creditor for Availability of the Plan

The proposal will require a creditor to disclose in the early HELOC table: any annual or other periodic fees that may be imposed for the availability of the plan and fees based on account activity/inactivity; the frequency of the fee; and the annualized amount of the fee. The table will not need to include fees to maintain and use the plan, except those for the availability of the plan. However, a creditor will be required to disclose in the table that other fees will apply and reference to penalty and transaction fees as examples. In addition, the table will need to include either (1) a statement that the consumer may receive additional information about the fees, or (2) if the additional information is with the table, reference to its location.

The proposal will clarify that if fees required to be disclosed are waived or reduced for a limited time, a creditor will be allowed to disclose, in addition to the required fees, the introductory fees or the fact of fee waivers in the table if it also discloses how long the reduction or waivers will remain in effect.

Fees Imposed by the Creditor for Early Termination of the Plan by the Consumer

Unlike the current rule, the proposal will require a creditor to disclose in the early HELOC table any fee that may be imposed if a consumer terminates the plan prematurely, such as penalty, prepayment fees, or waived account-opening fees. However, fees imposed when the plan expires in accordance with the agreement or that are associated with collection of the debt if the creditor terminates the plan, such as attorneys' fees, will not need to be included.

Negative Amortization

The proposal provides that a creditor will be deemed to have met the disclosure requirements regarding negative amortization if the early HELOC disclosures include the following: "Your minimum payment may cover/covers only part of the interest you owe each month and none of the principal. The unpaid interest will be added to your loan amount, which over time will increase the total amount you are borrowing and cause you to lose equity in your home."

Required Insurance, Debt Cancellation or Debt Suspension Coverage

Contrary to the current rule, the proposal will require a creditor that mandates insurance or debt cancellation or suspension coverage to disclose in the early HELOC table any applicable fee.

Refund of Fees

Unlike the current rule, which entitles a consumer to a refund of fees only if the consumer decides not to obtain a HELOC because of a change in terms, the proposal will provide a refund if a disclosed term changes before account-opening and the consumer decides not to enter into the plan. The proposal will eliminate the requirement that the consumer's reason for deciding not to enter into the plan be that a term has changed.

Under the proposal, disclosing a range for the maximum rate would no longer be permitted in the early HELOC table, nor would disclosing an estimate for a third party account-opening fee. However, the proposal will allow a creditor to disclose an account-opening fee as a range if the dollar amount of the fee is not known at the time the disclosures are delivered or mailed.

VI. Limitations on Home-Equity Plans

The proposal includes a number of significant modifications to the rules restricting changes that creditors may make to HELOCs.

1) The proposal will amend the rule which permits creditors to terminate and accelerate a HELOC if “the consumer fails to meet the repayment terms of the agreement,” to prohibit creditors from terminating and accelerating an account, unless the consumer has failed to make a required minimum periodic payment within 30 days of the due date.

2) The current rule permits a depository institution to terminate and accelerate a HELOC plan if “compliance with federal law dealing with credit extended by a depository institution to its executive officers specifically requires that as a condition of the plan the credit shall become due and payable on demand.” The proposal will instead permit creditors to terminate and accelerate plans if a federal law requires the creditor to do so, expanding this provision to cover other federal laws that may require a creditor to terminate and accelerate a plan.

Similarly, the proposal will permit creditors to suspend advances or reduce the credit limit if a federal law other than TILA requires the creditor to do so.

3) The proposal will clarify that Regulation Z’s general limitation on changing terms does not prohibit a creditor from passing on to consumers bona fide and reasonable costs incurred by the creditor for collection activity after default, to protect the creditor’s interest in the property securing the plan, or to foreclose on the securing property.

The current rule provides exceptions from the general prohibition on changes in terms of home-equity plans. One of these “exceptions” is that a creditor may provide in the initial agreement that a specified change will take place if a specified event occurs.

The proposal will clarify that rate increases are also permissible upon the occurrence of special circumstances other than those set forth in the existing rule, as long as they are specifically set forth in the agreement and do not conflict with other substantive limitations on rate changes in the regulation. The proposal also will limit the amount by which a rate could be increased once circumstances qualifying the consumer for a preferred rate no longer apply. Specifically, a creditor will be prohibited from increasing the rate to more than it would have been had the consumer never qualified for a preferred rate. The proposal also will clarify that the creditor will not be able to impose a penalty rate for a reason other than those described in the section allowing termination and acceleration.

Currently, a creditor is permitted to change a term of a home-equity plan if the change “will unequivocally benefit the consumer throughout the remainder of the plan.” The proposal will clarify that a change-in-terms notice “would,” rather than “may,” be required to be provided to the consumer when a temporarily reduced rate or fees are returned to their original level, if these reductions and subsequent increases were not disclosed in the account agreement. The proposal will also clarify that including notice of the increased rate or fee with the notice to the consumer that the rate or fee is being reduced will constitute appropriate notice of the increase, as long as provided 45 days before the effective date of the increase.

4) The current rule permits a creditor to make “insignificant” changes to a plan’s terms. The rule explains that this provision is intended to “accommodate operational and similar problems, such as changing the address of the creditor for purposes of sending payments.” The proposal will add an example of a change that would be considered insignificant under this provision: a creditor may eliminate a method of accessing a HELOC, such as by credit card, as long as at least a means of access that was available at account-opening remains available to the consumer on the original terms.

The proposal will also clarify that changes to the original terms on which a means of access was originally available—such as any fees for using the access method—would not be considered insignificant, but might be permitted as “beneficial” changes if the change met the requirements.

5) The proposal will provide additional guidance and amend the rules in three major areas related to when a creditor may temporarily suspend advances on a home-equity plan or reduce the credit limit:

- Rules regarding when a creditor may suspend or reduce an account based on a significant decline in the property value;
- Rules regarding when a creditor may suspend or reduce an account based on a material change in the consumer’s financial circumstances; and
- Rules regarding reinstatement of accounts that have been suspended or reduced.

The current rule permits a creditor to temporarily suspend advances or reduce a credit line on a HELOC if “the value of the dwelling that secures the plan declines significantly below the dwelling’s appraised value for purposes of the plan.” The rule states that whether a decline in value is significant under this provision “will vary according to individual circumstances.” The current rule goes on to provide a “safe harbor” standard for determining whether a decline is significant. Specifically, a decline in value is considered significant if it results in the initial difference between the credit limit and the available equity diminishing by 50% or more.

The proposal will delineate two “safe harbors” on which creditors could rely to determine that a decline in property value is “significant.”

- For plans with a loan-to-value at origination of 90% or higher, a 5% reduction in the property value will constitute a significant decline.
- For plans with a loan-to-value at origination of under 90%, the proposal retains the existing safe harbor (as noted above, which results in difference of 50% or more).

The current rule permits a creditor to suspend advances or reduce the credit limit of a HELOC when “the creditor reasonably believes that the consumer will be unable to fulfill the repayment obligations of the plan because of a material change in the consumer’s financial circumstances.”

The proposal retains the existing two-part test for justifying account suspensions or credit limit reductions. The creditor must first examine the consumer’s financial circumstances and determine whether a “material” change has occurred. The creditor must then establish that this change supports the creditor’s reasonable belief that the consumer will be unable to meet the repayment obligations.

For the first part of the test, under the proposal, evidence of a significant change in financial circumstances includes: a significant decrease in the consumer’s income, or credit report information showing late payments or non-payments, or derogatory collections or public records related to the consumer’s failure to pay other obligations. The proposal will require that these payment failures must have occurred within a reasonable time from the date of the creditor’s review of the consumer’s credit performance, a safe harbor will be 6 months. In addition, the consumer must not have brought the account on which the payment failure occurred current as of the time of the creditor’s review.

Meeting the second part of the test requires that the change in financial circumstances support the creditor’s reasonable belief that the consumer will be unable to fulfill the payment obligations. For this part of the test, the proposal retains the existing commentary’s safe harbor—namely, that the creditor may rely on evidence of the consumer’s failure to pay other debts (within a reasonable time) to support a reasonable belief.

VII. Reinstatement of Credit Privileges

The proposal will clarify that the creditor will not be obligated to restore credit privileges if the original condition permitting the action no longer exists but another condition permitting such action exists.

The proposal retains the existing two options for a creditor to fulfill its obligation to ensure that the consumer's credit privileges are restored as soon as reasonably possible after the circumstances permitting a freeze or credit limit reduction cease. First, a creditor may monitor the line on an ongoing basis to determine whether the condition continues to exist. Under the proposal, creditors choosing this option will be required to investigate the HELOC often enough to be certain that a condition permitting the action exists. How often a creditor must investigate depends on the individual circumstances of a particular situation. The second option permits creditors to forego ongoing monitoring and instead require the consumer to request reinstatement.

Currently, receipt of a reinstatement request triggers the creditor's obligation to investigate whether the condition permitting the freeze or reduction exists. The proposal will require the creditor to complete the investigation and mail the results within 30 days of the request. The proposal will grant the consumer one reinstatement request investigation free of charge.

The proposal will require creditors that choose to have the consumer request reinstatement to disclose the results of the investigation. This notice requirement will apply only for investigations conducted in response to a request for reinstatement and only when the investigation shows that reinstatement is not warranted.

The proposal also will require a creditor, upon request, to provide the consumer with a copy of the documentation supporting the property value on which the creditor relied to freeze or reduce a line based on a significant decline in the property value. The proposal explains that appropriate documentation includes a copy of a report for the valuation method used, such as an appraisal report, or any written evidence of another valuation method used (such as an automated valuation model (AVM), tax assessment valuation (TAV), or broker price opinion (BPO)) that clearly and conspicuously shows the property value and factors considered to obtain the value.

VIII. Account-Opening Disclosures

General Description of Changes

The proposal includes two significant changes to account-opening disclosures: (1) a summary table of key terms will need to be provided before an account is opened, and (2) how and when cost disclosures must be made will be reformed.

The proposal will impose new format requirements for account-opening disclosures similar to those discussed above for early HELOC disclosures, and will require the table to be substantially similar to the models included on pages 12, 15, 17 and 19 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

Specifically, a creditor will be required to disclose key terms relating to the HELOC plan in the account-opening table. A creditor will need to include certain identification disclosures, such as the borrower's name and address, directly above the table. In addition, a creditor will need to disclose other information, such as a statement that the consumer should confirm that the terms in the table are the same as those the consumer applied for, below the table. Account-opening disclosures that are not specifically required to be in the table may be included as part of the account agreement.

Most of the disclosures required for the proposed early HELOC disclosures table will also be included in the account-opening table, although the tables will not be identical. For example, the early HELOC table will include two payment options (unless only one is offered), while the account-opening table will show only the payment plan chosen.

Below is a list of disclosures that will be required to be above, within, or below the table, followed by additional information about certain disclosures relevant to the proposal.

Proposed Account-opening Table Disclosures

Above the table:

- Identification information.
 - Including the consumer's name and address; identity of the creditor making the disclosures; date the disclosure was prepared; the account number; and the loan originator's unique identifier.

In the table:

- Security interest and risk to home;
 - Statement that the creditor will acquire a security interest in the consumer's dwelling and that loss of the dwelling may occur in the event of default.
- Possible actions by creditor;
 - Statement that the creditor may terminate the plan and require the outstanding balance in a single payment and impose fees; prohibit additional extensions of credit or reduce the limit; and implement changes in the plan. Additionally, a statement that information about when the creditor may take these actions is provided in the account-opening disclosures or agreement.
- Tax implications;
 - *Same as those in the Early HELOC Disclosures.*
- Payment terms;
- Annual percentage rate;
- Fees imposed by the creditor and third parties to open the plan;
- Fees imposed by the creditor for availability of the plan;
- Fees imposed by the creditor for early termination of the plan by the consumer;
- Late-payment fee;
- Over-the-limit fee;
- Transaction charges;
- Returned payment fee;
- Fees for failure to comply with transaction limitation;
- Statement about other fees;
 - Statement that information about other fees is included in the account-opening disclosures or agreement; as well as a statement near the disclosure of fees on the first page that other fees are included elsewhere in the table.
- Negative amortization;
 - *Same as those in the Early HELOC Disclosures.*
- Transaction requirements;
 - *Same as those in the Early HELOC Disclosures.*
- Credit limit;
 - Disclosure of the credit limit applicable to the HELOC plan.
- Statements about fixed-rate and -term payment plans; and
 - *Same as those in the Early HELOC Disclosures.*
- Required insurance, debt cancellation or debt suspension coverage.
 - Disclosure of any fee for this coverage, as well as reference to any information included outside the table.

Below the table:

- Grace period;
- Balance computation method;
- Billing error rights reference;
 - Statement that information about billing rights is included in the account-opening disclosures or account agreement.
- No obligation statement;
 - *Same as those in the Early HELOC Disclosures.*
- Statement that consumer should ask questions; and
- Statement that more information is available on the Fed's web site.

Payment Terms

The proposal will require the same disclosures related to payment terms in the account-opening table as in the early HELOC table, with one exception. Rather than including two payment options, the account-opening table will show only the payment plan chosen. Under the proposal, the creditor will be required to distinguish payment terms applicable to the draw period and the repayment period, by using the headings "Borrowing Period" or "Repayment Period" in a format substantially similar to the models on pages 15 and 19 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call.

Under the proposal, a creditor will be required to disclose in the account-opening table the lengths of the plan, draw period, and length of any repayment period. If there is no repayment period, the creditor will be required to disclose that after the draw period ends, the consumer must repay the remaining balance in full. The table will also need to include an explanation of how the minimum periodic payment will be determined, the timing of the payments, payment examples, and information on any balloon payments.

In instances where a creditor allows a consumer to choose a payment plan at account-opening, the creditor will need to prepare tables for each payment plan offered from which a consumer may choose (except for fixed-rate and -term plans unless those are the only plans offered during the draw period) and ensure that the proper table is provided at account-opening.

Annual Percentage Rate

The proposal will require the account-opening table to include the same disclosures related to APRs as the early HELOC table. In addition, the account-opening table will need to include certain information about any variable rates, such as the fact that the APR may change due to the variable-rate feature. The table will also need to disclose any applicable introductory rate, as well as the length of the introductory rate period and the rate that will follow.

Fees Imposed by the Creditor and Third Parties to Open the Plan

Under the proposal, the account-opening table will need to include an itemization of all one-time fees imposed by the creditor and third parties to open the plan, and—unlike the early HELOC table—simply disclosing a range of those fees will not be allowed. In addition, the table will include the total of all one-time fees by the creditor and third parties to open the plan, and—unlike the early HELOC table—disclosure of the highest possible amount of fees will not be allowed.

Furthermore, unlike the proposed early HELOC table, in the account-opening table, the itemization of the fees will not be disclosed with the fee totals but will instead be on the second page with penalty and transactions fees.

Grace Period

Below the account-opening table, the proposal will require disclosure of the period of time before a finance charge will be incurred and information on a grace period, including a statement that no grace period is offered (if applicable). If the grace period varies, the creditor will be allowed to disclose the range of days, the minimum number of days, or the average number of the days in the period.

If the grace period applies to all features on the account, its description will need to be titled "How to Avoid Paying Interest;" if it does not apply to all features, it will be titled "Paying Interest."

Balance Computation Method

Under the proposal, a creditor will be required to disclose below the account-opening table the name of the balance computation method used by the creditor for each feature of the account, along with a statement that an explanation of the method is provided in the account agreement or disclosure statement. If the method is not one of the commonly used methods that are currently identified in Regulation Z, the creditor will need to provide a brief explanation instead of the name of the method.

Disclosure of Rates for Home-Equity Plans

The proposal will require creditors to explain the method used to determine the balance to which rates apply. In addition to disclosing the name of the method in the account-opening table, creditors will be required, as in the current regulation, to explain the balance computation method in the account-opening agreement or other disclosure statement. Under the proposal, a creditor will be required to disclose where the explanation is found, along with the name of the balance computation method. A sample explanation is included in the proposal.

The proposal will set forth the rules for variable-rate disclosures, similar to those for open-end (not home-secured) credit. Under the proposal, a variable rate on HELOC plans included in the account-opening disclosures is accurate if it is a rate as of a specified date and was in effect within the last 30 days before the disclosures are provided.

IX. Disclosure of Charges Imposed as Part of Home-Equity Plans

Until now, TILA required disclosure of "finance charges" and "other charges." However, this has created confusion and uncertainty, as these terms have broad and flexible definitions. Similar to the disclosures for open-end (not home-secured) credit, the proposal addresses these concerns by:

- Establishing a single category of "charges imposed as part of home-equity plans."
- Requiring that all charges imposed as part of an open-end plan be disclosed before they are imposed, regardless of whether they have been considered "finance charges" or "other charges."
- Specifying precisely the charges which will need to be included in the account-opening table. This includes late payment and over-the-limit fees.
- Permitting the disclosure of all other charges that are imposed as part of the credit plan either at account-opening or orally at a time before the consumer agrees to pay the charge.

The proposal establishes a single category of all “charges imposed as part of home-equity plans.” These charges include finance charges, penalty charges, taxes, and charges for voluntary credit insurance, debt cancellation or debt suspension coverage. However, the proposal will except two charges from the account-opening disclosures: “costs for protection of the creditor’s interest in the collateral due to default” and “foreclosure costs.” The proposal will also include examples of charges that would not be considered imposed as part of the plan.

The charges that will need to be disclosed also include any charge in which the payment, or nonpayment, affects the consumer’s access to the plan, the duration of the plan, the amount of credit extended, the period for which the credit is extended, and the timing or method of billing. Examples include fees to obtain additional checks or credit cards, and fees to expedite delivery of checks or credit cards.

The proposal includes a complete list of charges that will need to be disclosed in the account-opening table. All other charges required to be disclosed, will not need to be disclosed in writing at account-opening. They may be provided orally at a time before the consumer agrees to or becomes obligated to pay the charge. The creditor may choose to disclose a charge, even if there is uncertainty as to whether it is “imposed as part of the plan.”

X. Periodic Statements

General Description of Changes

The proposal will change how interest and fees are disclosed in periodic statements. In addition, it will eliminate the requirement to disclose the “effective” APR, which is the APR that incorporates finance charges.

The proposal will remove the option for creditors offering HELOCs to comply with the periodic statement requirements applicable to creditors offering open-end (not home-secured) credit. However, the proposed periodic statement requirements for HELOC creditors are substantially similar to those for open-end (not home-secured) plans, except for minor differences, including the itemization of interest charges.

Periodic Rates

Identical to the exemption for open-end (not home secured) plans, the proposal will eliminate required disclosure of periodic rates on periodic statements. Creditors will still be required to disclose an APR that corresponds to each periodic rate that may be used to compute the finance charge. For example, assume a monthly periodic rate of 1.5% applies to transactions on a HELOC account. The corresponding APR to this periodic rate would be 18%. Under the proposal, creditors will be required to disclose the 18% corresponding APR, but will not be required to disclose the 1.5% periodic rate.

The APR that will be disclosed will have to be labeled as the “annual percentage rate.” For samples of this disclosure see pages 22, 23, and 25 of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call. The proposal retains the exception that creditors disclose a promotional rate only if the rate actually applied during the billing period.

Balance on which Finance Charge is Computed

Under the proposal, creditors will no longer be required to include an explanation of how the finance charge may be verified for creditors who use a daily balance method. The proposal will require creditors to refer to the balance as “balances subject to interest rate.”

Regarding disclosure of the balance computation method, the proposal will allow creditors to:

- Provide an explanation—as is currently required; or
- Identify the name of the balance computation method and provide a toll-free telephone number where consumers may obtain more information from the creditor about how the balance and finance charge are determined.

The creditor must provide a brief explanation if it uses a method not identified in Regulation Z.

Charges Imposed

The proposal will require creditors to disclose all “charges imposed as part of home-equity plans.” This will be broader than the current standards for finance and other charges; which will need to be disclosed as “interest charges” and “fees.”

Creditors will be required to disclose total “interest charges” for the statement period and year-to-date. If different periodic rates apply to different types of transactions, creditors will be required to itemize interest charges by type of transaction, or group of transactions subject to different periodic interest rates, and label them as such. Itemized interest charges will be grouped together, even if they are attributable to different users of the account or to different sub-accounts.

Finance charges will be identified as “fees” and no longer combined with interest costs. These fees will be identified by feature—such as, cash advances or fixed-rate transactions—or type—such as, late-payment or over-the-limit—and itemized. These fees will be grouped together and a total of all fees for the statement period and year-to-date will be disclosed in a dollar amount. The fees will be grouped together, even if they are attributable to different users of the account or to different sub-accounts.

The proposal will require the total aggregate amount of interest charges and fees for the statement period and the calendar year-to-date to be disclosed.

For a creditor that acquires a HELOC account from another creditor or replaces one HELOC account it has with a consumer with another HELOC account, the creditor will be required to include the interest charges and fees incurred prior to the account acquisition or replacement in the totals provided for the statement period and calendar year-to-date after the change.

Creditors will be required to use the model provided or disclosures that are substantially similar; the model is on page 22 of the of the Model Forms and Samples document which can be accessed by clicking the link at the top of this Comment Call. In addition, if an advance notice of a change in rates or terms is provided with a periodic statement, the proposal will require that the front of the statement include a summary of the change.

Grace Period

The language used to describe the grace period will be required to be consistent with that used in account-opening disclosures. The proposal will require disclosure of the date by which or the period within which repayment may occur without incurring interest charges, as well as any conditions on the availability of the grace period. Any section disclosing a grace period that applies to all features on the account will need to be titled “How to Avoid Paying Interest.”

XI. Subsequent Disclosure Requirements

Change in Terms

The proposal includes the following changes with regard to the requirement to provide change-in-terms notices:

- The notice will need to be sent at least 45 days in advance—as opposed to the current 15-day requirement.
- Certain disclosures do not have to be provided at the time the account is opened and may be disclosed later, and orally, at a relevant time before the consumer becomes obligated to pay the charge.
- The proposed rule includes format changes to these disclosure requirements that are provided in writing. The information will be in the form of a summary table on the first page of the notice. If included with periodic statements, the table must be on the front of any page of the statement.

The proposal also requires the following additional information in the change-in-terms notices:

- A statement that changes are being made to the account.
- A statement that the consumer may opt-out of these changes.
- The date the changes will be effective.
- If applicable, an indication that additional information about the changes may be found in the notice.

Increase in Rates

The proposed rule will require creditors to provide 45 days advance notice when a rate is increased due to the consumer's delinquency or default, or if a rate is increased as a penalty for one or more events specified in the account agreement. This notice must include the following information, which must be on the front of the first page:

- A statement that the delinquency, default or penalty rate has been triggered.
- The date on which the increased rate will apply.
- The circumstances under which the delinquency, default or penalty rate will cease to apply, or that this will remain in effect for a potentially indefinite time period.
- A statement as to which balances the delinquency, default or penalty will apply.

Unlike the similar disclosure provision for open-end (not home-secured) credit, a creditor offering a HELOC will not need to include a description of the balances to which the current rate will apply.

This information may be provided in a table on the periodic statement and will need to be on the front of any page of the statement. A notice does not have to be provided if the rate is increased for failure to abide by a workout arrangement, assuming the rate is no higher than the rate that would have applied if there was no workout arrangement.

Notices of Action Taken for Home-equity Plans

The proposal will require certain disclosures in addition to those currently required for account termination, suspension, or credit limit reduction. The creditor will be required to include the date the account suspension or reduction of credit took effect, the new credit limit (if applicable), as well as the reasons for the action taken—such as that the maximum APR had been reached or the value of property securing the plan had significantly declined.

For those creditors that require the consumer to request reinstatement before the creditor will consider restoring credit privileges, the proposal will extend the current disclosure requirements by requiring that the creditor:

- Inform the consumer of his or her right to request reinstatement of the account at any time;
- Disclose the specific manner in which the consumer should request reinstatement; and
- Disclose that the creditor will complete an investigation of the consumer's request within 30 days of receiving the request.

The proposal also provides that a creditor that reduces the credit limit may not charge the consumer fees for exceeding the credit limit until after the consumer has received notice. Similarly, after a creditor has suspended advances, the creditor may not charge a fee for any advance that it denies until the consumer receives notice. Additionally, in general only fees disclosed in the original agreement may be charged and these will be subject to the notice waiting period.

The proposal will require creditors to provide a notice to each consumer affected by the creditor's termination/acceleration of the account, suspension of advances, or reduction of the credit limit under circumstances permitting these actions. The proposed notice for actions taken will not be required until three business days after the action is taken, rather than before.

Lastly, the proposal will require a creditor taking action other than account termination, suspension, or credit limit reduction, such as a rate increase or fee, to disclose these changes according to the 45-day advance notice requirements.

QUESTIONS TO CONSIDER REGARDING THE PROPOSED RULE

1. The Fed is proposing to adopt, for closed-end mortgage lending, an "all-in" finance charge concept, under which all fees payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or condition of the extension of credit would be included in the finance charge. The Fed believes that changing the definition of finance charge to reflect the "all-in" concept for HELOC accounts would not have a material effect on the disclosures and accordingly is unnecessary. Are there any reasons why the definition should be changed to include the all-in concept?

2. Will creditors that currently use a single processing system to generate periodic statements for all open-end products they offer be able to continue to do so under the proposal?

3. The Fed solicits comment on the typical number of transactions and fees shown on periodic statements for HELOCs, as well as the burden on creditors and the benefit to consumers of requiring fees to be grouped together on periodic statements.

4. The Fed is not proposing to require creditors to provide full disclosure of late-payment penalties on periodic statements, or to comply with the provision about same-day crediting of payments made at a financial institution's branches or offices, as set forth in the Credit Card Act. The Fed solicits comment on this aspect of the proposal.

5. Is 45 days an appropriate period for the advance notice requirement for changes in terms of HELOCs? Or should it be 30 days or some other time period or should it be consistent with credit cards? Will it be more difficult to seek alternative financing or otherwise mitigate the impact of a change in terms for HELOCs than for credit card accounts? In addition, since changes in terms are more narrowly restricted for HELOCs than for credit card accounts, will the impact on consumers of term changes for HELOCs be less severe?

6. A creditor currently must provide a historical example, based on a \$10,000 extension of credit, illustrating how APRs and payments would have been affected by changes in the index value. The proposal will instead require a creditor to disclose in the table the lowest and highest values of the index in the past 15 years. The Fed believes that the proposed disclosure of the range of the index over a 15-year historical period will provide the most important information from the historical example table in a simple and efficient way. Is this appropriate? Should the new proposed disclosure show the range of the APR that would have applied to the HELOC plan over the past 15 years, calculated based on the range of the index value plus the margin that is currently offered to the consumer, or simply show the index range?

7. What sort of information should the Fed's website contain?

8. The proposal will prohibit certain account action unless the consumer has failed to make a required minimum periodic payment within 30 days of the due date. Is this timeframe appropriate?

9. In regard to section VI, *Limitations on Home-Equity Plans*, the Fed had considered setting a general standard for changes that would be considered insignificant, such as allowing changes to be deemed insignificant that result in the same or substantially similar payments, rates, fees, and overall loan costs. Would setting a general standard be desirable? Would prescribing specific tolerances for resulting payments, costs, and fees be helpful? What might appropriate tolerances be?

10. Any other concerns or questions regarding the proposed rule?
