

Part 707 Truth in Savings

§ 707.1 Authority, Purpose, Coverage and Effect on State Laws.

- (a) Authority. This part is issued by the National Credit Union Administration Board to implement the Truth in Savings Act of 1991 (TISA), contained in the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. § 4301 *et seq.*, Pub. L. No. 102–242, 105 Stat. 2236).
- (b) Purpose. The purpose of this part is to enable credit union members and potential members to make informed decisions about accounts at credit unions. This part requires credit unions to provide disclosures so that members and potential members can make meaningful comparisons among credit unions and depository institutions.
- (c) Coverage. This part applies to all credit unions whose accounts are either insured by, or eligible to be insured by, the National Credit Union Share Insurance Fund, except for any credit union that has been designated as a corporate credit union by the National Credit Union Administration and any credit union that has \$2 million or less in assets, after subtracting any non-member deposits, and is determined to be non-automated by the National Credit Union Administration. In addition, the advertising rules in § 707.8 apply to any person who advertises an account offered by a credit union, including any person who solicits any amount from any other person for placement in a credit union.
- (d) Effect on state laws. State law requirements that are inconsistent with the requirements of the TISA and this part are preempted to the extent of the inconsistency.

§ 707.2 Definitions.

For purposes of this part, the following definitions apply:

- (a) Account means a share or deposit account at a credit union held by or offered to a member or potential member. It includes, but is not limited to, accounts such as share, share draft, checking and term share accounts. For purposes of the advertising regulations in § 707.8, the term also includes an account at a credit union that is held by or offered by a share or deposit broker.
- (b) Advertisement means a commercial message, appearing in any medium, that promotes directly or indirectly the availability of, or a deposit in, an account.
- (c) Annual percentage yield means a percentage rate reflecting the total amount of dividends paid on an account, based on the dividend rate and the frequency of compounding for a 365 day period and calculated according to the rules in Appendix A of this part.
- (d) Average daily balance method means the application of a periodic rate to the average daily balance in the account for the period. The average daily balance is determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period.
- (e) Board means the National Credit Union Administration Board.
- (f) Bonus means a premium, gift, award, or other consideration worth more than \$10 (whether in the form of cash, credit, merchandise, or any equivalent) given or offered

to a member during a year in exchange for opening, maintaining, or renewing an account, or increasing an account balance. The term does not include dividends, other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends.

- (g) Credit union means a federal or state-chartered credit union that is either insured by, or is eligible to apply for insurance from, the National Credit Union Share Insurance Fund.
- (h) Daily balance method means the application of a daily periodic rate to the full amount of principal in the account each day.
- (i) Dividend and dividends mean any declared or prospective earnings on a member's shares in a credit union to be paid to a member or to the member's account. For purposes of this part, the term does not include the payment of a bonus or other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends.
- (j) Dividend declaration date means the date that the board of directors of a credit union declares a dividend for the preceding dividend period.
- (k) Dividend period means the span of time established by the board of directors of a credit union by the end of which shares in a member account earn dividend credit. The dividend period may be different for each type of account.
- (l) Dividend rate means the declared or prospective annual dividend rate paid on an account, which does not reflect compounding. For purposes of the account disclosures in § 707.4(b)(1)(i), the rate may, but need not, be referred to as the "annual percentage rate" in addition to being referred to as the "dividend rate."
- (m) Extraordinary dividends means a non-repetitive dividend paid at an irregular time from funds legally available for such distribution.
- (n) Fixed-rate account means an account that is not a variable rate account as defined in paragraph (z) of this section.
- (o) Grace period means a period following the maturity of an automatically renewing term share account during which the member may withdraw funds without being assessed a penalty.
- (p) Interest means any payment to a member or to a member's account for the use of funds in a non-dividend bearing account at a state-chartered credit union offered pursuant to state law, calculated by application of a periodic rate to the balance. For purposes of this regulation, the term does not include the payment of a bonus or other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or extraordinary dividends. Except as is specifically otherwise provided in this part, in the case of an interest-bearing account held in or offered by a state-chartered credit union pursuant to state law, the word "interest" shall be substituted for all references to "dividend" or "dividends" in this part.
- (q) Member means:
 - (1) A natural person member of the credit union who holds an account primarily for personal, family, or household purposes;

- (2) A natural person non-member who holds an account primarily for personal, family, or household purposes, either jointly with a natural person member or in a credit union designated as a low-income credit union, or to whom such an account is offered; and
- (3) A natural person non-member who holds a deposit account in a state-chartered credit union pursuant to state law, or to whom such deposit account is offered. The term does not include a natural person who holds an account for another in a professional capacity or an unincorporated non-business association of natural person members.
- (r) Non-dividend membership benefits means any property or service provided by a credit union to its members, the nature of which makes its valuation unreasonable and administratively impracticable.
- (s) Passbook account means an account in which the member retains a book or other document in which the credit union records transactions on the account.
- (t) Periodic statement means a statement setting forth information about an account (other than a term share account or passbook account) that is provided to a member on a regular basis four or more times a year.
- (u) Potential member means a natural person within the credit union's field of membership (or an unincorporated non-business association of such persons) or otherwise eligible to become a member as defined in paragraph (q) of this section.
- (v) State means a state, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.
- (w) Stepped-rate account means an account that has two or more dividend rates that take effect in succeeding periods and are known when the account is opened.
- (x) Term share account means any share certificate, interest-bearing certificate of deposit account, or other account with a maturity of at least seven days in which the member generally does not have a right to make withdrawals for six days after the account is opened, unless the account is subject to an early withdrawal penalty of at least seven days' dividends on amounts withdrawn, offered by a credit union to a member or potential member.
- (y) Tiered-rate account means an account that has two or more dividend rates that are applicable to specified balance levels.
- (z) Variable-rate account means a share, share draft, checking, or term share account in which the simple dividend rate may change after the account is opened, unless the credit union contracts to give at least thirty days advance written notice of rate decreases.

§ 707.3 General Disclosure Requirements.

- (a) Form. Credit unions shall make the disclosures required by §§ 707.4 through 707.6, as applicable, clearly and conspicuously in writing and in a form that the member or potential member may keep. Disclosures for each account offered by a credit union may be presented separately or they may be combined with disclosures for the credit union's other accounts, as long as it is clear which disclosures are applicable to the member's account.

- (b) General. The disclosures shall reflect the terms of the legal obligation between the member and the credit union. Disclosures may be made in languages other than English, provided the disclosures are available in English upon request.
- (c) Relation to Regulation E (12 CFR part 205). Disclosures required by and provided in accordance with the Electronic Fund Transfer Act (15 U.S.C. 1601) and its implementing Regulation E (12 CFR part 205) that are also required by this part may be substituted for the disclosures required by this part.
- (d) Multiple members. If an account is held by more than one member, disclosures may be made to any one of the members.
- (e) Oral responses to inquiries. In an oral response to a member or potential member's inquiry about dividend rates payable on its accounts, the credit union shall state the annual percentage yield. The dividend rate may be stated in addition to the annual percentage yield. No other rate may be stated. In stating a dividend rate and annual percentage yield, a credit union shall:
 - (1) For dividend-bearing accounts other than term share accounts, specify a dividend rate and annual percentage yield as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date.
 - (2) For interest-bearing accounts and for dividend-bearing term share accounts, specify an interest (dividend) rate and annual percentage yield that were offered within the most recent seven calendar days; state that the rate and yield are accurate as of an identified date; and provide a telephone number members may call to obtain current rate information.
- (f) Rounding and accuracy rules for rates and yields.
 - (1) Rounding. The annual percentage yield, the annual percentage yield earned, and the dividend rate shall be rounded to the nearest one-hundredth of one percentage point (.01%) and expressed to two decimal places. For account disclosures, the dividend rate may be expressed to more than two decimal places.
 - (2) Accuracy. The annual percentage yield (and the annual percentage yield earned) will be considered accurate if not more than one-twentieth of one percentage point (.05%) above or below the annual percentage yield (and the annual percentage yield earned) determined in accordance with the rules in Appendix A of this part.

§ 707.4 Account Disclosures.

- (a) Delivery of account disclosures.
 - (1) Account opening. The credit union shall provide the account disclosures to the member or potential member before an account is opened or a service is provided, whichever is earlier. A credit union is deemed to have provided a service when a fee required to be disclosed is assessed. If the member is not

present at the credit union when the account is opened or a service is provided and has not already received the disclosures, the credit union shall mail or deliver the disclosures no later than twenty calendar days after the account is opened or the service is provided, whichever is earlier.

(2) Requests.

(i) A credit union shall provide the account disclosures to any member or potential member upon request. A credit union may provide the account disclosures to non-members in its sole discretion. If the member is not present at the credit union when the request is made, the credit union shall mail or deliver the disclosures within a reasonable time after it receives the request.

(ii) In providing disclosures upon request, the credit union may:

(A) Specify rates as follows:

(1) For dividend-bearing accounts other than term share accounts, specify a dividend rate and annual percentage yield as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date.

(2) For interest-bearing accounts and for dividend-bearing term share accounts, specify an interest rate and annual percentage yield that were offered within the most recent seven calendar days; state that the rate and yield are accurate as of an identified date; and provide a telephone number members may call to obtain current rate information; and

(B) State the maturity of a term share account as either a term or a date.

(b) Content of account disclosures. Account disclosures shall include the following, as applicable:

(1) Rate information.

(i) Annual percentage yield and dividend rate.

(A) For interest-bearing accounts and for dividend-bearing term share accounts, the “annual percentage yield” and the “interest rate” (“dividend rate”), using those terms, and for fixed-rate accounts the period of time the interest (dividend) rate will be in effect.

(B) For dividend-bearing accounts other than term share accounts, a credit union shall specify a dividend rate and annual percentage yield (using those terms) as of the last dividend declaration date. In the event that disclosures of a dividend rate and annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective dividend rate and prospective annual percentage yield. Such prospective dividend rate and prospective annual percentage yield may be

- disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date.
- (ii) Variable rates. For variable-rate accounts:
 - (A) The fact that the dividend rate and annual percentage yield may change;
 - (B) How the dividend rate is determined;
 - (C) The frequency with which the dividend rate may change; and
 - (D) Any limitation on the amount the dividend rate may change.
- (2) Compounding and crediting.
- (i) Frequency. The frequency with which dividends are compounded and credited, and the dividend period for dividend-bearing accounts.
 - (ii) Effect of closing an account. If members will forfeit dividends if they close an account before accrued dividends are credited, a statement that the dividends will not be paid in such cases.
- (3) Balance information.
- (i) Minimum balance requirements. Any minimum balance required to:
 - (A) Open the account;
 - (B) Avoid the imposition of a fee; or
 - (C) Obtain the annual percentage yield disclosed. Except for the balance to open the account, the disclosure shall state how the balance is determined for these purposes.
 - (ii) Balance computation method. An explanation of the balance computation method specified in § 707.7, used to calculate dividends on the account.
 - (iii) When dividends begin to accrue. A statement of when dividends begin to accrue on non-cash deposits.
- (4) Fees. The amount of any fee that may be imposed in connection with the account (or an explanation of how the fee will be determined) and the conditions under which the fee may be imposed.
- (5) Transaction limitations. Any limitations on the number or dollar amount of withdrawals or deposits.
- (6) Features of Term Share Accounts. For term share accounts:
- (i) Time requirements. The maturity date.
 - (ii) Early withdrawal penalties. A statement that a penalty will be imposed for early withdrawal, how it is calculated, and the conditions for its assessment.
 - (iii) Withdrawal of dividends prior to maturity. If compounding occurs and dividends may be withdrawn prior to maturity, a statement that the annual percentage yield assumes dividends remain in the account until maturity and that a withdrawal will reduce earnings. For accounts with a stated maturity greater than one year that do not compound dividends on an annual or more frequent basis, that require dividend payouts at least annually, and that disclose an APY determined in accordance with section E of appendix A of this part, a statement that dividends cannot remain on account and that payout of dividends is mandatory.
 - (iv) Renewal policies. A statement of whether or not the account will renew automatically at maturity. If it will, a statement of whether or not a grace period will be provided and, if so, the length of that period must be stated. If the account will not renew automatically, a statement of whether dividends

will be paid after maturity if the member does not renew the account must be stated.

- (7) Bonuses. The amount or type of any bonus, when the bonus will be provided, and any minimum balance and time requirements to obtain the bonus.
 - (8) Nature of dividends. For accounts earning dividends, other than term share accounts, a statement that dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.
- (c) Notice to existing account holders.
- (1) Notice of availability of disclosures. Credit unions shall provide a notice to members who receive periodic statements and who hold existing accounts of the type offered by the credit union on January 1, 1995. The notice shall be included on or with the first periodic statement sent after January 1, 1995 (or on or with the first periodic statement for a statement cycle beginning on or after that date). The notice shall state that the members may request account disclosures containing terms, fees, and rate information for the account. In responding to such a request, credit unions shall provide disclosures in accordance with paragraph (a)(2) of this section.
 - (2) Alternative to notice. As an alternative to the notice described in paragraph (c)(1) of this section, credit unions may provide account disclosures to members. The disclosures may be provided either with a periodic statement or separately, but must be sent no later than when the periodic statement described in paragraph (c)(1) of this section is sent.

§ 707.5 Subsequent Disclosures.

- (a) Change in terms.
- (1) Advance notice required. A credit union shall give advance notice to affected members of any change in a term required to be disclosed under § 707.4(b), if the change may reduce the annual percentage yield or adversely affect the member. The notice shall include the effective date of the change. The notice shall be mailed or delivered at least 30 calendar days before the effective date of the change.
 - (2) No notice required. No notice under this section is required for:
 - (i) Variable-rate changes. Changes in the dividend rate and corresponding changes in the annual percentage yield in variable-rate accounts.
 - (ii) Share draft and check printing fees. Changes in fees for check printing.
- (b) Short-term term share accounts. Changes in any term for term share accounts with maturities of one month or less.
- (c) Notice before maturity for term share accounts longer than one month that renew automatically. For term share accounts with a maturity longer than one month that renew automatically at maturity, credit unions shall provide the disclosures described below before maturity. The disclosures shall be mailed or delivered at least 30 calendar days before maturity of the existing account. Alternatively, the disclosures may be mailed or delivered at least 20 calendar days before the end of the grace period on the existing account, provided a grace period of at least five calendar days is allowed.

- (1) Maturities of longer than one year. If the maturity is longer than one year, the credit union shall provide account disclosures set forth in § 707.4(b) for the new account, along with the date the existing account matures. If the dividend rate and annual percentage yield that will be paid for the new account are unknown when disclosures are provided, the credit union shall state that those rates have not yet been determined, the date when they will be determined, and a telephone number members may call to obtain the dividend rate and the annual percentage yield that will be paid for the new account.
- (2) Maturities of one year or less but longer than one month. If the maturity is one year or less but longer than one month, the credit union shall either:
 - (i) Provide disclosures as set forth in paragraph (b)(1) of this section; or
 - (ii) Disclose to the member:
 - (A) The date the existing account matures and the new maturity date if the account is renewed;
 - (B) The dividend rate and the annual percentage yield for the new account if they are known (or that those rates have not yet been determined, the date when they will be determined, and a telephone number the member may call to obtain the dividend rate and the annual percentage yield that will be paid for the new account); and
 - (C) Any difference in the terms of the new account as compared to the terms required to be disclosed under § 707.4(b) for the existing account.
- (d) Notice before maturity for term share accounts longer than one year that do not renew automatically. For term share accounts with a maturity longer than one year that do not renew automatically at maturity, credit unions shall disclose to members the maturity date and whether dividends will be paid after maturity. The disclosures shall be mailed or delivered at least 10 calendar days before maturity of the existing account.

§ 707.6 Periodic Statement Disclosures.

- (a) Rule when statement and crediting periods vary. In making the disclosures described in paragraph (b) of this section, credit unions that calculate and credit dividends for a period other than the statement period, such as the dividend period, may calculate and disclose the annual percentage yield earned and amount of dividends earned based on that period rather than the statement period. The information in paragraph (b)(4) shall be stated for that period as well as for the statement period.
- (b) Statement disclosures. If a credit union mails or delivers a periodic statement, the statement shall include the following disclosures:
 - (1) Annual percentage yield earned. The “annual percentage yield earned,” using that term as calculated according to the rules in Appendix A of this part.
 - (2) Amount of dividends. The dollar amount of dividends earned (accrued or paid and credited) on the account. The dollar amount of any extraordinary dividends earned during the statement period shall be shown as a separate figure.
 - (3) Fees imposed. Fees required to be disclosed under § 707.4(b)(4) of this part and imposed on the account during the statement period. The fees shall be itemized by type and dollar amounts.

- (4) Length of period. The total number of days in the statement period, or the beginning and ending dates of the period.
- (c) Electronic communication.
 - (1) Definition. The term “electronic communication” means a message transmitted electronically between a member and a credit union in a format that allows visual text to be displayed on equipment such as a personal computer monitor.
 - (2) Electronic communication between credit union and member. A credit union and a member may agree that the credit union will send by electronic communication periodic statement disclosures required by § 707.6. Periodic statement disclosures sent by electronic communication to a member must comply with § 707.3 and any applicable timing requirements contained in this part.

§ 707.7 Payment of Dividends.

- (a) Permissible methods.
 - (1) Balance on which dividends are calculated. Credit unions shall calculate dividends on the full amount of principal in an account for each day by use of either the daily balance method or the average daily balance method. Credit unions shall calculate dividends by use of a daily rate of at least 1/365 of the dividend rate. In a leap year a daily rate of 1/366 of the dividend rate may be used.
 - (2) Determination of minimum balance to earn dividends. A credit union shall use the same method to determine any minimum balance required to earn dividends as it uses to determine the balance on which dividends are calculated. A credit union may use an additional method that is unequivocally beneficial to the member.
- (b) Compounding and crediting policies. This section does not require credit unions to compound or credit dividends at any particular frequency.
- (c) Date dividends begin to accrue. Dividends shall begin to accrue not later than the day specified in § 606 of the Expedited Funds Availability Act (12 U.S.C. 4005) and implementing Regulation CC (12 CFR part 229). Dividends shall accrue on funds until the day funds are withdrawn.

§ 707.8 Advertising.

- (a) Misleading or inaccurate advertisements. An advertisement shall not be misleading or inaccurate and shall not misrepresent a credit union’s account contract. An advertisement shall not refer to or describe an account as “free” or “no cost” (or contain a similar term) if any maintenance or activity fee may be imposed on the account. The word “profit” shall not be used in referring to interest paid on an account.
- (b) Permissible rates. If an advertisement states a rate of return, it shall state the rate as an “annual percentage yield,” using that term. (The abbreviation “APY” may be used provided the term “annual percentage yield” is stated at least once in the advertisement.) The advertisement shall not state any other rate, except that the “dividend rate,” using that term, may be stated in conjunction with, but not more conspicuously than, the annual percentage yield to which it relates.
- (c) When additional disclosures are required. Except as provided in paragraph (e) of this section, if the annual percentage yield is stated in an advertisement, the

advertisement shall state the following information, to the extent applicable, clearly and conspicuously:

- (1) Variable rates. For variable-rate accounts, a statement that the rate may change after the account is opened.
 - (2) Time annual percentage yield is offered. For interest-bearing accounts and dividend-bearing term share accounts, the period of time the annual percentage yield will be offered, or a statement that the annual percentage yield is accurate as of a specified date. For dividend-bearing accounts other than term share accounts, a statement that the annual percentage yield is accurate as of the last dividend declaration date. In the event that disclosure of an annual percentage yield as of the last dividend declaration date might be inaccurate because of known or contemplated dividend rate changes, the credit union may disclose the prospective annual percentage yield. Such prospective annual percentage yield may be disclosed either in lieu of, or in addition to, the dividend rate and annual percentage yield as of the last dividend declaration date.
 - (3) Minimum balance. The minimum balance required to earn the advertised annual percentage yield. For tiered-rate accounts, the minimum balance required for each tier shall be stated in close proximity and with equal prominence to the applicable annual percentage yield.
 - (4) Minimum opening deposit. The minimum deposit required to open the account, if it is greater than the minimum balance necessary to earn the advertised annual percentage yield.
 - (5) Effect of fees. A statement that fees could reduce the earnings on the account.
 - (6) Features of term share accounts. For term share accounts:
 - (i) Time requirements. The term of the account.
 - (ii) Early withdrawal penalties. A statement that a penalty will or may be imposed for early withdrawal.
 - (iii) Required dividend payouts. For non-compounding term share accounts with a stated maturity greater than one year that do not compound dividends on an annual or more frequent basis, that require dividend payouts at least annually, and that disclose an APY determined in accordance with section E of appendix A of this part, a statement that dividends cannot remain on account and that payout of dividends is mandatory.
- (d) Bonuses. Except as provided in paragraph (e) of this section, if a bonus is stated in an advertisement, the advertisement shall state the following information, to the extent applicable, clearly and conspicuously:
- (1) The “annual percentage yield,” using that term;
 - (2) The time requirements to obtain the bonus;
 - (3) The minimum balance required to obtain the bonus;
 - (4) The minimum balance required to open the account, if it is greater than the minimum balance necessary to obtain the bonus; and
 - (5) When the bonus will be provided.
- (e) Exemption for certain advertisements.
- (1) Certain media. If an advertisement is made through one of the following media, it need not contain the information in paragraphs (c)(1), (c)(2), (c)(4), (c)(5), (c)(6)(ii), (d)(4) and (d)(5) of this section:

- (i) Broadcast or electronic media, such as television or radio;
 - (ii) Outdoor media, such as billboards; or
 - (iii) Telephone response machines.
- (2) Indoor signs.
- (i) Signs inside the premises of a credit union (or the premises of a share or deposit broker) are not subject to paragraphs (b), (c), (d) or (e)(1) of this section.
 - (ii) If a sign exempted by paragraph (e)(2) of this section states a rate of return, it shall:
 - (A) State the rate as an “annual percentage yield,” using that term or the term “APY.” The sign shall not state any other rate, except that the dividend rate may be stated in conjunction with the annual percentage yield to which it relates.
 - (B) Contain a statement advising members to contact an employee for further information about applicable fees and terms.
- (3) Newsletters.
- (i) Newsletters sent by a credit union to existing members only are not subject to paragraphs (b), (c), (d) or (e)(1) of this section.
 - (ii) If a newsletter exempted by paragraph (e)(3) of this section states a rate of return, it shall:
 - (A) State the rate as an “annual percentage yield,” using that term or the term “APY.” The newsletter shall not state any other rate, except that the dividend rate may be stated in conjunction with the annual percentage yield to which it relates.
 - (B) Contain a statement advising members to contact an employee for further information about applicable fees and terms.

§ 707.9 Enforcement and Record Retention.

- (a) Administrative enforcement. Section 270 of TISA (12 U.S.C. 4309) contains the provisions relating to administrative sanctions for failure to comply with the requirements of TISA and this part.
- (b) Civil liability. Section 271 of TISA (12 U.S.C. 4310) contains the provisions relating to civil liability for failure to comply with the requirements of TISA and this part; Section 271 is repealed effective September 30, 2001.
- (c) Record retention. A credit union shall retain evidence of compliance with this regulation for a minimum of two years after the date disclosures are required to be made or action is required to be taken.

Appendix A to Part 707—Annual Percentage Yield Calculation.

The annual percentage yield (APY) measures the total amount of dividends a credit union pays on an account based on the dividend rate and the frequency of compounding. The annual percentage yield is expressed as an annualized rate, based on a 365-day year. (Credit unions may calculate the annual percentage yield based on a 365-day or a 366-day year in a leap year.) Part I of this appendix discusses the annual percentage yield calculations for account disclosures and advertisements, while Part II discusses annual percentage yield earned calculations for statements. The

annual percentage yield reflects only dividends and does not include the value of any bonus, as that term is defined in part 707, that may be provided to the member to open, maintain, increase or renew an account. Dividends, interest or other earnings are not to be included in the annual percentage yield if such amounts are determined by circumstances that may or may not occur in the future. These formulas apply to both dividend-bearing and interest-bearing accounts held by credit unions.

Part I. Annual Percentage Yield for Account Disclosures and Advertising Purposes

In general, the annual percentage yield for account disclosures under §§ 707.4 and 707.5 and for advertising under § 707.8 is an annualized rate that reflects the relationship between the amount of dividends that would be earned by the member for the term of the account and the amount of principal used to calculate those dividends. The amount of dividends that would be earned may be projected based on the most recent past declared rate or an anticipated future rate, whichever the credit union judges to most reasonably approximate the dividends to be earned. Special rules apply to accounts with tiered and stepped dividend rates, and to certain term share accounts with a stated maturity greater than one year.

General Rules

Except as provided in Part I. E. of this appendix, the annual percentage yield shall be calculated by the formula shown below. Credit unions may calculate the annual percentage yield using projected dividends based on either the rate at the last dividend declaration date or the rate anticipated at a future date. The credit union must disclose whichever option it uses to members. Credit unions shall calculate the annual percentage yield based on the actual number of days for the term of the account. For accounts without a stated maturity date (such as a typical share or share draft account), the calculation shall be based on an assumed term of 365 days. In determining the total dividends figure to be used in the formula, credit unions shall assume that all principal and dividends remain on deposit for the entire term, and that no other transactions (deposits or withdrawals) occur during the term. (This assumption shall not be used if a credit union requires, as a condition of the account, that members withdraw dividends during the term. In such a case, the dividends (and annual percentage yield calculation) shall reflect that requirement.) For term share accounts that are offered in multiples of months, credit unions may base the number of days on either the actual number of days during the applicable period, or the number of days that would occur for any actual sequence of that many calendar months. If credit unions choose to use this permissive rule, they must use the same number of days to calculate the dollar amount of dividends that will be earned on the account in the annual percentage yield formula (where “Dividends” are divided by “Principal”.) The annual percentage yield is to be calculated by use of the following general formula (“APY”) is used for convenience in the formulas):

$$APY = 100[(1 + \text{Dividends/Principal})^{(365/\text{Days in term})} - 1]$$

“Principal” is the amount of funds assumed to have been deposited at the beginning of the account.

“Dividends” is the total dollar amount of dividends earned on the Principal for the term of the account.

“Days in term” is the actual number of days in the term of the account.

When the “days in term” is 365 (that is, where the stated maturity is 365 days or where the account does not have a stated maturity), the APY can be calculated by use of the following simple formula:

$$\text{APY} = 100 (\text{Dividends}/\text{Principal}).$$

EXAMPLES:

If a credit union would pay \$61.68 in dividends for a 365-day year on \$1,000 deposited into a share draft account, the APY is 6.17%:

$$\text{APY} = 100 [(1 + 61.68/1,000)^{(365/365)} - 1]$$

$$\text{APY} = 6.17\%$$

Or, using the simple formula above (since the term is deemed to be 365 days):

$$\text{APY} = 100 (61.68/1,000)$$

$$\text{APY} = 6.17\%$$

If a credit union pays \$30.37 in dividends on a \$1,000 six-month term share certificate account (where the six-month period used by the credit union contains 182 days), using the general formula above, the APY is 6.18%:

$$\text{APY} = 100 [(1 + 30.37/1,000)^{(365/182)} - 1]$$

$$\text{APY} = 6.18\%$$

The APY is affected by the frequency of compounding, i.e., the amount of dividends will be greater the more frequently dividends are compounded for a given nominal rate. When two credit unions are offering the same dividend rate on, for example, a share account, the APY disclosed may be different if the credit unions use a different frequency of compounding.

EXAMPLES:

If a credit union pays \$1,268.25 in dividends for a 365-day year on \$10,000 deposited into a regular share account earning 12%, and the dividends are compounded monthly, the APY will be 12.68%:

$$\text{APY} = 100 (\$1,268.25/10,000)$$

$$\text{APY} = 12.68\%$$

However, if a credit union is compounding dividends on a quarterly basis on an account which otherwise has the same terms, the dividends will be \$1,255.09 and the APY will be 12.55%:

$$\text{APY} = 100 (\$1,255.09/10,000)$$

$$\text{APY} = 12.55\%$$

Stepped-Rate Accounts (Different Rates Apply in Succeeding Periods)

For accounts with two or more dividend rates applied in succeeding periods (where the rates are known at the time the account is opened), a credit union shall assume each dividend rate is in effect for the length of time provided for in any share agreement.

EXAMPLES:

If a credit union offers a \$1,000 6-month term share (certificate) account on which it pays a 5% dividend rate, compounded daily, for the first three months (which contain 91 days), and a 5.5% dividend rate, compounded daily, for the next three months (which contain 92 days), the total dividends for six months is \$26.68, and, using the general formula above, the APY is 5.39%:

$$\text{APY} = 100 [(1 + 26.68/1,000)^{(365/183)} - 1]$$

$$\text{APY} = 5.39\%$$

If a credit union offers a \$1,000 2-year share certificate on which it pays a 6% dividend rate, compounded daily, for the first year, and a 6.5% dividend rate, compounded daily, for the next year, the total dividends for two years is \$133.13, and, using the general formula above, the APY is 6.45%:

$$\text{APY} = 100[(1 + 133.13/1,000)^{(365/730)} - 1]$$

$$\text{APY} = 6.45\%$$

Variable-Rate Accounts

For variable-rate accounts without an introductory premium or discounted rate, a credit union must base the calculation only on the initial dividend rate in effect when the account is opened (or advertised), and assume that this rate will not change during the year.

Variable-rate accounts with an introductory premium or discount rate must be treated like stepped-rate accounts. Thus, a credit union shall assume that: (1) the introductory simple dividend rate is in effect for the length of time provided for in the account contract; and (2) the variable dividend rate that would have been in effect when the account is opened or advertised (but for the introductory rate) is in effect for the remainder of the year. If the variable rate is tied to an index, the index-based rate in effect at the time of disclosure must be used for the remainder of the year. If the rate is

not tied to an index, the rate in effect for existing members holding the same account (who are not receiving the introductory dividend rate) must be used for the remainder of the year.

For example, if a credit union offers an account on which it pays a 7% dividend rate, compounded daily, for the first three months (which, for example, contains 91 days), while the variable dividend rate that would have been in effect when the account was opened was 5%, the total dividends for a 365-day year for a \$1,000 account balance is \$56.52, (based on 91 days at 7% followed by 274 days at 5%). Using the simple formula, the APY is 5.65%:

$$\text{APY} = 100 (56.52/1,000)$$

$$\text{APY} = 5.65\%$$

Accounts With Tiered Rates (Different Rates Apply To Specified Balance Level)

For accounts in which two or more dividend rates paid on the account are applicable to specified balance levels, the credit union must calculate the annual percentage yield in accordance with the method described below that it uses to calculate dividends. In all cases, an annual percentage yield (or a range of annual percentage yields, if appropriate) must be disclosed for each balance tier.

For purposes of the examples discussed below, assume the following:

Simple dividend rate	Share balance required to earn rate
5.25%	up to but not exceeding \$2,500
5.50%	above \$2,500, but not exceeding \$15,000
5.75%	above \$15,000.

Tiering Method A

Under this method, a credit union pays on the full balance in the account the stated dividend rate that corresponds to the applicable share balance tier. For example, if a member deposits \$8,000, the credit union pays the 5.50% dividend rate on the entire \$8,000. This is also known as a “hybrid” or “plateau” tiered rate account.

When this method is used to determine dividends, only one annual percentage yield will apply to each tier. Within each tier, the annual percentage yield will not vary with the amount of principal assumed to have been deposited. For the dividend rates and account balances assumed above, the credit union will state three annual percentage yields—one corresponding to each balance tier. Calculation of each annual percentage yield is similar for this type of account as for accounts with a single fixed dividend rate.

Thus, the calculation is based on the total amount of dividends that would be received by the member for each tier of the account for a year and the principal assumed to have been deposited to earn that amount of dividends.

First tier. Assuming daily compounding, the credit union will pay \$53.90 in dividends on a \$1,000 account balance. Using the general formula for the first tier, the APY is 5.39%:

$$APY = 100 [(1 + 53.90/1,000)^{(365/365)} - 1]$$

$$APY = 5.39\%$$

Using the simple formula:

$$APY = 100 (53.90/1,000)$$

$$APY = 5.39\%$$

Second tier. The credit union will pay \$452.29 in dividends on a \$8,000 deposit. Thus, using the simple formula, the annual percentage yield for the second tier is 5.65%: $APY = 100 (452.29/8,000)$ $APY = 5.65\%$ Third tier. The credit union will pay \$1,183.61 in dividends on a \$20,000 account balance. Thus, using the simple formula, the annual percentage yield for the third tier is 5.92%:

$$APY = 100 (1,183.61/20,000)$$

$$APY = 5.92\%$$

Tiering Method B

Under this method, a credit union pays the stated dividend rate only on that portion of the balance within the specified tier. For example, if a member deposits \$8,000, the credit union pays 5.25% on only \$2,500 and 5.50% on \$5,500 (the difference between \$8,000 and the first tier cutoff of \$2,500). This is also known as a “pure” tiered rate account.

The credit union that computes dividends in this manner must provide a range that shows the lowest and the highest annual percentage yields for each tier (other than for the first tier, which, like the tiers in Method A, has the same annual percentage yield throughout). The low figure for an annual percentage yield is calculated based on the

total amount of dividends earned for a year assuming the minimum principal required to earn the dividend rate for that tier. The high figure for an annual percentage yield is based on the amount of dividends the credit union would pay on the highest principal that could be deposited to earn that same dividend rate. If the account does not have a limit on the amount that can be deposited, the credit union may assume any amount.

For the tiering structure assumed above, the credit union would state a total of five annual percentage yields—one figure for the first tier and two figures stated as a range for the other two tiers.

First tier. Assuming daily compounding, the credit union could pay \$53.90 in dividends on a \$1,000 account balance. For this first tier, using the simple formula, the annual percentage yield is 5.39%:

$$\text{APY} = 100 (53.90/1,000)$$

$$\text{APY} = 5.39\%$$

Second tier. For the second tier the credit union would pay between \$134.75 and \$841.45 in dividends, based on assumed balances of \$2,500.01 and \$15,000, respectively. For \$2,500.01, dividends would be figured on \$2,500 at 5.25% dividend rate plus dividends on \$.01 at 5.50%. For the low end of the second tier, therefore, the annual percentage yield is 5.39%. Using the simple formula:

$$\text{APY} = 100 (134.75/2,500)$$

$$\text{APY} = 5.39\%$$

For \$15,000, dividends are figured on \$2,500 at 5.25% dividend rate plus dividends on \$12,500 at 5.50% dividend rate. For the high end of the second tier, the annual percentage yield, using the simple formula, is 5.61%:

$$\text{APY} = 100 (841.45/15,000)$$

$$\text{APY} = 5.61\%$$

Thus, the annual percentage yield range that would be stated for the second tier is 5.39% to 5.61%.

Third tier. For the third tier, the credit union would pay \$841.45 and \$5,871.78 in dividends on the low end of the third tier (a balance of \$15,000.01). For \$15,000.01, dividends would be figured on \$2,500 at 5.25% dividend rate, plus dividends on \$12,500 at 5.50% dividend rate, plus dividends on \$.01 at 5.75% dividend rate. For the low end of the third tier, therefore, the annual percentage yield, using the simple formula, is 5.61%:

$$\text{APY} = 100 (841.45/15,000)$$

$$\text{APY} = 5.61\%$$

Assuming the credit union does not limit the account balance, it may assume any maximum amount for the purposes of computing the annual percentage yield for the high end of the third tier. For an assumed maximum balance amount of \$100,000, dividends would be figured on \$2,500 at 5.25% dividend rate, plus dividends on \$12,500 at 5.50% dividend rate, plus dividends on \$85,000 at 5.75% dividend rate. For the high end of the third tier, therefore, the annual percentage yield, using the simple formula, is 5.87%:

$$\text{APY} = 100 (5,871.78/100,000)$$

$$\text{APY} = 5.87\%$$

Thus, the annual percentage yield that would be stated for the third tier is 5.61% to 5.87%. If the assumed maximum balance amount is \$1,000,000, credit unions would use \$985,000 rather than \$85,000 in the last calculation. In that case for the high end of the third tier, the annual percentage yield, using the simple formula, is 5.91%:

$$\text{APY} = 100 (59,134.22/1,000,000)$$

$$\text{APY} = 5.91\%$$

Thus, the annual percentage yield range that would be stated for the third tier is 5.61% to 5.91%.

Term Share Accounts with a Stated Maturity Greater than One Year that Pay Dividends At Least Annually

For term share accounts with a stated maturity greater than one year, that do not compound dividends on an annual or more frequent basis, and that require the member to withdraw dividends at least annually, the annual percentage yield may be disclosed as equal to the dividend rate.

EXAMPLE

If a credit union offers a \$1,000 two-year term share account that does not compound and that pays out dividends semi-annually by check or transfer at a 6.00% dividend rate, the annual percentage yield may be disclosed as 6.00%.

For term share accounts covered by this paragraph that are also stepped-rate accounts, the annual percentage yield may be disclosed as equal to the composite dividend rate.

EXAMPLE

If a credit union offers a \$1,000 three-year term share account that does not compound and that pays out dividends annually by check or transfer at a 5.00% dividend rate for the first year, 6.00% dividend rate for the second year, and 7.00% dividend rate for the third year, the credit union may compute the composite dividend rate and APY as follows:

Multiply each dividend rate by the number of days it will be in effect;

Add these figures together; and

Divide by the total number of days in the term.

Applied to the example, the products of the dividend rates and days the rates are in effect are (5.00% x 365 days) 1825, (6.00% x 365 days) 2190, and (7.00% x 365) 2555, respectively. The sum of these products, 6570, is divided by 1095, the total number of days in the term. The composite dividend rate and APY are both 6.00%.

Part II. Annual Percentage Yield Earned for Statements

The annual percentage yield earned for statements under § 707.6 is an annualized rate that reflects the relationship between the amount of dividends actually earned (accrued or paid and credited) to the member's account during the period and the average daily balance in the account for the period over which the dividends were earned.

Pursuant to § 707.6(a), when dividends are paid less frequently than statements are sent, the APY Earned may reflect the number of days over which dividends were earned rather than the number of days in the statement period, e.g., if a credit union uses the average daily balance method and calculates dividends for a period other than the statement period, the annual percentage yield earned shall reflect the relationship between the amount of dividends earned and the average daily balance in the account for the other period, such as a crediting or dividend period.

The annual percentage yield shall be calculated by using the following formulas ("APY Earned" is used for convenience in the formulas):

General formula

$$\text{APY Earned} = 100[(1 + \text{Dividends earned}/\text{Balance})^{(365/\text{Days in period})} - 1]$$

“Balance” is the average daily balance in the account for the period.

“Dividends earned” is the actual amount of dividends accrued or paid and credited to the account for the period.

“Days in period” is the actual number of days over which the dividends disclosed on the statement were earned.

EXAMPLES:

- (1) If a credit union calculates dividends for the statement period (and uses either the daily balance or the average daily balance method), and the account had a balance of \$1,500 for 15 days and a balance of \$500 for the remaining 15 days of a 30-day statement period, the average daily balance for the period is \$1,000. Assume that \$5.25 in dividends was earned during the period. The annual percentage yield earned (using the formula above) is 6.58%:

$$\text{APY Earned} = 100 [(1 + 5.25/1,000)^{(365/30)} - 1]$$

$$\text{APY Earned} = 6.58\%$$

- (2) Assume a credit union calculates dividends on the average daily balance for the calendar month and provides periodic statements that cover the period from the 16th of one month to the 15th of the next month. The account has a balance of \$2,000 September 1 through September 15 and a balance of \$1,000 for the remaining 15 days of September. The average daily balance for the month of September is \$1,500, which results in \$6.50 in dividends earned for the month. The annual percentage yield earned for the month of September would be shown on the periodic statement covering September 16 through October 15. The annual percentage yield earned (using the formula above) is 5.40%:

$$\text{APY Earned} = 100 [(1 + 6.50/1,500)^{(365/30)} - 1]$$

$$\text{APY Earned} = 5.40\%$$

- (3) Assume a credit union calculates dividends on the average daily balance for a quarter (for example, the calendar months of September through November), and provides monthly periodic statements covering calendar months. The account has a

balance of \$1,000 throughout the 30 days of September, a balance of \$2,000 throughout the 31 days of October, and a balance of \$3,000 throughout the 30 days of November. The average daily balance for the quarter is \$2,000, which results in \$21 in dividends earned for the quarter. The annual percentage yield earned would be shown on the periodic statement for November. The annual percentage yield earned (using the formula above) is 4.28%:

$$\text{APY Earned} = 100 [(1 + 21/2,000)^{(365/91)} - 1]$$

$$\text{APY Earned} = 4.28\%$$

Special formula for use where periodic statement is sent more often than the period for which dividends are compounded.

Credit unions that use the daily balance method to accrue dividends and that issue periodic statements more often than the period for which dividends are compounded shall use the following special formula:

APY Earned =

$$100 \cdot \left\{ 1 + \frac{\text{Dividends earned}}{\text{Balance}} \right\}^{(365/\text{Compounding})} - 1$$

Days in period (Compounding)

The following definition applies for use in this formula (all other terms are defined under Part II):

“Compounding” is the number of days in each compounding period.

Assume a credit union calculates dividends for the statement period using the daily balance method, pays a 5.00% dividend rate, compounded annually, and provides periodic statements for each monthly cycle. The account has a daily balance of \$1000.00 for a 30-day statement period. The dividend earned of \$4.11 for the period, and the annual percentage yield earned (using the special formula above) is 5.00%:

$$\text{APY Earned} = 100 \left[\left\{ 1 + \frac{\$4.11}{1,000} \right\}^{(365)} \right]^{(365/365)}$$

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Appendix B to Part 707—Model Clauses and Sample Forms.

General Note: Appendix B contains model clauses and sample forms intended for optional use by credit unions to aid in compliance with the disclosure requirements of §§ 707.4 (account disclosures), 707.5 (subsequent disclosures), 707.6 (statement

disclosures), and 707.8 (advertisements). Section 269(b) of TISA provides that credit unions that use these clauses and forms will be in compliance with TISA's disclosure provisions.

As discussed in the supplementary information to § 707.3(a), this final rule provides for flexibility in designing the format of the disclosures. Credit unions can choose to prepare a single document or brochure that incorporates disclosures for all accounts offered, or to prepare different documents for each type of account. Credit unions may also use inserts to a document, or fill in blanks to show current rates, fees and other terms.

In the model clauses, words in parentheses indicate the type of disclosure a credit union should insert in the space provided (for example, a credit union might insert "July 23, 1995" in the blank for a "(date)" disclosure). Brackets and "/" indicate that a credit union must choose the alternative that best describes its practice (for example, "[daily balance/ average daily balance]"). It should be noted that only in sections B-6 through B-10 of this appendix have specific examples of disclosures been given, with dates and figures. Sections B-1 through B-5, and section B-11 provide only unspecific model clauses or blank forms. The Board felt, as did the FRB in the Appendix A to Regulation DD, that a mix of blank clauses and forms and application of the model clauses to real specific situations would benefit those who must comply with TISA.

Any references to NCUA Rules and Regulations, the *NCUA Standard FCU Bylaws*, or the *NCUA Accounting Manual for FCUs*, are provided for guidance and as a point of reference for credit unions. Citations to these sources does not indicate that their application is required for those credit unions who need not follow them.

B-1 MODEL CLAUSES FOR ACCOUNT DISCLOSURES (§ 707.4(b))

(a) Rate Information (Sec.707.4(b)(1))

(i) Fixed-Rate Accounts (§ 707.4(b)(1)(i)(A- B))

(1) Interest-bearing Accounts

The interest rate on your deposit account is _____% with an annual percentage yield (APY) of _____. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

Note: This provision reflects an accurate statement for an interest-bearing account authorized by state law for state-chartered credit unions. While the definition of the term "interest" permits its substitution for the term "dividends," separate disclosures should be made for interest-bearing accounts. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Given the definition of fixed-rate account in § 707.2(n), credit unions offering fixed-rate accounts must contract to hold rates steady for at least a 30-day period. Thus,

if the 30-day option of the last sentence is not chosen, the period chosen must be longer than 30 days.

(2) Dividend-bearing Term Share Accounts

The dividend rate on your term share account is ____% with an annual percentage yield (APY) of ____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

Note: This provision reflects an accurate statement for a fixed-rate, dividend-bearing term share account. Interest-bearing term share accounts would use the disclosure in § 1, above. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Given the definition of fixed-rate account in § 707.2(n), credit unions offering fixed-rate accounts must contract to hold rates steady for at least a 30-day period. Thus, if the 30-day option of the last sentence is not chosen, the period chosen must be longer than 30 days.

(3) Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the dividend rate was ____% with an annual percentage yield (APY) of ____% on your account./or The prospective dividend rate on your account is ____% with a prospective APY of ____% for the current dividend period.] You will be paid this rate for [(time period)/ at least 30 calendar days].

or

[As of [the last dividend declaration date/ (date)], the dividend rate was ____% with an annual percentage yield (APY) of ____% on your account./or The prospective dividend rate on your account is ____% with an annual percentage yield (APY) of ____% for this dividend period.] This rate will not change unless the credit union notifies you at least 30 calendar days prior to any change.

Note: Credit unions may disclose the dividend rate and annual percentage yield on accounts as of the last dividend declaration date. This necessitates inclusion of a disclosure of the actual calendar date of the last dividend declaration date. Additionally or alternatively (if the last dividend rate could be inaccurate), credit unions may disclose a prospective dividend rate and a prospective annual percentage yield. Such prospective rates and yields must be estimated in good faith, and must be declared at the proper time if it is at all possible to do so. As for the last sentence in these disclosures, this provision reflects a credit union policy to set prospective dividend rates for the next month (or at least 30 days), quarter or other period. Many credit unions, at their mid-monthly board meeting, set prospective dividend rates for the next month

beginning on the 1st day of the month and continuing to the last day of the month. These rates must be formalized or ratified at the end of a dividend period. Given the timing of the board meetings, the time to prepare and mail notices and the 30 day period, it will often take credit unions 45 to 60 days to effectively change rates. For these reasons, the Board strongly suggests that credit unions do not offer fixed-rate, dividend-bearing accounts.

(ii) Variable-Rate Accounts (§ 707.4(b)(1)(ii))

(1) Interest-bearing Accounts

The interest rate on your deposit account is _____%, with an annual percentage yield (APY) of _____. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] The interest rate and annual percentage yield may change every (time period) based on [(name of index)/the determination of the credit union board of directors]. The interest rate for your account will [never change by more than _____% each (time period)/never be less/more than _____%/ never exceed _____% above or fall more than _____% below the initial interest rate].

Note: This disclosure combines the requirements of § 707.4(b)(1)(i) with § 707.4(b)(1)(ii) for interest-bearing accounts. The variable nature of a deposit account usually is based on an external index or is set at the discretion of the board. If another means of rate setting is used, that, instead of the proposed language, must be disclosed. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Rarely would there be limitations on rate changes, but language is provided for this situation in the last sentence. Of course, it is only to be used if it applies to an account.

(2) Dividend-bearing Term Share Accounts

The dividend rate on your term share account is _____%, with an annual percentage yield (APY) of _____. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] The dividend rate and annual percentage yield may change every (time period) based on [(name of index)/the determination of the credit union board of directors]. The dividend rate for your account will [never change by more than _____% each (time period)/never be less/ more than _____%/never exceed _____% above or fall more than _____% below the initial dividend rate].

Note: This disclosure combines the requirements of § 707.4(b)(1)(i) with § 707.4(b)(1)(ii) for dividend-bearing, variable-rate term share accounts. The variable nature of a deposit account usually is based on an external index or is set at the discretion of the board. If another means of rate setting is used, that, instead of the model language, must be disclosed. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Rarely would there be limitations on rate changes, but language is provided for this situation in the last sentence. Of course, it is only to be used if it applies to an account.

(3) Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the dividend rate was _____% with an annual percentage yield (APY) of _____% on your account./or The prospective dividend rate on your account is _____% with an anticipated annual percentage yield (APY) of _____% for the current dividend period.] The dividend rate and annual percentage yield may change every (dividend period) as determined by the credit union board of directors.

Note: This language combines the requirements of § 707.4(b)(1)(i) with § 707.4(b)(1)(ii). Credit unions may disclose the dividend rate and annual percentage yield on accounts as of the last dividend declaration date. This necessitates inclusion of a disclosure of the actual calendar date of the last dividend declaration date or use of the phrase “last dividend declaration date”. Additionally or alternatively, credit unions may disclose a prospective dividend rate and a prospective annual percentage yield. Such prospective rates and yields must be estimated in good faith, and must be declared at the proper time if it is at all possible to do so. As for the last sentence in these disclosures, this provision reflects the variable nature of the account. Generally, there is only one variable-rate feature for share accounts: the frequency of dividend period rate changes (e.g., daily, weekly, monthly, quarterly, semi-annually, annually). Normally, there are no contractual limitations on share account earnings (unless imposed by a regulator), nor are earnings based on any internal or external index. If contractual limitations or an index are involved, however, those factors would need to be disclosed (unless a regulator orders otherwise).

(iii) Stepped-Rate Accounts (§ 707.4(b)(1)(i))

(1) Interest-bearing Accounts

The initial interest rate on your deposit account is _____%. You will be paid that rate [for (time period)/until (date)]. After that time, the interest rate for your deposit account will be _____% and you will be paid that rate [for (time period)/until (date)]. The annual

percentage yield (APY) for your account is ____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

(2) Dividend-bearing Term Share Accounts

The initial dividend rate on your term share account is ____%. You will be paid that rate [for (time period)/until (date)]. After that time, the dividend rate for your term share account will be ____% and you will be paid that rate [for (time period)/until (date)]. The annual percentage yield (APY) for your account is ____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

(3) Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the initial dividend rate on your account was ____%./or The prospective dividend rate on your account is ____%.] You will be paid that rate [for (time period)/until (date)]. After that time, the prospective dividend rate for your share account will be ____% and you will be paid such rate [for (time period)/until (date)]. The annual percentage yield (APY) for your account is ____%. You will be paid this rate for [(time period)/at least 30 calendar days].

Note: Stepped-rate accounts are accounts with two or more rates that take effect in succeeding periods. The applicable rates and time periods are known when the account is opened. By nature these are fixed-rate accounts and are usually associated with term share (certificate) accounts. Accordingly, a contract provision (for share accounts) to change rates should be included.

(iv) Tiered-Rate Accounts (§ 707.4(b)(1)(i))

(1) Interest-bearing Accounts

Tiering Method A

1* If your [daily balance/average daily balance] is \$ ____ or more, the interest rate paid on the entire balance in your account will be ____%, with an annual percentage yield (APY) of ____%.

2* If your [daily balance/average daily balance] is more than \$ ____, but less than \$ ____, the interest rate paid on the entire balance in your account will be ____%, with an APY of ____%.

3* If your [daily balance/average daily balance] is \$ ____ or less, the interest rate paid on the entire balance will be ____% with an APY of ____%.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[Fixed-rate—You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days]./Variable-rate—The interest rate and APY may change every (time period) based on [(name of index)/the determination of the credit union board of directors.]

Note: Tiering Method A pays the stated dividend rate that corresponds to the applicable account balance tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currency of the rate, as is provided in the first set of brackets. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* A dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$_____. The annual percentage yield (APY) for this tier will range from _____% to _____%, depending on the balance in the account.

2* A dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$_____, but less than \$_____. The annual percentage yield (APY) for this tier will range from _____% to _____%, depending on the balance in the account.

3* If your [daily balance/average daily balance] is \$_____ or less, the dividend rate paid on the entire balance will be _____%, with an annual percentage yield (APY) of _____%.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[Fixed-rate—You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days]./Variable-rate—The interest rate and APY may change every (time period) based on [(name of index)/the determination of the credit union board of directors.]

Note: Tiering Method B pays different stated dividend rates corresponding to applicable deposit tiers, on the applicable balance in each tier of the account. For example, a credit union might pay 3% dividend on account funds of \$500 or below, and pay 4% dividend on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currentness of the rate, as is provided in the first set of brackets. \Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosure. Thus, the disclosures outlined above will be

made in addition to either: (i) disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

(2) Dividend-bearing Term Share Accounts

Tiering Method A

1* If your [daily balance/average daily balance] is \$_____ or more, the dividend rate paid on the entire balance in your account will be _____%, with an annual percentage yield (APY) of _____%.

2* If your [daily balance/average daily balance] is more than \$_____, but less than \$_____, the dividend rate paid on the entire balance in your account will be _____%, with an APY of _____%.

3* If your [daily balance/average daily balance] is \$_____ or less, the dividend rate paid on the entire balance will be _____% with an APY of _____%.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[Fixed-rate—You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days]./ Variable-rate—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

Note: Tiering Method A pays the stated dividend rate that corresponds to the applicable account balance tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currency of the rate, as is provided in the first set of brackets. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* A dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$_____. The annual percentage yield (APY) for this tier will range from _____% to _____%, depending on the balance in the account.

2* A dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$_____, but less than \$_____. The annual percentage yield (APY) for this tier will range from _____% to _____%, depending on the balance in the account.

3* If your [daily balance/average daily balance] is \$_____ or less, the dividend rate paid on the entire balance will be _____%, with an annual percentage yield (APY) of _____%.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[Fixed-rate—You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days]./ Variable-rate—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

Note: Tiering Method B pays different stated dividend rates corresponding to applicable account balance tiers, on the applicable balance in each tier of the account. For example, a credit union might pay 3% dividend on account funds of \$500 or below, and pay 4% dividend on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currentness of the rate, as is provided in the first set of brackets. Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosure. Thus, the disclosures outlined above will be made in addition to either: (i) Disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

(3) Other Dividend-bearing Accounts

Tiering Method A

1* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$_____ or more, the dividend rate paid on the entire balance in your account was _____%, with an annual percentage yield (APY) of _____%./or If your [daily balance/average daily balance] is \$_____ or more, a prospective dividend rate of _____% will be paid on the entire balance in your account with a prospective annual percentage yield (APY) of _____% for this dividend period.]

2* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was more than \$_____, but was less than \$_____, the dividend rate paid on the entire balance in your account was _____%, with an annual percentage yield (APY) of _____%./or If your [daily balance/ average daily balance] is more than \$_____, but is less than \$_____, a prospective dividend rate of _____% will be paid on the entire balance in your account with a prospective annual percentage yield (APY) of _____% for this dividend period.]

3* [As of the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$_____ or less, the dividend rate paid on the entire balance in your account will be _____% with an annual percentage yield (APY) of _____%./or If your [daily balance/average daily balance] is \$_____ or less, the prospective dividend rate of _____% will be paid on the entire balance in your account with an annual percentage yield (APY) of _____% for this dividend period.]

[Fixed-rate—You will be paid this rate for [(time period)/at least 30 calendar days]./ Variable-rate—The dividend rate and APY may change every (dividend period) as determined by the credit union board of directors.]

Note: Tiering Method A pays the stated dividend rate that corresponds to the applicable deposit tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the prospective rate. Note that the prospective rate disclosure options match the required tiered-rate disclosures based on the previous dividend declaration date. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* [As of [the last dividend declaration date/ (date)], a dividend rate of ____% was paid only on the portion of your [daily balance/ average daily balance] that was greater than \$____. The annual percentage yield (APY) for this tier ranged from ____% to ____%, depending on the balance in the account./or A prospective dividend rate of ____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$____ with a prospective annual percentage yield (APY) ranging from ____% to ____%, depending on the balance in the account, for this dividend period.]

2* [As of [the last dividend declaration date/ (date)], a dividend rate of ____% was paid only on the portion of your [daily balance/ average daily balance] that was greater than \$____ but less than \$____. The annual percentage yield (APY) for this tier ranged from ____% to ____%, depending on the balance in the account./or A prospective dividend rate of ____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$____, but less than \$____] with a prospective annual percentage yield (APY) ranging from ____% to ____%, depending on the balance in the account, for this dividend period.]

3* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$____ or less, the dividend rate paid on the entire balance was ____%, with an annual percentage yield (APY) of ____%./or If your [daily balance/ average daily balance] was \$____ or less, the prospective dividend rate paid on the entire balance in your account will be ____% with a prospective annual percentage yield (APY) of ____% for this dividend period.]

Note: Tiering Method B pays different stated dividend rates corresponding to applicable account tiers, on the applicable balance in each tier of the account. For example, a credit union might pay a 3% dividend on account funds of \$500 or below, and pay a 4% dividend on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. Note that the prospective rate disclosure options match the required tiered-rate disclosures based on the previous dividend declaration date.

Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosures. Thus, the disclosures outlined above must be made in addition to either: (i) disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate

accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

(b) Nature of Dividends (§ 707.4(b)(8))

Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.

Note: The Board of Directors declares dividends based on current income and available earnings of the credit union after providing for the required reserves at the end of the month. The dividend rate and annual percentage yield shown may reflect either the last dividend declaration date on the account or the earnings the credit union anticipates having available for distribution. This disclosure only applies to share and share draft (as opposed to deposit) accounts and should be grouped with the Rate Information to make the disclosures more meaningful. This disclosure also does not apply to term share accounts for reasons discussed in the supplementary information regarding §§ 707.3(e) and 707.4(b)(8).

(c) Compounding and Crediting (§ 707.4(b)(2))

[Dividends/Interest] will be compounded (frequency) and will be credited (frequency). and, if applicable:

If you close your [share/deposit] account before [dividends/interest] [are/is] paid, you will not receive the accrued [dividends/ interest].

and, if applicable (for dividend-bearing accounts):

For this account type, the dividend period is (frequency), for example, the beginning date of the first dividend period of the calendar year is (date) and the ending date of such dividend period is (date). All other dividend periods follow this same pattern of dates. The dividend declaration date follows the ending date of a dividend period, and for the example is (date).

Note: Where the word “(frequency)” appears, time periods must be inserted to coincide with those specified in board resolutions of each credit union’s board of directors. A disclosure of dividend period was added to § 707.4(b)(2)(i) in the final rule to assist members in knowing when dividend rate and APY disclosures would be given by a credit union using the optional statement rule of § 707.6(a). The dividend declaration date is important for purposes of § 707.4(a)(2)(ii), request disclosures, § 707.4(b)(2), account opening disclosures, and § 707.8(c)(2), advertising disclosures. The Board believes that this is critical information for dividend- bearing accounts, but that provision by an example (whether of the first dividend period of the year, or of any randomly chosen dividend period) is favorable to providing a list of such dates for the entire year or for a period of years (although these methods would also be permissible). As noted in the supplementary information to § 707.2(j), dividend declaration date, the dividend period and actual dividend distribution date may vary. Thus, it is possible for crediting periods and dividend periods not to coincide, though the Board believes that credit unions should make every effort to attempt to coordinate the two periods.

(d) Minimum Balance Requirements (§ 707.4 (b)(3)(i))

(2) To open the account

The minimum balance required to open this account is \$_____.
or, for first share account at a credit union

The minimum required to open this account is the purchase of a (par value of a share) share in the credit union.

(ii) To avoid imposition of fees

You must maintain a minimum daily balance of \$_____ in your account to avoid a service fee. If, during any (time period), your account balance falls below the required minimum daily balance, your account will be subject to a service fee of \$_____ for that (time period).

or

You must maintain a minimum average daily balance of \$_____ in your account to avoid a service fee. If, during any (time period), your average daily balance is below the required minimum, your account will be subject to a service fee of \$_____ for that (time period).

(iii) To obtain the annual percentage yield disclosed

You must maintain a minimum daily balance of \$_____ in your account each day to obtain the disclosed annual percentage yield.

or

You must maintain a minimum average daily balance of \$_____ in your account to obtain the disclosed annual percentage yield.

(iv) Absence of minimum balance requirements

No minimum balance requirements apply to this account.

(v) Par value

The par value of a share in this credit union is \$_____.

Note: Where the words “(time period)” appear, time periods should be inserted to coincide with those specified in board resolutions of each credit union’s board of directors. As the supplementary information to § 707.4(b)(3)(i) explains, the par value of a share to establish membership is a critical disclosure to be made to potential members of credit unions. The par value disclosure is required by § 707.4(b)(3)(i) as being analogous to a minimum balance account opening requirement.

(e) Balance Computation Method (§ 707.4(b)(3)(ii))

(i) Daily Balance Method

[Dividends/Interest] [are/is] calculated by the daily balance method which applies a daily periodic rate to the balance in the account each day.

(ii) Average Daily Balance Method

[Dividends/Interest] [are/is] calculated by the average daily balance method which applies a periodic rate to the average daily balance in the account for the period. The average daily balance is calculated by adding the balance in the account for each day of the period and dividing that figure by the number of days in the period.

Note: Any explanation of balance computation method must contain enough information for members to grasp the means by which dividends or interest will be calculated on their accounts. Using a shorthand form, such as “day in/day out” for the daily balance method or “average balance” for the average daily balance method, without more information, is insufficient. In addition, any disclosure based on the equivalency of the two allowable methods, such as stating that the average daily balance method was the same as the daily balance method, is impermissible and misleading.

(f) Accrual of Dividends/Interest on Non-cash Deposits (§ 704.4(b)(3)(iii))

[Dividends/Interest] will begin to accrue on the business day you [place/deposit] non-cash items (e.g. checks) to your account.

or

[Dividends/Interest] will begin to accrue no later than the business day we receive provisional credit for the [placement/ deposit] of non-cash items (e.g. checks) to your account.

Note: Accrual information is not included in the explanation of balance computation method required by § 707.4(b)(4)(ii). In addition, the disclosures required by TISA do not affect the substantive requirements of the EFAA and Regulation CC. The EFAA and Regulation CC control, and any modifications to them should occasion credit unions to revisit this disclosure with a view to revising it to reflect current law.

(g) Fees and Charges (§ 707.4(b)(4))

The following fees and charges may be assessed against your account:
(service/explanation) \$_____ (service/explanation) \$_____

Note: Fees and charges may be disclosed in an account disclosure, or separately in a Rate and Fee Schedule (see section B–11 of this appendix). In either event, the disclosure should also specify when the fee will be assessed by using phrases such as “per item,” “per month,” or “per inquiry.”

(h) Transaction Limitations (§ 707.4(b)(5))

The minimum amount you may [withdraw/write a draft for] is \$_____. During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a pre-authorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft, debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to [closure by the credit union/a fee of \$_____].

Note: This paragraph satisfies the requirements of § 707.4(b)(6) with respect to Regulation D limitations on share accounts and money market accounts. These are some of the more common limitations applicable.

The credit union reserves the right to require a member intending to make a withdrawal from any account (except a share draft account) to give written notice of such intent not less than seven days and up to 60 days before such withdrawal.

Note: This disclosure is limited to federal credit unions with Bylaws containing this limitation. See Standard Federal Credit Union Bylaws, Art. III, § 5(a). Similar disclosures are required of any state-chartered credit unions having similar limitations in their bylaws, or under state law. This limitation does not directly relate to the “number” or “amount” of transactions, and accordingly, may not be necessary under § 707.4(b)(5), but would, if applicable, be required by § 707.3(b).

(i) Disclosures related to term share accounts (§ 707.4(b)(6))

(i) Time requirements

Your account will mature on (date).

or

Your account will mature after (time period).

(ii) Early withdrawal penalties

We [will/may] impose a penalty if you withdraw [any/all] of the [funds/principal] in your account before the maturity date. The penalty will equal [_____ days'/weeks'/ months'] [dividends/interest] on your account.

or

We [will/may] impose a penalty of \$_____ if you withdraw [any/all] of the [funds/principal] before the maturity date. If you withdraw some of your funds before maturity, the [dividend/interest] rate for the remaining funds in your account will be _____%, with an annual percentage yield of _____%.

Note: In most cases, the dividend rate and annual percentage yield on the funds remaining in the account after early withdrawal are the same as before the withdrawal. Accordingly, the disclosure of dividend rate and annual percentage yield after withdrawal is required only if the dividend rate and APY will change.

(iii) Withdrawal of dividends/interest prior to maturity

The annual percentage yield is based on an assumption that [dividends/interest] will remain in the account until maturity. A withdrawal will reduce earnings.

Note: This disclosure may be used if the credit union compounds dividends/interest and allows withdrawal of accrued dividends/interest before maturity. This disclosure alerts members that the annual percentage yield is based on an assumption that the dividends/interest remain on deposit until maturity.

(iv) Renewal policies

(1) Automatically renewable term share accounts

Your term share account will automatically renew at maturity. You will have a grace period of _____ [calendar/business] days after the maturity date to withdraw the funds in the account without being charged an early withdrawal penalty. or Your term share account will automatically renew at maturity. There is no grace period following the maturity of this account.

(2) Non-automatically renewable term share accounts

This account will not renew automatically at maturity. If you do not renew the account, your account will [continue to earn/ no longer earn] [dividends/interest] after the maturity date.

Note: These disclosures should agree with the necessary prematurity notices for term share accounts in B-3 of this appendix.

(v) Required dividend distribution.

This account requires the distribution of dividends and does not allow dividends to remain in the account.

(j) Bonuses (§ 704.4(b)(7))

You will [be paid/receive] [\$_____/ (description of item)] as a bonus [when you open the account/on (date)]. You must maintain a minimum [daily balance/ average daily balance] of \$_____ to obtain the bonus. To earn the bonus, [\$_____/your entire principal] must remain on deposit [for (time period)/until (date)].

Note: These disclosures follow the requirements of § 707.4(b)(7) and should be used as applicable. Further information may also be added, especially if it clarifies the conditions and timing of receiving the bonus, or better informs the member about the bonus.

B-2 MODEL CLAUSES FOR CHANGES IN TERMS (§ 707.5(a))

On (date), the (type of fee) will increase to \$_____. On (date), the [dividend/interest] rate on your account will decrease to _____%, with an annual percentage yield (APY) of _____%. On (date), the [minimum daily balance/ average daily balance] required to avoid imposition of a fee will increase to \$_____.

Note: These examples apply to the more common changes necessitating a changes in terms notice. However, any change, amendment or modification reducing the APY or adversely affecting the members holding such accounts must be disclosed. For such changes not contemplated by the model clauses, the Board recommends the use of as simple language as possible to convey the change, along with cross-referencing to the particular sections or paragraph numbers of the account opening disclosures, when to do so will assist members in reviewing and understanding the change.

B-3 MODEL CLAUSES FOR PRE-MATURITY NOTICES FOR TERM SHARE ACCOUNTS (§707.5(b-d))**(a) Maturity date**

Your term share account will mature on _____.

(b) Nonrenewal

Unless your term share account is renewed, it will not accrue further [dividends/ interest] after the maturity date.

(c) Rate information

The [dividend/interest] rate and annual percentage yield that will apply to your term share account if it is renewed have not yet been determined. That information will be available on _____. After that date, you may call the credit union during regular business hours at (telephone number) to find out the [dividend/interest] rate and annual percentage yield (APY) that will apply to your term share account if it is renewed.

Note: Pre-maturity notices should follow the requirements of § 707.5(b-d) as closely as possible. Care should be taken to explain any grace periods used. See discussion of use of alternative timing in supplementary information to § 707.2(o) and § 707.5(b-d).

**B-4 SAMPLE FORM (SIGNATURE CARD/APPLICATION FOR MEMBERSHIP)
SIGNATURE CARD/APPLICATION FOR MEMBERSHIP**

ACCOUNT NUMBER _____

(last name) _____ (first name) _____
 (middle name) _____
 _____ (street address) _____ (apartment no.)
 _____ (city) _____ (state) _____ (zip code)
 _____ (home telephone no.) _____ (business telephone no.)
 _____ (Social Security # or TIN) _____ (date of birth)
 _____ (mother's maiden name) _____ (employer, occupation)

I hereby make application for membership in and agree to conform to the Bylaws, as amended, of _____ Credit Union (the "Credit Union"). I certify that: I am within the field of membership of this Credit Union; the information provided on this application is true and correct; and my signature on this card applies to all accounts under my name at this Credit Union. I also agree to be bound to the terms and conditions of any account that I have in the Credit Union now or in the future.

 (signature of applicant)

This application approved _____ (date) by the (Check one)

Board Exec. Committee Membership Officer

Signed: _____

(Secretary; Exec. Cmte. Member, or Membership Officer)

Note: This form is modeled on NCUA Form FCU 150, Application for Membership, as discussed in the Accounting Manual for FCUs, §§ 5030.1, 5150.3. It is noted that other information can also be requested on the signature card, as long as it is in accordance with federal and state laws. For example, information identifying the member, such as a state driver's license number, could be added. The types of accounts that the signature applies to could be specified. Furthermore, the Board notes that this card contains much identification information that may not be necessary for all credit unions; common sense should guide credit union boards of directors in designing their applications for membership/signature cards. However, the Board believes that the information solicited on this form is reasonable and prudent for many credit unions. Payable on death designations, joint account language required under state law, life savings beneficiary designations, and other like variations and designations may be added to the card if so desired. The proposed signature card/ application for membership form contained taxpayer certification language. One commenter noted that the IRS may always change its requirements in this area, which are beyond the authority of the Board. Therefore, the Board has deleted reference to the IRS taxpayer certification required by 26 USC 3406, but notes that such certification must be made in accordance with applicable law and IRS rules. The information may be included on the front and back of a standard size signature card, or on the front of a large size signature

card. However, no account terms may be included on a signature card unless a copy of the signature card is provided to the member at the time of account opening. The Board recommends that credit unions refrain from this practice, and instead use standard account disclosures. One reason for this is that if laws, regulations or credit union policies change, discrepancies may result between them and the earlier signature card terms. Given the longevity of credit union membership, signature cards may well be in use for up to or over a century. In addition, as signature cards are relatively small, they probably will not contain enough space to make all desired and required disclosures. Fragmentation of terms, some on signature cards, some on separate disclosures, could easily lead to member confusion. As terms are usually construed against the drafter, credit unions should be very careful in their use of account terms and conditions varying from those provided as model clauses and sample forms in this appendix.

B-5 SAMPLE FORM (TERM SHARE [CERTIFICATE] ACCOUNT) TERM SHARE (CERTIFICATE) ACCOUNT

Date Issued

Account Number

Certificate Number

Social Security Number

This is to certify that (name(s)) _____ [is/ are] the owner(s) of a term share certificate account in the _____ Credit Union (the "Credit Union") in the amount of _____ Dollars (\$_____). This term share certificate account may be redeemed on (maturity date) _____ only upon presentation of the certificate to the Credit Union. The dividend rate of this certificate account is _____% with an annual percentage yield of _____%. The annual percentage yield and dividend rate assume that dividends are to be [check one] () added to principal/ () paid to regular share account number _____/() mailed to owner(s). This account is subject to all terms and conditions stated in the Term Share Certificate Account Disclosures, as they may be amended from time to time, and incorporates the same by reference into this agreement.

Authorized signature

Authorized signature

Note: This form is modeled on NCUA Form FCU 107SCP, Credit Union Share Certificate, as discussed in the Accounting Manual for FCUs, §§ 5030.1, 5150.6. It is simplified to reflect the term share (certificate) account agreement, the parties involved, the maturity term and the annual percentage yield and dividend rate. All other terms are incorporated by reference. This should allow the credit union maximum flexibility in fashioning certificate, and other term share account, products. If a credit union so desired, other terms and conditions could be incorporated into the term share certificate itself, as long as a copy is presented to the member at the account opening. Care should also be taken to ensure that the term share certificate format addresses any

necessary state law concerns. As the FRB's Regulation D on reserve requirements permits all term share accounts to be represented by a transferable or non-transferable, or a negotiable or non-negotiable, certificate, instrument, passbook, statement or otherwise, and still be considered a "time deposit", the Board has made no entry on this sample form regarding such terms, leaving the decision instead to each credit union's board of directors. 12 CFR 202.4(c)(2).

B-6 SAMPLE FORM (REGULAR SHARE ACCOUNT DISCLOSURES) REGULAR SHARE ACCOUNT DISCLOSURES

- (1) Rate information. As of April 1, 1995, the dividend rate was 5.00% and the annual percentage yield (APY) was 5.13% on your regular share account. In addition, the credit union estimates a prospective dividend rate of 5.25% and a prospective APY of 5.39% on your share account for this dividend period. The dividend rate and annual percentage yield may change every quarter as determined by the credit union board of directors.
- (2) Compounding and crediting. Dividends will be compounded daily and will be credited quarterly. For this account type, the dividend period is quarterly, for example, the beginning date of the first dividend period of the calendar year is January 1 and the ending date of such dividend period is March 31. All other dividend periods follow this same pattern of dates. The dividend declaration date follows the ending date of a dividend period, and for the example is April 1. If you close your regular share account before dividends are credited, you will not receive accrued dividends.
- (3) Minimum balance requirements. The minimum balance to open this account is the purchase of a \$5 share in the Credit Union. You must maintain a minimum daily balance of \$500 in your account to avoid a service fee. If, during any day during a quarter, your account balance falls below the required minimum daily balance, your account will be subject to a service fee of \$5 for that quarter.
- (4) Balance computation method. Dividends are calculated by the daily balance method which applies a daily periodic rate to the principal in your account each day.
- (5) Accrual of dividends. Dividends will begin to accrue on the business day you deposit non-cash items (e.g., checks) to your account.
- (6) Fees and charges. The following fees and charges may be assessed against your account.

(a) Statement copies	\$5.00 per statement
(b) Account inquiries	\$3.00 per inquiry
(c) Dormant account fee	\$10.00 per month
(d) Wire transfers	\$8.00 per transfer
(e) Minimum balance service fee	\$5.00 per quarter
(f) Share transfer	\$1.00 per transfer
(g) Excessive share	\$1.00 per item withdrawals
- (7) Transaction limitations. During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a pre-authorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft,

debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to closure by the credit union or to a fee of \$1.00 per item.

- (8) Nature of dividends. Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.
- (9) Bylaw Requirements. A member who fails to complete payment of one share within _____ of his admission to membership, or within _____ from the increase in the par value in shares, or a member who reduces his share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership at the end of a dividend period. [All blanks should be filled with time chosen by credit union board of directors, but must be at least 6 months.] Shares may be transferred only from one member to another, by written instrument in such form as the Credit Union may prescribe. The Credit Union reserves the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts so paid in by them. No member may withdraw shareholdings that are pledged as required on security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the Credit Union. No member may withdraw any shareholdings below the amount of his/her primary or contingent liability to the Credit Union if he/she is delinquent as a borrower, or if borrowers for whom he/she is comaker, endorser, or guarantor are delinquent, without the written approval of the credit committee or loan officer.
- (10) Par value of shares; Dividend period. The par value of a regular share in this Credit Union is \$5. The dividend period of the Credit Union is quarterly.
- (11) National Credit Union Share Insurance Fund. Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.
- (12) Other Terms and Conditions. [In this item, which may be titled or subdivided in any manner by each credit union, NCUA suggests that the following issues be covered or handled: statutory lien or setoff; expenses (garnishments and bankruptcy orders and holds on account); joint ownership accounts; trust accounts; payable-on-death accounts; retirement accounts; Uniform Transfer to Minor Act accounts; sole proprietorship accounts; escrow and custodial accounts; corporation accounts; not-for-profit corporation accounts; voluntary association accounts; partnership accounts; public unit accounts; powers of attorney (guardianship orders); tax disclosures and certifications; Uniform Commercial Code variances; amendments; reliance on signature card; change of address; incorporations of other documents by reference, such as expedited funds availability policies, service charges schedules or electronic banking disclosures; ability to suspend services; and operational matters (stop payment orders— verbal and written, satisfactory identification, refusal of deposits not in proper form, wire transfers, stale check deposits, availability of periodic statements or passbook feature.)]

Note: This form is modeled on the share account disclosures in the Accounting Manual for FCUs, § 5150.7. The disclosures are for a variable-rate, daily balance method dividend calculation regular share account in an FCU with a \$500 minimum

balance to avoid service fees. For the example, the account was opened on May 1, 1995. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. Item nos. 1–8 reflect standard TISA and part 707 disclosures discussed in sections B–1 through B–3 of this Appendix. Note that if the credit union limits the maximum amount of shares which may be held by one member under NCUA Standard FCU Bylaws, Art. III, § 2, that this should be stated in item no. 7, transaction limitations. Item no. 9 reflects various terms provided in Art. III, §§ 3–6 of the NCUA Standard FCU Bylaws. If this were a passbook account, then the requirements of Art. IV, Receipting for Money—Passbooks, in the NCUA Standard FCU Bylaws would also be included in item no. 9. Item no. 10 reflects the par value amount of regular shares in a federal credit union, pursuant to section 117 of the FCU Act, 12 USC 117, and Art. XIV, § 3 of the NCUA Standard FCU Bylaws. It also states the dividend period of the credit union, which is set by the board of directors. Item no. 11 addresses the requirements of 12 CFR part 740. Non-federally insured credit unions (NICUs) would be expected to disclose information required by section 151 of the Federal Deposit Insurance Corporation Improvement Act of 1991. 12 USC 1831t. By December 19, 1992, all NICUs were required to include conspicuously on all periodic statements of account, signature cards, passbooks, share certificates and other similar instruments of deposit and in all advertising a notice that the credit union is not federally insured. Additional disclosures will be required of NICUs by June 19, 1994. Item no. 12 is inserted to ensure that credit unions add other account terms and conditions not covered by the proposed regulation. These sorts of terms are contemplated by proposed § 707.3(b), requiring that the disclosures reflect the terms of the legal obligation between the member and the credit union. This list is not meant to be exhaustive, but to give a general idea of other topics often covered in share account contracts. Item no. 12 is not expressly required by either TISA or part 707, but any of these terms that are disclosed must be accurate and not misleading. Also the Board strongly recommends that such terms are included in account opening disclosures to inform the membership and to clearly set forth the legal relationship between the members and their credit union.

B–7 SAMPLE FORM (SHARE DRAFT ACCOUNT DISCLOSURES) SHARE DRAFT ACCOUNT DISCLOSURES

- (1) Rate information. As of January 1, 1995, the dividend rate was 3.00% and the annual percentage yield (APY) was 3.04% on your share account. In addition, the prospective dividend rate on your account is 3.15% with a prospective annual percentage yield (APY) of 3.20% for the current dividend period. The dividend rate and APY may change every dividend period as determined by the credit union board of directors.
- (2) Compounding and crediting. Dividends will be compounded monthly and will be credited monthly. For this account type, the dividend period is monthly, for example, the beginning date of the first dividend period of the calendar year is January 1 and the ending date of such dividend period is January 31. All other dividend periods follow this same pattern of dates. The dividend declaration date follows the ending date of a dividend period, and for the example above is February 1. If you close your

share draft account before dividends are credited, you will not receive accrued dividends.

- (3) No minimum balance requirements apply to this account.
- (4) Balance computation method. Dividends are calculated by the average daily balance method which applies a periodic rate to the average daily balance in the account for the period. The average daily balance is calculated by adding the balance in the account for each day of the period and dividing that figure by the number of days in the period.
- (5) Accrual of dividends. Dividends will begin to accrue no later than the business day we receive provisional credit for the placement of non-cash items (e.g. checks) to your account.
- (6) Fees and charges. The following fees and charges may be assessed against your account.
- | | |
|--------------------------------|---|
| (a) Statement copies | \$5.00 per statement |
| (b) Account inquiries | \$3.00 per inquiry |
| (c) Dormant account fee | \$10.00 per month |
| (d) Wire transfers | \$8.00 per transfer |
| (e) Overdrafts/Returned Items | \$5.00 per draft |
| (f) Share transfer | \$1.00 per transfer |
| (g) Excessive share withdrawal | \$1.00 per item |
| (h) Certified checks | \$5.00 per check |
| (i) Stop Payment Order | \$5.00 per order |
| (j) Check Printing Fee | \$12.00 per 200 checks (varies depending on style of check ordered) |

- (7) No transaction limitations apply to this account.
- (8) Nature of dividends. Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.
- (9) Bylaw Requirements. A member who fails to complete payment of one share within _____ of his admission to membership, or within _____ from the increase in the par value in shares, or a member who reduces his share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership at the end of a dividend period. [All blanks should be filled with time chosen by credit union board of directors, but must be at least 6 months.] Shares may be transferred only from one member to another, by written instrument in such form as the Credit Union may prescribe. The Credit Union reserves the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts so paid in by them. Shares paid in under an accumulated payroll deduction plan may not be withdrawn until credited to a member's account. No member may withdraw shareholdings that are pledged as required on security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the Credit Union. No member may withdraw any shareholdings below the amount of his/her primary or contingent liability to the Credit Union if he/she is delinquent as a borrower, or if borrowers for whom he/she is comaker, endorser, or

guarantor are delinquent, without the written approval of the credit committee or loan officer.

- (10) Par value of shares; Dividend period. The par value of a regular share in this Credit Union is \$5. The dividend period of the Credit Union is monthly, beginning on the first of a month and ending on the last day of the month.
- (11) National Credit Union Share Insurance Fund. Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.
- (12) Other Terms and Conditions. [See section B–6, item 12, of this appendix].

Note: This form is modeled on the share account disclosures in the Accounting Manual for FCUs, § 5150.7. The disclosures are for a variable-rate, average daily balance method dividend calculation share draft account in an FCU with no minimum balance requirement. For purposes of this example, the account was opened on January 15, 1995. The Credit Union has monthly dividend periods. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. The disclosures are very similar to the ones in section B–6 of Appendix B, except for the rollback and par value disclosures, which have been removed from the final rule and appendices.

B–8 SAMPLE FORM (MONEY MARKET SHARE ACCOUNT DISCLOSURES) MONEY MARKET SHARE ACCOUNT DISCLOSURES

- (1) Rate information. As of January 1, 1995, if your average daily balance was \$500 or more, the dividend rate paid on the entire balance in your account was 4.75%, with an annual percentage yield (APY) of 4.85%. If your average daily balance is \$500 or more, a prospective dividend rate of 4.95% will be paid on the entire balance in your account with a prospective APY of 5.00% for this dividend period on your account. The dividend rate and APY may change every dividend period as determined by the credit union board of directors.
- (2) Compounding and crediting. Dividends will be compounded monthly and will be credited quarterly. If you close your share money market account before dividends are credited, you will not receive accrued dividends.
- (3) Minimum balance requirements. The minimum balance required to open this account is \$500. You must maintain a minimum daily balance of \$500 in your account to avoid a service fee. If, during any (time period), your account falls below the required minimum daily balance, your account will be subject to a service fee of \$5 for that (time period).
- (4) Balance computation method. Dividends are calculated by the average daily balance method which applies a periodic rate to the average daily balance in your account for the period. The average daily balance is calculated by adding the principal in the account for each day of the period and dividing that figure by the number of days in the period.
- (5) Accrual of dividends. Dividends will begin to accrue on the business day you deposit non-cash items (e.g., checks) to your account.
- (6) Fees and charges. The following fees and charges may be assessed against your account.

- (a) Statement copies\$5.00 per statement
- (b) Account inquiries\$3.00 per inquiry
- (c) Dormant accountee\$10.00 per month
- (d) Wire transfers\$8.00 per transfer
- (e) Minimum balance service fee.....\$5.00 per time period
- (f) Share transfer\$1.00 per transfer
- (g) Excessive share withdrawals.....\$1.00 per item
- (h) Certified checks\$5.00 per check
- (i) Stop Payment Order\$5.00 per order
- (j) Check Printing Fee\$12.00 per 200 checks (varies depending on style of check ordered)

- (7) Transaction limitations. During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a pre-authorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft, debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to closure by the credit union or to a fee of \$1.00 per item.
- (8) Nature of dividends. Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.
- (9) Bylaw Requirements. [This section should reflect any requirements concerning share accounts in the FISCU's bylaws or charter.]
- (10) Par value of shares; Dividend period. The par value of a regular share in this Credit Union is \$50. The dividend period of the Credit Union is monthly, beginning on the first of a month and ending on the last day of the month.
- (11) National Credit Union Share Insurance Fund. Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.
- (12) Other Terms and Conditions. [See section B-6, item 12, of this appendix.]

Note: This form is modeled on the share account disclosures in the Accounting Manual for FCUs, § 5150.7 and on the share draft account disclosures in section B-7 of this appendix. The disclosures are for a variable-rate, tiered-rate (method A, option 1), average daily balance method dividend calculation, money market share account in a FISCU with a \$500 minimum balance to open the account and to avoid service fees. For purposes of this example, the account was opened on January 29, 1995. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. Note that the contents of Item 9, Bylaw requirements, must be tailored to the specific bylaws of a FISCU or NICU. Also note the high par value amount in Item 10.

B-9 SAMPLE FORM (TERM SHARE [CERTIFICATE] ACCOUNT DISCLOSURES) TERM SHARE (CERTIFICATE) ACCOUNT DISCLOSURES

- (1) Rate information. [Repeat rates disclosed on face of term share certificate, see B-5, Sample Form (Term Share (Certificate) Account).]

- (2) Compounding and crediting. Dividends will be compounded monthly and will be credited annually. If you close your certificate account before dividends are credited, you will not receive accrued dividends.
- (3) Minimum balance requirements. The minimum balance required to open this account is \$500.
- (4) Balance computation method. Dividends are calculated by the daily balance method, which applies a daily periodic rate to the principal in your account each day.
- (5) Accrual of dividends. Dividends will begin to accrue on the business day you deposit non-cash items (e.g., checks) to your account.
- (6) Fees and charges. The following fees and charges may be assessed against your account.

(a) Statement copies	\$5.00 per statement
(b) Account inquiries	\$3.00 per inquiry
(c) Share transfer	\$1.00 per transfer
- (7) Transaction limitations. After the account is opened, you may not make deposits into the account until the maturity date stated on the certificate.
- (8) Maturity date. Your account will mature on January 1, 1996.
- (9) Early withdrawal penalties. We may impose a penalty if you withdraw any of the funds before the maturity date. The penalty will equal three months' dividends on your deposit.
- (10) Renewal policies. Your certificate account will automatically renew at maturity. You will have a grace period of 10 business days after the maturity date to withdraw the funds in the account without being charged an early withdrawal penalty.
- (11) Bonus. You will receive a new (insert brand name) toaster-oven as a bonus when you open the account after December 31, 1994, and before June 30, 1995. You must maintain your entire principal on deposit until the maturity date of your certificate account to obtain the bonus.
- (12) **[RESERVED]**
- (13) Bylaw Requirements. [This section should reflect any requirements concerning share accounts in the FISCU's bylaws or charter.]
- (14) Par value of shares; Dividend period. The par value of a regular share in this Credit Union is \$25. The dividend period of the Credit Union on this type of account is annual, beginning on the date the account is opened, and ending on the stated maturity date, unless renewed.
- (15) National Credit Union Share Insurance Fund. Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.
- (16) Other Terms and Conditions. [See section B-6, item 12, of this appendix.]

Note: Even though this disclosure is for an account at a FISCU, this form is modeled on the share account disclosures in the Accounting Manual for FCUs, § 5150.7 and upon the regular share account disclosures in section B-6 of this appendix. The disclosures are for a fixed-rate, daily balance method dividend calculation, automatically renewing term share certificate account in a FISCU with a \$500 minimum balance to open the account and a ten day grace period. For the example, the account is opened on January 1, 1995 and matures on January 1, 1996. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures reflect the contracted,

prospective dividend rate for a given dividend period. Note the special disclosures for term share certificate accounts, items nos. 8–10. Note also the bonus disclosure, item no. 11.

B–10 SAMPLE FORM (PERIODIC STATEMENT) PERIODIC STATEMENT

Member Name Account Number

[Transaction account activity by date]

[Average daily balance of \$1,500 for the month, daily compounding]

Your account earned \$6.72, with an annual percentage yield earned of 5.40%, for the statement period from May 1 through and including May 31. In addition, your account earned \$15 in extraordinary dividends for this period. Any fees assessed against your account are shown in the body of the periodic statement and are identified by the code at the bottom margin of this statement.

Service charge codes

- SC-1 Stop Payment Order Fee
- SC-2 Statement Copy Fee
- SC-3 Draft Return Fee
- SC-4 Transfer from Shares
- SC-5 Microfilm Copy
- SC-6 Share Draft Printing Fee
- SC-7 Dormant Account Fee
- SC-8 Wire Transfer Fee
- SC-9 Excessive Share Withdrawal Fee
- SC-10 _____

Other transactions

- D=Dividends
- EC=Error Correction
- OR=Overdraft Returned
- OL=Overdraft Loan
- OS=Overdraft Share Transfer

Note: This form is modeled on the share draft statement of account, Form FCU 107G-SD, in the Accounting Manual for FCUs, § 5150.4. All information is self-explanatory. Codes of transactions are not required, but are a common credit union practice. The information regarding fees could also be included on the line of the periodic statement showing when the fees were debited from the account. Alternatively, a credit union could show all fees debited against the account for the statement period in a special area of the periodic statement. Clarity to the member of the required information—annual percentage yield earned; amount of dividends; fees imposed and length of period—is the important goal. An additional disclosure regarding the dollar

value of any extraordinary dividends earned must be added to those statements showing the payment of such extraordinary dividends to the member.

B-11 SAMPLE FORM (RATE AND FEE SCHEDULE) RATE AND FEE SCHEDULE

This Rate and Fee Schedule for all Accounts sets forth certain conditions, rates, fees and charges applicable to your regular share, share draft, and money market accounts at the _____ Federal Credit Union as of _____ [insert date of delivery to member]. This schedule is incorporated as part of your account agreement with the _____ Federal Credit Union.

REGULAR SHARE

Dividend Rate as of Last Dividend Declaration Date _____%
 Annual Percentage Yield as of Last Dividend Declaration Date _____%
 Prospective Dividend Rate _____%
 Prospective Annual Percentage Yield _____%
 Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily]
 Dividends Credited—At close of a dividend period
 Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily]
 Minimum Opening Deposit \$5.00 par value share
 Minimum Monthly Balance [None, \$ amount]

SHARE DRAFT

Dividend Rate as of Last Dividend Declaration Date _____%
 Annual Percentage Yield as of Last Dividend Declaration Date _____%
 Prospective Dividend Rate _____%
 Prospective Annual Percentage Yield _____%
 Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily]
 Dividends Credited—At close of a dividend period
 Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily]
 Minimum Opening Deposit [None, \$ amount]
 Minimum Monthly Balance [None, \$ amount]

MONEY MARKET

Dividend Rate as of Last Dividend Declaration Date _____%
 Annual Percentage Yield as of Last Dividend Declaration Date _____%
 Prospective Dividend Rate _____%
 Prospective Annual Percentage Yield _____%
 Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily]
 Dividends Credited— At close of a dividend period
 Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily]
 Minimum Opening Deposit [None, \$ amount]
 Minimum Monthly Balance [None, \$ amount]

The following fees may be assessed in connection with your accounts:

Fees Applicable to All Accounts:

Returned item fee	
\$____.00 per item	
Account reconciliation fee	
\$____.00 per hour	
Statement copies fee	
\$____.00 per statement	
Certified draft fee	
\$____.00 per draft	
Wire	
\$____.00 per transfer	
Account inquiry fee	
\$____.00 per inquiry	
Dormant account fee	
\$____.00 per month	
Minimum balance service fee	\$____.00 per
day	
Share transfer fee	
\$____.00 per	
Transfer Excessive share withdrawal transfer fee.	\$____.00 per item

Share Draft Account Fees:

Monthly service fee	\$____.00 per month
Overdraft transfers fee	
\$____.00 per overdraft	
Drafts returned insufficient funds fee	\$____.00 per draft
Stop payment order fee	
\$____.00 per order	
Draft copy fee	
\$____.00 per copy	
Check printing fee	
\$____.00 per 200 drafts	

Money Market Share Account Fees:

Monthly service fee	
\$____.00 per month	
Check printing fee	
\$____.00 per 200 drafts	

Note: This illustration is for use of an FCU. The information provided on a Rate and Fee Schedule can be presented in any format. To ensure that it is a part of the account agreement, if used, it should be incorporated by reference into the appropriate share account disclosures. The figures used are illustrative only, except for the overdraft transfer fee of \$1.00 per overdraft and the excessive share transfer fee of \$1.00 per

item, which are set in the NCUA Standard FCU Bylaws, Art. III, § 4 and § 5(f), respectively.

Appendix C—Official Staff Interpretations

Introduction.

1. Official status. This commentary is the means by which the staff of the Office of General Counsel of the National Credit Union Administration issues official staff interpretations of Part 707 of the NCUA Rules and Regulations. Good faith compliance with this commentary affords protection from liability under section 271(f) of the Truth in Savings Act (TISA), 12 U.S.C. § 4311.

§ 707.1—Authority, Purpose, Coverage, and Effect on State Laws.

(c) Coverage

- (1) Foreign applicability. Part 707 applies to all credit unions that offer share and deposit accounts to residents (including resident aliens) of any state as defined in 707.2(v) and that offer accounts insurable by the National Credit Union Share Insurance Fund (NCUSIF) whether or not such accounts are insured by the NCUSIF. Corporate credit unions designated as such by NCUA under 12 CFR § 704.2 (definition of “corporate credit union”) are exempt from part 707.
- (2) Persons who advertise accounts. Persons who advertise accounts are subject to the advertising rules. This includes agent and agented accounts, such as a member who subdivides interests in a jumbo term share certificate account for sale to other parties or among members who form a certificate account investment club. For example, if an agent places an advertisement that offers members an interest in an account at a credit union, the advertising rules apply to the advertisement, whether the account is held by the agent or directly by the member.
- (3) Non-automated credit unions. Non-automated credit unions with an asset size of \$2 million or less, after subtracting any non-member deposits, are exempt from TISA and part 707. NCUA defines a “non-automated credit union” as a credit union without sufficient data processing capability and capacity to establish, operate and maintain a share and loan software system to timely and accurately process all account transactions of all members. The non-automated credit union exemption is available to all credit unions meeting the asset size and automation standards of this comment, including newly chartered credit unions. If any of the credit unions eligible for this exemption grow to have more than \$2 million in assets as of December 31 of any year, the NCUA Board will require such credit unions to comply with TISA and part 707 on January 1 of one year after such credit union loses its exemption eligibility. Similarly, if a credit union becomes sufficiently automated to operate a complete share and loan system, such credit union will be entitled to the same compliance phase-in period.

(d) Effect on state laws

- (1) Preemption of state laws/Inconsistent requirements. State law requirements that are inconsistent with the requirements of TISA and part 707 are

- preempted to the extent of the inconsistency. A state law is inconsistent if it requires a credit union to make disclosures or take actions that contradict the requirements of the federal law. A state law is also contradictory if it requires the use of the same term to represent a different amount or a different meaning than the federal law, requires the use of a term different from that required in the federal law to describe the same item, or permits a method of calculating dividends or interest on an account different from that required in the federal law.
- (2) Preemption determinations. A credit union, state, or other interested party may request the Board to determine whether a state law requirement is inconsistent with the federal requirements. A request for a determination should be addressed to NCUA's Office of General Counsel, 1775 Duke Street, Alexandria, VA 22314. Written preemption requests should cite (or include a copy of) the allegedly inconsistent state law, demonstrate the inconsistency with TISA and part 707 and the burden on credit unions, and formally request a preemption determination. The Office of General Counsel may provide other interested parties, particularly affected states, an informal opportunity to comment on any request for a preemption determination, unless it finds that such notice and opportunity for comment would be impracticable, unnecessary, or contrary to the public interest. NCUA will publicize any preemption determinations using any means readily at its disposal.
 - (3) Effect of preemption determinations. After the Board, through its Office of General Counsel, determines that a state law is inconsistent, a credit union may not make disclosures using the inconsistent term or take actions relying on the inconsistent law.
 - (4) Reversal of determination. The Board reserves the right to reverse a determination for any reason bearing on the coverage or effect of state or federal law.

§ 707.2—Definitions.

(a) Account

- (1) Covered accounts. Examples of accounts subject to the regulation are:
 - (i) Dividend-bearing and interest-bearing accounts.
 - (ii) Non-dividend-bearing and non-interest-bearing accounts.
 - (iii) Accounts opened as a condition of obtaining a credit card.
 - (iv) Escrow accounts with a consumer purpose, such as an account established by a member to escrow rental payments, pending resolution of a dispute with the member's landlord.
 - (v) Accounts held by a parent or custodian for a minor under a state's Uniform Gift to Minors Act (or Uniform Transfers to Minors Act).
 - (vi) Individual retirement accounts (IRAs) and simplified employee pension (SEP) accounts.
 - (vii) Payable-on-Death (POD) or "Totten trust" accounts.
- (2) Other accounts. Examples of accounts not subject to the regulation are:

- (i) Mortgage escrow accounts for collecting taxes and property insurance premiums.
 - (ii) Accounts established to make periodic disbursements on construction loans.
 - (iii) Trust accounts opened by a trustee pursuant to a formal written trust agreement (not merely declarations of trust on a signature card such as a "Totten trust," or an IRA or SEP account).
 - (iv) Accounts opened by an executor in the name of a decedent's estate.
 - (v) Accounts of individuals operating businesses as sole proprietors.
 - (vi) Certificates of indebtedness. Some credit unions borrow funds from their members through a certificate of indebtedness that sets forth the terms and conditions of the repayment of the borrowing, such as federal credit unions do through 12 CFR § 701.38. Such an account does not represent an account in a credit union and is not covered by part 707. vii. Unincorporated non-business association accounts.
- (3) Other investments. The term "account" does not apply to these products. Examples of products not covered are:
- (i) Government securities.
 - (ii) Mutual funds.
 - (iii) Annuities.
 - (iv) Securities or obligations of a credit union.
 - (v) Contractual arrangements such as repurchase agreements, interest rate swaps, and bankers acceptances.
 - (vi) Purchases of U.S. Savings Bonds through a credit union.
 - (vii) Services offered through a group purchasing plan or a credit union service organization (CUSO).
- (4) Options. All dividend-bearing and interest-bearing accounts are either fixed-rate or variable-rate accounts.
- (5) Use of synonyms. Generally, it is not the purpose of part 707 to prohibit specific descriptive terms for accounts. For example, credit unions can use adjectives and trade names to describe accounts such as "Best Share Draft Account," or "Ultra Money Market Share Account." Synonyms for share, share draft, money market share, and term share accounts may be used to describe various types of credit union share and deposit accounts as long as the synonym is accurate and not misleading and, for account disclosures, is used in conjunction with the correct legal term. For example, the following synonyms may be used:
- (i) The term "checking account" may be used to describe share draft accounts.
 - (ii) The term "money market account" may be used to describe money market share accounts.
 - (iii) The term "savings account" may be used to describe regular share and share accounts.
 - (iv) The terms "share certificate," "certificate account," or "certificate" may be used to describe share certificates and other dividend-bearing term share accounts.

- (v) However, under no circumstances may a credit union describe a share account as a deposit account, or vice versa. For example, the term “certificate of deposit” or “CD” may not be used to describe share certificates and other dividend-bearing term share accounts. Similarly, the terms “time account” (used in Regulation DD, 12 CFR § 230.2(u)) and “time deposit” (used in Regulation D, 12 CFR § 204.2(c)) may not be used to describe term share accounts.
- (b) Advertisement
- (1) Covered messages. Advertisements include commercial messages in visual, oral, or print media that invite, offer, or otherwise announce generally to members and potential members the availability of member accounts such as:
 - (i) Telephone solicitations.
 - (ii) Messages on automated teller machine (ATM) screens (including any printout).
 - (iii) Messages on a computer screen in a credit union’s lobby (including any printout) other than a screen viewed solely by the credit union’s employee.
 - (iv) Messages in a newspaper, magazine, or promotional flyer or on radio or television.
 - (v) Messages promoting an account that are provided along with information about the member’s existing account at a credit union and that promote another account at the credit union (such as account promotional messages on the periodic statement).
 - (2) Other messages. Examples of messages that are not advertisements are:
 - (i) Rate sheets published in newspapers, periodicals, or trade journals (unless the credit union or share and deposit broker that offers accounts at the credit union pays a fee to have the information included or otherwise controls publication).
 - (ii) Telephone conversations initiated by a member or potential member about an account.
 - (iii) An in-person discussion with a member about the terms for a specific account.
 - (iv) Information provided to members about their existing accounts, such as on IRA disbursements, notices for automatically renewable term share accounts sent before renewal, or current rates recorded on a voice response machine.
- (c) Annual Percentage Yield.
- (1) General. The annual percentage yield (APY) is required for disclosures for new accounts, oral responses to inquiries about rates; disclosures provided upon request; initial disclosures (if the credit union chooses to provide full disclosures instead of the abbreviated notice); notices prior to the renewal of a term share account, if known at the time the notice is sent, and in advertising. The annual percentage yield shows the total amount of dividends for a 365 day period (or a 366 day period for a leap year) on an assumed principal amount based on the dividend rate and frequency of compounding

- as a percentage of the assumed principal (for accounts such as share or share draft accounts) or for the total amount of dividends over the term of the account for term share accounts. The annual percentage yield assumes the principal amount remains in the account for 365 days (366 days for leap year) or for the term of the account.
- (2) How Annual Percentage Yield Differs from Annual Percentage Yield Earned. The annual percentage yield (APY) differs from the annual percentage yield earned (APYE). The annual percentage yield earned is required for periodic statements only. The annual percentage yield earned shows the total amount of dividends earned for the dividend or statement period as a percent of the actual average daily balance in the member's account. Unlike the annual percentage yield, the annual percentage yield earned is affected by additions and withdrawals during the period. The annual percentage yield and the annual percentage yield earned must be calculated according to the formulas provided in Appendix A to this rule.
- (d) Average Daily Balance Method.
- (1) General. One of the two required methods (the daily balance is the other) of determining the balance upon which dividends must be accrued and paid. The average daily balance method requires the application of a periodic rate to the average daily balance in the account for the average daily balance calculation period. The average daily balance is determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period.
- (e) Board.
- (1) General. The NCUA Board.
- (f) Bonus
- (1) General. Bonuses include items of value offered as incentives to members, such as an offer to pay the final installment deposit for a holiday club account if the final installment is over \$10. Bonuses do not include the payment of dividends (including extraordinary dividends), the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, or other consideration aggregating \$10 or less per year.
- (2) Examples. The following are examples of bonuses.
- (i) A credit union offers \$25 to potential members for becoming a member and opening an account. The \$25 could be provided by check, cash, or direct deposit.
- (ii) A credit union offers \$25 to a member with only a regular share account to open a share draft account. The \$25 could be provided by check, cash, or direct deposit.
- (iii) A credit union offers a portable radio with a value of \$20 to members and potential members for opening a share draft account.
- (iv) A credit union pays the final installment deposit for a holiday club account if over \$10.
- (3) Examples not comprising bonuses. The following are examples of items that are not bonuses:

- (i) Discount coupons distributed by credit unions for use at restaurants or stores.
 - (ii) A credit union offers \$20 to any member if the member is responsible for encouraging a potential member to open an account. The \$20 is not a bonus because the \$20 is not paid to the individual opening the account. Any item, including cash, given or offered to a third party (that is not a joint member or joint owner in an account being opened) in exchange for a member or potential member opening (or a member renewing or adding to) an account is not a bonus.
 - (iii) A credit union offers \$25 to a member if the member can locate his name in the body of a newsletter.
 - (iv) Life savings benefits. Many credit unions offer life savings benefits to beneficiaries of deceased members. Because the benefit accrues to a third party, such life savings plans offered are not bonuses.
 - (v) A credit union offers to pay annual membership dues in a benevolent organization for a class of members.
- (4) De minimis rule. Items with a de minimis value of \$10 or less are not bonuses. Credit unions may rely on the valuation standard used by the Internal Revenue Service (IRS) to determine if the value of the item is *de minimis*. Items required to be reported by the credit union under IRS rules are bonuses under this regulation. Examples of items of de minimis value are:
- (i) Disability insurance premiums on a share account valued at an amount of \$10 or less per year.
 - (ii) Coffee mugs, T-shirts or other merchandise with a market value of \$10 or less per year.
- (5) Aggregation. In determining if an item valued at \$10 or less is a bonus, credit unions must aggregate per account per calendar year items that may be given to members. In making this determination, credit unions aggregate per account only the market value of items that may be given for a specific promotion. To illustrate, assume a credit union offers in January to give members an item valued at \$7 for each calendar quarter during the year that the average account balance in a share draft account exceeds \$10,000. The bonus rules are triggered, since members are eligible under the promotion to receive up to \$28 during the year. However, the bonus rules are not triggered if an item valued at \$7 is offered to members opening a share draft account during the month of January, even though in November the credit union introduces a new promotion that includes, for example, an offer to existing share draft account holders for an item valued at \$8 for maintaining an average balance of \$5,000 for the month.
- (6) Waiver or reduction of a fee or absorption of expenses. Bonuses do not include value received by members through the waiver or reduction of fees for credit union-related services (even if the fees waived exceed \$10), such as the following:
- (i) Waiving a safe deposit box rental fee for one year for members who open a new account.

- (ii) Waiving fees for travelers checks for members, and waiving check and share draft printing fees.
 - (iii) Non-discriminatorily waiving all fees for a particular class of members, such as seniors or minors.
 - (iv) Discounts on interest rates charged for loans at the credit union.
 - (v) Rebates of loan interest already paid by a member.
 - (vi) Discounts on application fees charged for loans at the credit union.
 - (vii) Packaged, linked, or tied-account services.
- (7) Non-dividend membership benefits. Such benefits are not bonuses because they are sporadic in nature, often difficult to value, and providing non-dividend membership benefits is a long-standing unique credit union practice. (See commentary to § 707.2(r) for examples of such benefits.)
- (g) Credit union.
- (1) General. Includes credit unions in the United States, Puerto Rico, Guam, U.S. Virgin Islands, and U.S. territories. Applies to credit unions whether or not the accounts in the credit union are federally, state, privately insured, or uninsured.
- (h) Daily balance method.
- (1) General. One of the two required methods (the average daily balance is the other) of determining the balance upon which dividends must be accrued and paid. The daily balance method requires the application of a daily periodic rate to the full amount of principal in the account each day.
- (i) Dividend and dividends.
- (1) General. Member savings placed in share accounts are equity investments, and the returns earned on these accounts are dividends. Federal credit unions may only offer dividend-bearing and non-dividend-bearing share accounts. State-chartered credit unions may offer both share and deposit accounts if permitted by state law. State law, including without limitation regulations and official interpretations, will determine if returns earned in accounts in state-chartered credit unions are dividends. Dividends exclude the payment of a bonus or other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, and extraordinary dividends. Dividend-bearing accounts must be either fixed-rate or variable-rate accounts.
- (2) Procedure. Credit unions must follow appropriate law (state law for state-chartered credit unions and federal law for federal credit unions) in determining dividend policies and declaring dividends. Generally, dividends may be viewed as a portion of the available current and undivided earnings of the credit union which is set apart, after required transfers to reserves, by valid act of the board of directors, for distribution among the members. As a matter of legal procedure, members are usually not entitled to dividends until the following steps are completed: (1) the board of the credit union develops a non-discriminatory dividend policy, by establishing dividend periods, dividend credit determination dates, dividend distribution dates, any associated penalties (if applicable), and the method of dividend computation for each type of share account; (2) the provision for required transfers to reserves are

- made; (3) sufficient and available prior and/or current earnings are available at the end of the dividend period; (4) the board formally makes a dividend declaration in accordance with the credit union's dividend policy; and (5) dividends must be paid to members by a credit to the appropriate share account, payment by check or share draft, or by a combination of the two methods.
- (3) When available. Credit unions must follow the law of their primary chartering authority to determine when dividends are available. Generally, it is the declaration of the dividend itself which creates the dividend and the member has no right to receive a dividend until it is so declared. The decision of when to declare dividends lies within the official discretion of each credit union's board of directors and cannot be abrogated by contract. An agreement to pay dividends on a share account is generally interpreted not as an obligation to pay the stipulated dividends absolutely and unconditionally, but as an undertaking to pay them out of the earnings when sufficiently accumulated from which dividends in general are properly payable. Generally, "prospective rates" are rates set in good faith in advance of the close of a dividend period, that may be altered if sufficient funds are not available, or in the event of a superseding event, such as a strike, plant closure, significant fluctuation in market rates and/or a significant change in financial structure, natural disaster or emergency that alters the assumptions under which the "prospective rates" were made. It is the intent of TISA that all disclosures be accurate when made, and credit unions are urged to make every effort to ratify disclosed "prospective rates." "Prospective rates" may also be referred to as "projected rates" or similar wording, but not as "estimated rates." (See comment 3(b)-2, prohibiting use of estimates).
- (4) Sample dividend resolutions.
- (i) The following resolution may be used where the dividend rates are set after the close of a dividend period.
- RESOLUTION OF BOARD OF DIRECTORS FOR THE DECLARATION OF DIVIDENDS**
- (A) I, _____, certify that I am Secretary of _____ Credit Union Board of Directors, and that the following is a correct copy of the resolution for declaring dividends adopted by the _____ Credit Union at a meeting of the Board of Directors duly and properly held on _____, 19___. This resolution appears in the minutes of this meeting and has not been rescinded or modified.
- (B) RESOLVED, that
- (1) The Board of Directors has developed a non-discriminatory dividend policy, by establishing dividend periods, dividend credit determination dates, dividend distribution dates, any associated penalties (if applicable), and the method of dividend computation for each type of share account;
- (2) The required transfers to reserves have been made; and

- (3) Sufficient and available prior and/or current earnings are available at the end of this dividend period.
- (C) RESOLVED, further, that the Board of Directors now formally makes a dividend declaration in accordance with the Credit Union's dividend policy and authorizes that on _____, 19__, dividends must be paid to members by a credit to the appropriate share account, payment by share draft or by a combination of the two methods.
- (D) I further certify that the Board of Directors of this Credit Union has, and the time of adoption of this resolution had, full power and lawful authority to adopt the foregoing resolutions and that this resolution revokes any prior resolution.

IN WITNESS WHEREOF, this is my signature and the date on which I signed this Resolution.

_____ Signature

_____ Date

[Attach list of accounts with dividend rates for each type of account.]

- (ii) The following resolution may be used where the dividend rates are set before the close of a dividend period.

RESOLUTION OF BOARD OF DIRECTORS FOR THE DECLARATION OF DIVIDENDS

- (A) I, _____, certify that I am the Secretary of _____ Credit Union, and that the following is a correct copy of the resolution for declaring dividends adopted by the _____ Credit Union at a meeting of the Board of Directors duly and properly held on _____, 19__. This resolution appears in the minutes of that meeting and has not been rescinded or modified.
- (B) RESOLVED, that the Board of Directors has adopted a non-discriminatory dividend policy, by establishing dividend periods, dividend credit determination dates, dividend distribution dates, any associated penalties (if applicable) and the method of dividend computation for each type of share account.
- (C) RESOLVED, that it is the policy and practice of the Board of Directors to meet periodically to establish prospective dividend rates for each type of dividend-bearing share account.
- (D) RESOLVED, that if the required transfers to reserves have been made and there are sufficient and available prior and/or current earnings available at the end of a dividend period, the officers of the Credit Union are authorized to pay dividends at the rate prospectively established by the Board of Directors for each account for the dividend period. The officers may pay the dividends without any further action of the Board of Directors. The act of paying the dividends shall constitute the declaration of the dividends and shall be a ratification of the prospective dividend rate. IN WITNESS WHEREOF, this is my signature and the date on which I signed this Resolution.

_____ Signature

_____ Date

[Attach list of accounts with prospective dividend rates for each type of account.]

- (5) Referencing. Except where specifically stated otherwise, use of the term “share” in part 707, as in “share account,” also refers to “deposit,” as in “deposit account,” where appropriate (for interest-bearing or non-interest-bearing deposit accounts at some state-chartered credit unions).
- (j) Dividend declaration date.
- (1) General. The importance of the dividend declaration date is to tie the last paid dividend to a certain period of time to place members and potential members on notice that the last paid dividend is different from the next dividend to be paid. In order to achieve this purpose, a credit union may use any of the following methods:
- (i) “As of 3/15/95” (the date the board of directors last met and declared the last paid dividend).
 - (ii) “As of 3/31/95” (the last day of the last dividend period upon which a dividend has been paid).
 - (iii) “For the period 1/1/95 to 3/31/95” (the last dividend period upon which a dividend has been paid).
 - (iv) “For the first quarter of 1995” (the last dividend period upon which a dividend has been paid).
 - (v) “For April 1995” (the last dividend period upon which a dividend has been paid).
 - (vi) “As of the last dividend declaration date” (the last dividend period upon which a dividend has been paid).
- (k) Dividend period.
- (1) General. The dividend period is to be set by a credit union’s board of directors for each account type, e.g., regular share, share draft, money market share, and term share. The most common dividend periods are weekly, monthly, quarterly, semiannually, and annually. Dividend periods need not agree with calendar months, e.g., a monthly dividend period could begin March 15 and end April 14.
- (l) Dividend rate.
- (1) General. The dividend rate does not reflect compounding. Compounding is reflected in the “annual percentage yield” definition.
- (2) Referencing. Except where specifically stated otherwise, use of the term “dividend rate” in part 707 also refers to “interest rate,” where appropriate (for interest-bearing and non-interest-bearing deposit accounts at some state-chartered credit unions).
- (m) Extraordinary dividends.
- (1) General. The definition encompasses all irregularly scheduled and declared dividends, and as dividends, extraordinary dividends are exempt from the “bonus” disclosure requirements. Extraordinary dividends do not have to be disclosed on account disclosures, but the dollar amount of an extraordinary dividend credited to the account during the statement period does have to be separately disclosed on the periodic statement for the dividend period during

- which the extraordinary dividends are earned. Extraordinary dividends, like ordinary dividends, do not include the payment of a bonus or other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses or non-dividend membership benefits. See comments 2(f) 1 through 7 and 2(i) 1 through 4. Extraordinary dividends may be calculated by any means determined by the board of directors of a credit union and may not be used in the annual percentage yield earned calculation.
- (2) Use of synonym. Extraordinary dividends may be described as “bonus dividends.”
- (n) Fixed-rate account.
- (1) General. Includes all accounts in which the credit union, by contract, agrees to give at least 30 days advance written notice of decreases in the dividend rate. Thus, credit unions can decrease rates only after providing advance written notice of rate decreases, e.g., a “change-in-terms notice.”
- (o) Grace period.
- (1) General. A period after maturity of an automatically renewing term share account during which the member may withdraw funds without being assessed a penalty. Use of a “grace period” is discretionary, not mandatory. This definition does not refer to the “grace period” account, which is a synonym for “federal rollback method” or “in by the 10th” accounts, which are prohibited by TISA and part 707.
- (p) Interest.
- (1) General. Member savings placed in deposit accounts are debt investments, and the return earned on these accounts is interest. Federal credit unions are not authorized to offer any interest-bearing deposit accounts. State-chartered credit unions may offer both share and deposit accounts if permitted by state law. State law, including without limitation regulations and official interpretations, will determine if returns earned in accounts in state-chartered credit unions are interest. Interest excludes the payment of a bonus or other consideration worth \$10 or less given during a year, the waiver or reduction of a fee, the absorption of expenses, non-dividend membership benefits, and extraordinary dividends.
- (2) Differences between Dividends and Interest. Generally, dividends are returns on an equity investment (shares); interest is return on a debt investment (deposits). Dividends, in general, are not properly payable until declared at the close of a dividend period; interest, in general, is properly payable daily according to the deposit contract. Dividend rates are prospective until actually declared; interest rates are set according to contract in advance and are earned on that basis. Share accounts establish a member (owner)/credit union (cooperative) relationship; deposit accounts establish a depositor (creditor)/depository (debtor) relationship.
- (3) Referencing. Except where specifically stated otherwise, use of the terms “dividend” or “dividends” in part 707 also refers to “interest” where appropriate (for interest-bearing and non-interest-bearing deposit accounts at some state-chartered credit unions).
- (q) Member

- (1) Professional capacity. Examples of accounts held by a natural person in a professional capacity for another are:
 - (i) Attorney-client trust accounts.
 - (ii) Trust, estate and court-ordered accounts.
 - (iii) Landlord-tenant security accounts.
- (2) Other accounts. Examples of accounts not held in a professional capacity include accounts held by parents for a child under the Uniform Gifts to Minors Act (or Uniform Transfers to Minors Act.)
- (3) Retirement plans. IRAs and SEP accounts are member accounts to the extent that funds are invested in accounts subject to the regulation. Keogh accounts, like sole proprietor accounts, are not subject to the regulation.
- (r) Non-dividend membership benefits.
 - (1) General. Term reflects unique credit union practices that are difficult to value, encourage community spirit, and are not granted in such quantity as to be includable as calculable dividends.
 - (2) Examples. Examples include:
 - (i) Food, refreshments, and drawings and raffles at annual meetings, member functions, and branch openings.
 - (ii) Travel club benefits.
 - (iii) Prizes offered at annual meetings, such as U.S. Savings Bonds, a deposit of funds into the winner's account, trips, and other gifts. Such prizes are not bonuses because they are offered as an incentive to increase attendance at the annual meeting, and not to entice members to open, maintain, or renew accounts or increase an account balance.
 - (iv) Life savings benefits.
- (s) Passbook Account
 - (1) Relation to Regulation E. Passbook accounts include accounts accessed by pre-authorized electronic fund transfers to the account (as defined in 12 CFR § 205.2(j)), such as an account credited by direct share and deposit of social security payments. Accounts that permit access by other electronic means are not "passbook accounts," and any statements that are sent four or more times a year must comply with the requirements of 707.6.
- (t) Periodic Statement
 - (1) General. Periodic statements are not required by part 707. Passbook and term share accounts are exempt from periodic statement requirements.
 - (2) Examples. Periodic statements do not include:
 - (i) Additional statements provided solely upon request.
 - (ii) Information provided by computer through home electronic credit union account services.
 - (iii) General service information such as a quarterly newsletter or other correspondence that describes available services and products.
- (u) Potential Member.
 - (1) General. A potential member is a natural person eligible for membership in a credit union, who has not yet taken the steps necessary to become a member. The term also includes natural person non-members eligible to hold accounts in a credit union pursuant to relevant federal or state law.

- (2) Verification of eligibility. It is recommended that credit unions have sound written procedures in place to identify those eligible for membership. If these procedures include verification measures, such as an application process, verification telephone call or letter to an employer or association within the field of membership, witnessing by an existing member, or similar procedure, then the credit union may first verify the membership eligibility of a potential member before providing account disclosures or other information to the potential member. This process of verifying a member's eligibility status, making a recommendation for membership, and providing account disclosures should be completed within 20 calendar days. This period also applies when potential members not on credit union premises request disclosures.
- (3) Non-members. Within its sole discretion, the board of directors of a credit union may provide TISA disclosures to non-members who are ineligible for membership or to hold an account at the credit union. If disclosures are made to such non-members, it is the position of the Board that no civil liability can accrue to the credit union for any errors in such disclosures. (See commentary to 707.3(d)).
- (v) State General. Territories and possessions include American Samoa, Guam, the Mariana Islands, and the Marshall Islands.
- (w) Stepped-rate account
- (1) General. Stepped-rate accounts are those accounts in which two or more dividend rates (known at the time the account is opened) will take effect in succeeding periods.
- (2) Example. An example of a stepped-rate account is a one-year term share certificate account in which a 5.00 percent dividend rate is paid for the first six months, and 5.50 percent for the second six months.
- (x) Term share account
- (1) Relation to Regulation D. Regulation D permits, in limited circumstances, the withdrawal of funds without penalty during the first six days after a "time deposit" is opened. (See 12 CFR § 204.2(c)(1)(i).) But the fact that a member makes a withdrawal as permitted by Regulation D does not disqualify the account from being a term share account for purposes of this regulation (such as withdrawals upon the death of the member, or within a "grace period" for automatically renewable term share accounts).
- (2) Club accounts. Club accounts, including Christmas club, holiday club, and vacation club accounts may be either term share or regular share accounts, depending on the terms of the account. Although club accounts typically have a maturity date, they are not term share accounts unless they also require a penalty of at least seven days' dividends for withdrawals during the first six days after the account is opened.
- (y) Tiered-rate Account
- (1) General. Tiered-rate accounts are those accounts in which two or more dividend rates are paid on the account and are determined by reference to a specified balance level. Tiered-rate accounts are of two types: Tiering Method A and Tiering Method B. In Tiering Method A accounts, the credit union pays

- the applicable tiered dividends rate on the entire amount in the account. This method is also known as the “hybrid” or “plateau” tiered-rate account. In Tiering Method B accounts, the credit union does not pay the applicable tiered dividends rate on the entire amount in the account, but only on the portion of the share account balance that falls within each specified tier. This method is also known as the “pure” or “split-rate” tiered-rate account. (See Appendix A, Section I, D.)
- (2) Example. An example of a tiered-rate account is one in which a credit union pays a 5.00 percent dividend rate on balances below \$1,000, and 5.50 percent on balances \$1,000 and above.
 - (3) Term share accounts. Term share accounts that pay different rates based solely on the amount of the initial share and deposit are not tiered-rate accounts.
 - (4) Minimum balance accounts. A requirement to maintain a minimum balance to earn dividends does not make an account a tiered-rate account. If dividends are not paid on amounts below a specified balance level, then the account has a minimum balance requirement (required to be disclosed under § 707.4(b)(3)(i)), but the account does not constitute a tiered-rate account. A zero rate (0%) cannot constitute a tier. Minimum balance accounts are single rate accounts with a minimum balance requirement.
- (z) Variable-rate account
- (1) General. Includes accounts in which the credit union does not contract to give at least 30 days advance written notice of decreases in the dividend rate. An account meets this definition whether the rate change is determined by reference to an index, by use of a formula, or merely at the discretion of the credit union’s board of directors. An account that permits one or more rate adjustments prior to maturity at the member’s option, such as a rate relock option, is a variable-rate account.
 - (2) Differences between fixed-rate and variable-rate accounts. All accounts must either be fixed-rate or variable-rate accounts. Classifying an account as variable-rate affects credit unions three ways:
 - (i) Additional account disclosures are required (§ 707.4(b)(1)(ii));
 - (ii) Rate decreases are exempted from change-in-terms requirements (§ 707.5(a)(2)(i)); and
 - (iii) Advertising notice required (§ 707.8(c)(1)). Fixed-rate accounts require a contract term obligating the credit union to a 30-day advance, written notice to members before decreasing the dividend rate on the account. Term changes adversely affecting the member and rate decreases cannot take effect until 30 days after such fixed-rate change-in-terms notices are mailed or delivered to members (§ 707.5(a)).

§ 707.3—General Disclosure Requirements.

(a) Form

- (1) General. All required disclosures (e.g., account disclosures, change-in-terms notices, term share renewal/maturity notices, statement disclosures and advertising disclosures) must be made clearly and conspicuously, in a form the

member may retain. Disclosures need be made only as applicable (e.g., disclosures for a non-dividend-bearing account would not include disclosure of annual percentage yield, dividend rate, or other disclosures pertaining to dividend calculations).

- (2) Design requirements. Disclosures must be presented in a format that allows members and potential members to readily understand the terms of their account. Credit unions are not required to use a particular type size or type-face, nor are credit unions required to state any term more conspicuously than any other term. Disclosures may be made:
 - (i) In any order.
 - (ii) In combination with other disclosures or account terms.
 - (iii) In combination with disclosures for other types of accounts, as long as it is clear to members and potential members which disclosures apply to their account.
 - (iv) On more than one page and on the front and reverse sides.
 - (v) By using inserts to a document or filling in blanks.
 - (vi) On more than one document, as long as the documents are provided at the same time.
- (3) Consistent terminology. A credit union must use the same terminology to describe terms or features that are required to be disclosed. For example, if a credit union describes a monthly fee (regardless of account activity), as a “monthly service fee” in account opening disclosures, the periodic statements and change-in- terms notices must use the same terminology so that members and potential members can readily identify the fee.

(b) General

- (1) Terms and conditions. Credit unions are required to have disclosures reflect the terms of the legal obligation between the credit union and a member at the time the member opens the account. This provision does not impose any contract terms or supersede state or other laws that define how the legal obligations between a credit union and its membership are determined.
- (2) Specificity of legal obligation. Credit unions may refer to the calendar month or to roughly equivalent intervals during a calendar year as a “month.” Use of estimates is prohibited in TISA disclosures.
- (3) Foreign language. Disclosures may be made in any foreign language, if desired by the board of directors of a credit union. However, disclosures must also be provided in English, upon request.

(c) Relation to Regulation E

- (1) General rule. Compliance with Regulation E (12 CFR part 205) is deemed to satisfy the disclosure requirements of this regulation, such as when:
 - (i) A credit union changes a term that triggers a notice under Regulation E, and the timing and disclosure rules of Regulation E for sending change-in-terms notices.
 - (ii) A member adds an ATM access feature to an account, and the credit union provides disclosures pursuant to Regulation E, including disclosure of fees before the member receives ATM access. (See 12 CFR § 205.7.)

- (iii) A credit union complying with the timing rules of Regulation E discloses at the same time fees for electronic services (such as balance inquiry fees imposed if the inquiry is made at an ATM) that are required to be disclosed by this regulation, but not by Regulation E.
 - (iv) A credit union relies on Regulation E's rules regarding disclosures of limitations on the frequency and amount of electronic fund transfers, including security-related exceptions. But any limitation on the number of "intra-institutional transfers" to or from the member's other accounts at the credit union during a given time period must be disclosed, even though intra-institutional transfers are exempt from Regulation E.
- (d) Multiple members
- (1) General. When an account has multiple natural person member accountholders, delivery of disclosures to any member accountholder or agent authorized by the accountholder satisfies the disclosure requirements of part 707.
- (e) Oral response to inquiries
- (1) Application of rule. Credit unions need not provide rate information orally. Disclosures need be made only as appropriate. For example, the requirement to give a telephone number for a member to call about rates for interest-bearing accounts and dividend-bearing term share accounts, would not be necessary for members calling the credit union for information. Also, the disclosure requirements are applicable only to credit union employees and volunteers acting in the ordinary course of credit union business.
 - (2) Relation to advertising. The advertising rules do not cover an oral response to a question about rates.
 - (3) Existing accounts. This paragraph does not apply to oral responses about rate information for existing term share accounts or accounts not currently offered. For example, if a member holding a one-year term share account requests dividend rate information about the account during the term, the credit union need not disclose the annual percentage yield, unless the member is calling for rate information under a maturity notice.
- (f) Rounding and accuracy rules for rates and yields
- (f)(1) Rounding
 - (1) Permissible rounding. The annual percentage yield, annual percentage yield earned and dividend rate must be rounded to the nearest one-hundredth of one percentage point (.01%) when disclosed. Examples of permissible rounding are an annual percentage yield calculated to be 5.644%, rounded down and shown as 5.64%; 5.645% would be rounded up and disclosed as 5.65%. For account disclosures, the dividend rate may be expressed to more than two decimal places.
 - (f)(2) Accuracy
 - (1) Annual percentage yield and annual percentage yield earned. The tolerance for annual percentage yield and annual percentage yield earned calculations is designed to accommodate inadvertent errors. Credit unions may not purposely incorporate the one-twentieth of one percentage point (.05%) tolerance into their calculation of yields.
 - (2) Dividend rate. There is no tolerance for an inaccuracy in the dividend rate.

§ 707.4—Account Disclosures.

(a) Delivery of account disclosures

(a)(1) Account opening

(1) New accounts. New account disclosures must be provided when:

- (i) A term share account that does not automatically rollover is renewed by a member.
- (ii) A member changes the term for a renewable term share account (from a one-year term share account to a six-month term share account, for instance)(see comment 5(b)-5 regarding disclosure alternatives).
- (iii) A credit union transfers funds from an account to open a new account not at the member's request, unless the credit union previously gave account disclosures and any change-in- terms notices for the new account (e.g., funds in a money market share account are transferred by a credit union to open a new account for the member, such as a share draft account, because the member exceeded transaction limitations on the money market share account).
- (iv) A credit union accepts a deposit from a member to an account that the credit union had previously deemed to be "closed," under applicable federal or state law, for the purpose of treating accrued, but uncredited, dividends as forfeited dividends. New account numbers are not required by this requirement.

(2) Acquired accounts. New account disclosures need not be given when a credit union acquires an account through an acquisition of, or merger with, another credit union (but see 707.5(a) regarding advance notice requirements if terms are changed).

(3) Combination disclosures. New account disclosures need not be given when a member has already received disclosures covering several accounts, and opens a new account properly disclosed by the already received combination disclosures, if the new account is opened within a reasonable amount of time after receipt of the combination disclosures and if the received disclosures and terms are accurate at the time the new account is opened.

(a)(2) Requests (a)(2)(i)

(1) Inquiries versus requests. A response to an oral inquiry (by telephone or in person) about rates and yields or fees does not trigger the duty to provide account disclosures. But, when a member asks for written information about an account (whether by telephone, in person, or by other means), the credit union must provide disclosures unless the account is no longer offered to the public.

(2) General requests. When members or potential members request disclosures about a type of account (a share draft account, for example), a credit union that offers several variations may provide disclosures for any one of them. No disclosures need be made to non-members, though a credit union may provide disclosures to non-members within its sole discretion.

(3) Timing for response. Twenty calendar days is a reasonable time for responding to a request for account information that a member does not make in person.

(a)(2)(ii)(A)(2)

- (1) Recent rates. Credit unions comply with this paragraph if they disclose an interest rate (or dividend rate on a dividend-bearing term share account) and annual percentage yield accurate within the seven calendar days preceding the date they send the disclosures.

(a)(2)(ii)(B)

- (1) Term. Describing the maturity of a term share account as “1 year” or “6 months,” for example, illustrates a response stating the maturity of a term share account as a term rather than a date (e.g., “June 1, 1995”).

(b) Content of account disclosures

(b)(1) Rate information (b)(1)(i) Annual percentage yield and dividend rate

- (1) Rate disclosures. In addition to the dividend rate and annual percentage yield, credit unions may disclose a periodic rate corresponding to the dividend rate. No other rate or yield (such as “tax effective yield”) is permitted. If the annual percentage yield is the same as the dividend rate, credit unions may disclose a single figure but must use both terms.
- (2) Fixed-rate accounts. For fixed-rate term share accounts paying the opening rate until maturity, credit unions may disclose the period of time the dividend rate will be in effect by stating, or cross-referencing, the maturity date. For other fixed-rate accounts, credit unions may use a date (such as “This rate will be in effect through June 30, 1995”) or a period (such as “This rate will be in effect for at least 30 days”).
- (3) Tiered-rate accounts. Each dividend rate, along with the corresponding annual percentage yield for each specified balance level (or range of annual percentage yields, if appropriate), must be disclosed for tiered-rate accounts. (See Appendix A, Part I, Paragraph D.)
- (4) Stepped-rate accounts. A single composite annual percentage yield must be disclosed for stepped-rate accounts. (See Appendix A, Part I, Paragraph B.) The dividend rates and the period of time each will be in effect also must be provided. When the initial rate offered for a specified time on a variable-rate account is higher or lower than the rate that would otherwise be paid on the account, the calculation of the annual percentage yield must be made as if for a stepped-rate account. (See Appendix A, Part I, Paragraph C.)
- (5) Minimum balance accounts. If a credit union sets a minimum balance to earn dividends, the credit union may, but need not, state that the annual percentage yield is 0% for those days the balance in the account drops below the minimum balance level when using the daily balance method. Nor is a disclosure of 0% required for credit unions using the average daily balance method, if the member fails to meet the minimum balance required for the average daily balance period.

(b)(1)(ii) Variable rates (b)(1)(ii)(B)

- (1) Determining dividend rates. To disclose how the dividend rate is determined, credit unions must:

- (i) Identify the index and specific margin, if the dividend rate is tied to an index.
- (ii) State that rate changes are within the credit union's discretion, if the credit union does not tie changes to an index.

(b)(1)(ii)(C).

- (1) Frequency of rate changes. A credit union reserving the right to change rates at its discretion must state the fact that rates may change at any time.

(b)(1)(ii)(D)

- (1) Limitations. A floor or ceiling on rates or on the amount the rate may decrease or increase during any time period must be disclosed. Credit unions need not disclose the absence of limitations on rate changes.

(b)(2) Compounding and crediting (b)(2)(i) Frequency

- (1) General. Descriptions such as "quarterly" or "monthly" are sufficient. Irregular crediting and compounding periods, such as if a cycle is cut short at year end for tax reporting purposes, need not be disclosed.
- (2) Dividend period. For dividend-bearing accounts, the dividend period must be disclosed. (A specific example must also be given, see Appendix B, B-1(c).) The dividend period for term share accounts generally may be disclosed as the account's term (e.g., two years).

(b)(2)(ii) Effect of closing an account

- (1) Deeming an account closed. A credit union may, subject to state or other law, provide in account contracts the actions by members that will be treated as closing the account and that will result in the forfeiture of accrued but uncredited dividends. An example is the withdrawal of all funds from the account prior to the date dividends are credited. Credit unions are cautioned that bylaw requirements may prevent a credit union from deeming a member's account closed until certain time periods are extinguished if funds remain in a member's account. *NCUA Standard FCU Bylaws*, Art. III, section 3 (members have at least six months to replenish membership share before membership terminates and account is deemed closed). Such bylaw requirements may not be overridden without proper agency approval.

(b)(3) Balance information (b)(3)(i) Minimum balance requirements

- (1) Par value. Credit unions must disclose any minimum balance required to open the account, to avoid the imposition of a fee, or to obtain the annual percentage yield. Since members cannot generally maintain any accounts until the par value of the membership share is paid in full, this section requires that credit unions disclose the par value of a share necessary to become a member and maintain accounts at the credit union. The par value of a share and the minimum balance requirement do not have to be the same amount (e.g., a credit union may have a \$5 par value for a membership share, in order for accounts to be opened and

maintained, and a \$100 minimum balance requirement, in order for the account to earn dividends).

- (2) Disclosures. The explanation of minimum balance computation methods may be combined with the balance computation method disclosures (§ 707.4(b)(3)(ii)) if they are the same. If a credit union uses different cycles for determining minimum balance requirements for purposes of assessing fees and for paying dividends, the credit union must disclose the specific cycle or time period used for each purpose (e.g., use of a midmonth statement cycle for determining dividends, and use of a calendar month cycle for determining fees). Credit unions may assess fees by using any method. If fees on one account are tied to the balance in another account, such provision must be explained (e.g., if share draft fees are tied to a minimum balance in the regular share account (or a combination of the share draft and regular share accounts), the share draft account must explain that fact and how the balance in the regular share account (or both accounts) is determined). The fee need not be disclosed in the account disclosures if the fee is not imposed on that account.

(b)(3)(ii) Balance computation method

- (1) Methods and periods. Credit unions may use different methods or periods to calculate minimum balances for purposes of imposing a fee (the daily balance for a calendar month, for example) and accruing dividends (the average daily balance for a statement period, for example). Each method and corresponding period must be disclosed.

(b)(3)(iii) When dividends begin to accrue

- (1) Additional information. Credit unions must include a statement as to when dividends begin to accrue for non-cash deposits. Credit unions may disclose additional information such as the time of day after which deposits are treated as having been received the following business day, and may use additional descriptive terms such as “ledger” or “collected” balances to disclose when dividends begin to accrue. Under the ledger balance method, dividends begin to accrue on the day of deposit. Under the collected balance method, dividends begin to accrue when provisional credit is received for the item deposited.

(b)(4) Fees

- (1) Types of fees. Fees related to the routine use of an account must be disclosed. The following are types of fees that must be disclosed in connection with an account:
- (i) Maintenance fees, such as monthly service fees.
 - (ii) Fees related to share deposits or withdrawals.
 - (iii) Fees for special services, such as stop payment fees, fees for balance inquiries or verification of shares and deposits, fees associated with checks returned unpaid, fees for regularly sending to members share drafts that otherwise would be held by the credit union, and overdraft line of credit access fees (if charged against the share account).
 - (iv) Fees to open or to close an account.

- (v) Fees imposed upon dormant or inactive accounts.
 - (2) Other fees. Credit unions need not disclose fees such as the following:
 - (i) Fees for services offered to members and non-members alike, such as fees for certain travelers checks, for wire transfers and automated clearinghouse (ACH) transfers, to process credit card cash advances, or to handle U.S. Savings Bond redemption (even if different amounts are charged to members and non-members).
 - (ii) Incidental fees, such as fees associated with state escheat laws, garnishment or attorneys fees, to change names on an account, to generate a midcycle periodic statement, to wrap loose coins, for photocopying for statements returned to the credit union because of a wrong address, and locator fees.
 - (3) Amount of fees. Credit unions are cautioned that merely providing fee information in an account disclosure may not be sufficient to gain the legal right to impose the fee involved under applicable law. Credit unions must state the amount and conditions under which a fee may be imposed. Naming and describing the fee typically satisfies this requirement. Some examples are:
 - (i) "\$4.00 monthly service fee".
 - (ii) "\$7.00 and up" or "fee depends on style of checks ordered" for check printing fees.
 - (4) Tied-accounts. Credit unions must state if fees that may be assessed against an account are tied to other accounts at the credit union. For example, if a credit union ties the fees payable on a share draft account to balances held in the share draft account and in a regular share account, the share draft account disclosures must state that fact and explain how the fee is determined.
 - (5) Regulation E statements. Some fees are required to be disclosed under both Regulation E (12 CFR § 205.7) and part 707. If such fees, such as ATM transaction fees, are disclosed on a Regulation E statement, they need not be disclosed again on a periodic statement required under part 707.
- (b)(5) Transaction limitations
- (1) General rule. Examples of limitations on the number or dollar amount of share deposits or withdrawals that credit unions must disclose are:
 - (i) Limits on the number of share drafts or checks that may be written on an account for a given time period.
 - (ii) Limits on withdrawals or share deposits during the term of a term share account.
 - (iii) Limitations required by Regulation D, such as the number of withdrawals permitted from money market share accounts by check to third parties each month (credit unions need not disclose reservation of right to require a notice for withdrawals from accounts required by federal or state law).
- (b)(6) Features of term share accounts (b)(6)(i) Time requirements
- (1) "Callable" term share accounts. In addition to the maturity date, credit unions must state the date or the circumstances under which the credit union may

redeem a term share account at the credit union's option (a "callable" term share account).

(b)(6)(ii) Early withdrawal penalties

- (1) General. The term "penalty" may, but need not, be used to describe the loss that may be incurred by members for early withdrawal of funds from term share accounts.
- (2) Examples. Examples of early withdrawal penalties are:
 - (i) Monetary penalties, such as a specific dollar amount (e.g., "\$10.00") or a specific days' worth of dividends (e.g., "seven days' dividends plus accrued but uncredited dividends, but only if the account is closed").
 - (ii) Adverse changes to terms such as the lowering of the dividend rate, annual percentage yield, or reducing the compounding or crediting frequency for funds remaining in shares or on deposit.
 - iii. Reclamation of bonuses
- (3) Relation to rules for IRAs or similar plans. Penalties imposed by the Internal Revenue Code for certain withdrawals from IRAs or similar pension or savings plans are not early withdrawal penalties for purposes of this regulation.
- (4) Disclosing penalties. Penalties may be stated in months, whether credit unions assess the penalty using the actual number of days during the period or using another method such as a number of days that occurs in any actual sequence of the total calendar months involved. For example, stating "one month's dividends" is permissible, whether the credit union assesses 30 days' dividends during the month of April, or selects a time period between 28 and 31 days for calculating the dividends for all early withdrawals regardless of when the penalty is assessed.

(b)(6)(iv) Renewal policies

- (1) Rollover term share accounts. Credit unions are not required to provide a grace period, to pay dividends during the grace period, or to disclose whether or not dividends will be paid during the grace period. Credit unions offering a grace period on term share accounts must give the length of the grace period. Commentary, Appendix B, Model Clauses, B-1(i)(iv).
- (2) Non-rollover term share accounts. Credit unions that pay dividends on funds following the maturity of term share accounts that do not renew automatically need not state the rate (or annual percentage yield) that may be paid.

(b)(7) Bonuses

- (1) General. Credit unions are required to state the amount and type of bonus, and disclose any minimum balance or time requirement to obtain the bonus and when the bonus will be provided. If the minimum balance or time requirement is otherwise required to be disclosed, credit unions need not duplicate the disclosure for purposes of this paragraph.

(b)(8) Nature of dividends

- (1) General. Dividends are not payable until declared and unless sufficient current and undivided earnings are available after required transfers to reserves at the

close of a dividend period. A disclosure explaining dividends educates members and protects credit unions in the event that a prospective dividend cannot be paid, or is not properly payable. This disclosure is required for all dividend-bearing share accounts. Term share accounts need not include a statement regarding the nature of dividends.

- (2) State-chartered credit unions with interest-bearing deposit accounts. State law controls the nature of accounts (i.e., whether an account is a share account or a deposit account). If a member of a state-chartered credit union is opening only an interest-bearing deposit account, or is requesting account disclosures only for an interest-bearing deposit account (if state law requires the depositor to hold a share account), the disclosures must generally include the following information on any dividend-bearing share portion of the account (e.g., membership share): the par value of a share; a statement that the portion of the deposit that represents the par value of the membership share will earn dividends; and that dividends are paid from current income and available earnings after required transfers to reserves. Further additional disclosures, such as a separate dividend rate and annual percentage yield for the membership share, are not required (if the additional disclosures would agree with the remainder of the account which is invested in an interest-bearing deposit).

(c) Notice to existing accountholders

- (1) General. Only members who receive periodic statements (provided regularly at least four times per year) and who hold accounts of the type offered by the credit union as of the compliance date of part 707 (generally January 1, 1995) must receive the notice. If following receipt of the notice members request disclosures, credit unions have twenty calendar days from receipt of the request to provide the disclosures. Rate and annual percentage yield information in such disclosures must conform to that required for disclosures upon request. As an alternative to including the notice in or on the periodic statement, the final rule permits credit unions to send the account disclosures themselves, as long as they are sent at the same time as the periodic statement (the disclosures may be mailed either with the periodic statement or separately).
- (2) Form of the notice. The notice may be included on the periodic statement, in a member newsletter, or on a statement stuffer or other insert, if it is clear and conspicuous. The notice cannot be sent in a separate mailing from the periodic statement.
- (3) Timing. The notice may accompany the first periodic statement after the compliance date for part 707, or the periodic statement for the first cycle beginning after that date. For example, a credit union's statement cycle is December 15, 1994—January 14, 1995. The statement is mailed on January 15. The next cycle is January 15, 1995 through February 14, 1995, and the statement for that cycle is mailed on February 15. The credit union may provide the notice either on or with the January 15 statement or on or with the February 15 statement, as it covers the first cycle after January 1, 1995.
- (4) Early compliance. Credit unions that provide the notice to existing members prior to the compliance date of part 707, must be prepared to provide accurate and

timely disclosures when, following receipt of the notice, members ask for account disclosures. Such disclosures must be provided even if they are requested before the compliance date of part 707. Credit unions who provide early notice to existing members need to comply with other aspects of part 707, but need not provide disclosures already provided in compliance with part 707.

§ 707.5—Subsequent Disclosures.

(a) Change in terms

(a)(1) Advance notice required

- (1) Form of notice. Credit unions may provide a change-in-term notice on or with a regular periodic statement or in another mailing (such as a highlighted portion of a newsletter or statement stuffer insert). If a credit union provides notice through revised account disclosures, the changed term must be highlighted in some manner. For example, credit unions may state that a particular fee has been changed (also specifying the new amount) or use an accompanying letter that refers to the changed term. Credit unions are cautioned that unless credit unions have reserved the right to change terms in the account agreement or disclosures, a change-in-terms notice may not be sufficient to amend the terms under applicable law.
- (2) Effective date. An example of language for disclosing the effective date of a change is: “As of May 11, 1995.”
- (3) Terms that change upon the occurrence of an event. A credit union offering terms that will automatically change upon the occurrence of a stated event need not send an advance notice of the change provided the credit union fully describes the conditions of the change in the account opening disclosures (and sends any change-in-term notices regardless of whether the changed term affects that member’s account at that time).
- (4) Examples. Examples of changes not requiring an advance change-in-terms notice are:
 - (i) The termination of employment for employee-members for whom account maintenance or activity fees were waived during their employment by the credit union.
 - (ii) The expiration of one year in a promotion described in the account opening disclosures to “waive \$4.00 monthly service charges for one year”.

(a)(2) No notice required

(a)(2)(ii) Check printing fees

- (1) Increase in fees. A notice is not required for an increase in fees for printing share drafts (or deposit and withdrawal slips) even if the credit union adds some amount to the price charged by the vendor.
- (b) Notice before maturity for term share accounts longer than one month that renew automatically
- (1) Maturity dates on non-business days. In determining the term of a term share account, credit unions may disregard the fact that the term will be extended beyond the disclosed number of days if the maturity date falls on a non-business day. For example, a holiday or weekend may cause a “one-year” term share

account to extend beyond 365 days (or 366, in a leap year), or a “one-month” term share account to extend beyond 31 days.

- (2) Disclosing when rates will be determined. Ways to disclose when the annual percentage yield will be available include the use of:
 - (i) A specific date, such as “October 28”.
 - (ii) A date that is easily discernible, such as “the Tuesday prior to the maturity date stated on the notice” or “as of the maturity date stated on this notice”.
- (3) Alternative timing rule. Under the alternative timing rule, a credit union that offers a 10-day grace period would have to provide the disclosures at least 10 calendar days prior to the scheduled maturity date.
- (4) Club accounts. If members have agreed to the transfer of payments from another account to a club term share account for the next club period, the credit union must comply with the requirements for automatically renewable term share accounts—even though members may withdraw funds from the club account at the end of the current club period.
- (5) Renewal of a term share account. In the case of a change-in-terms that becomes effective if a rollover term share account is subsequently renewed:
 - (i) If the change is initiated by the credit union, the disclosure requirements of this paragraph apply. (Paragraph 707.5(a) applies if the change becomes effective prior to the maturity of the existing term share account.)
 - (ii) If the change is initiated by the member, the account opening disclosure requirements of § 707.4(b) apply. (If the notice required by this paragraph has been provided, credit unions may give new account disclosures or disclosures that reflect the new term.)
- (6) Example. If a member receives a notice prior to maturity on a one-year term share account and requests a rollover to a six-month account, the credit union must provide either account opening disclosures including the new maturity date or, if all other terms previously disclosed in the prematurity notice remain the same, only the new maturity date.

(b)(1) Maturities of longer than one year

- (1) Highlighting changed terms. Credit unions need not highlight terms that have changed since the last account disclosures were provided.

(c) Notice before maturity for term share accounts longer than one year that do not renew automatically

- (1) Subsequent account. When funds are transferred following maturity of a non-rollover term share account, credit unions need not provide account disclosures unless a new account is established.

§ 707.6—Periodic Statement Disclosures.

(a) Rule When Statement and Crediting Periods Vary

- (1) General. Credit unions are not required to provide periodic statements. If they provide periodic statements, disclosures need only be furnished to the extent applicable. For example, if no dividends are earned for a statement period, credit unions need not state that fact. Or, credit unions may disclose “\$0” dividends earned and “0%” annual percentage yield earned.

- (2) Regulation E interim statements. When a credit union provides regular quarterly statements, and in addition provides a monthly interim statement to comply with Regulation E, the interim statement need not comply with this section unless it states dividend or rate information. (See 12 CFR § 205.9.) For credit unions that choose not to treat Regulation E activity statements as part 707 periodic statements, the quarterly periodic statement must reflect the annual percentage yield earned and dividends earned for the full quarter. However, credit unions choosing this option need not redisclose fees already disclosed on an interim Regulation E activity statement on the quarterly periodic statement. For credit unions that choose to treat Regulation E activity statements as part 707 periodic statements, the Regulation E statement must meet all part 707 requirements.
- (3) Combined statements. Credit unions may provide certain information about an account (such as a money market share account or regular share account) on the periodic statement for another account (such as a share draft account) without triggering the disclosures required by this section, as long as:
 - (i) The information is limited to information such as the account number, the type of account, balance information, accountholders' names, and social security or tax identification number; and
 - (ii) The credit union also provides members a periodic statement complying with this section for the account (the money market share account or regular share account, in the example).
- (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 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.
- (5) When statement and crediting periods vary. This rule permits credit unions, on dividend-bearing share accounts, to report the annual percentage yield earned and the amount of dividends earned on a statement other than on each periodic statement when the dividend period does not agree with, varies from, or is different than, the statement period. For dividend-bearing share accounts, credit unions may disclose the required information either upon each periodic statement, or on the statement on which dividends are actually earned (credited or posted) to the member's account. In addition, for accounts using the average daily balance method of calculating dividends, when the average daily balance period and the statement periods do not agree, vary or are different, credit unions may also report annual percentage yield earned and the dollar amount of dividends earned on the periodic statement on which the dividends or interest is earned. For example, if a credit union has quarterly dividend periods, or uses a quarterly average daily balance on an account, the first two monthly statements

may not state annual percentage yield earned and dividends earned figures; the third “monthly” statement will reflect the dividends earned and the annual percentage yield earned for the entire quarter. The fees imposed disclosure must be given on the periodic statement on which they are imposed.

- (6) Length of the period. Credit unions must disclose the length of both the dividend period (or average daily balance calculation period) and the statement period. For example, a statement could disclose a statement period of April 16 through May 15 and further state that “the dividends earned and the annual percentage yield earned are based on your dividend period (or average daily balance) for the period April 1 through April 30.”
- (7) Dividend period more frequent than statement period. Credit unions that calculate dividends on a monthly basis, but send statements on a quarterly basis, may disclose a single dividend (and annual percentage yield earned) figure. Alternatively, a credit union may disclose three dividends earned and three annual percentage yield earned figures, one for each month in the quarter, as long as the credit union states the number of days (or beginning and ending date) in each dividend period if it varies from the statement period.
- (8) Additional voluntary disclosures. For credit unions not disclosing the annual percentage yield earned and dividends earned on all periodic statements, credit unions may place a notice on statements without dividends and annual percentage yield earned figures, that the annual percentage yield earned and dollar amount of dividends earned will appear on the first statement at the close of the dividend (or average daily balance) period, or similar wording. Credit unions may also choose to include a telephone number to call for interim information, if desired by a member.

(b) Statement Disclosures

(b)(1) Annual percentage yield earned

- (1) Ledger and collected balances. Credit unions that accrue interest using the collected balance method may use either the ledger or collected balance methods to determine the balance used to determine the annual percentage yield earned. Ledger balance means the record of the balance in a member’s account, as per the credit union’s records. (The ledger balance may reflect additions and deposits for which the credit union has not yet received final payment). Collected balance means the record of balance in a member’s account reflecting collected funds, that is, cash or checks deposited in the credit union which have been presented for payment and for which payment has actually been received. (See Regulation CC, 12 CFR § 229.14).

(b)(2) Amount of dividends or interest

- (1) Definition of earned. The term “earned” is defined to include dividends and interest either “accrued” or “paid and credited.” Credit unions may use either the “ledger” or the “collected” balance for either option. (See 707.6(b)(1)1 and 707.7(c)(2) of the Appendix.)
- (2) Accrued interest. Credit unions must state the amount of interest that accrued during the statement period, even if it was not credited.

- (3) Terminology. In disclosing dividends earned for the period, credit unions must use the term “dividends” or terminology such as: “Dividends paid,” to describe dividends that have been credited; “Dividends accrued,” to indicate that dividends are not yet credited.
- (4) Closed accounts. If a member closes an account between crediting periods and forfeits accrued dividends, the credit union may not show any figures for “dividends earned” or annual percentage yield earned for the period (other than zero, at the credit union’s option).
- (5) Extraordinary dividends. Extraordinary dividends are not a component of the annual percentage yield earned or the dividend rate, but are an addition to the member’s account. The dollar amount of the extraordinary dividends paid, denoted as a separate, identified figure, must be disclosed on the periodic statement on which the extraordinary dividends are earned. A credit union may also disclose information regarding the calculation of the extraordinary dividends, and additional annual percentage yield earned and dividend rate figures taking into account the extraordinary dividend, so long as such information is accurate and not misleading.

(b)(3) Fees imposed

- (1) General. Periodic statements must state fees disclosed under 707.4(b) that were debited to the account during the statement period, even if assessed for an earlier period.
- (2) Itemizing fees by type. In itemizing fees imposed more than once in the period, credit unions may group fees if they are the same type. But, the description must make clear that the dollar figure represents more than a single fee, for example, “total fees for checks written this period.” Examples of fees that may not be grouped together are:
 - (i) Monthly maintenance with excess activity fees.
 - (ii) “Transfer” fees, if different dollar amounts are imposed—such as \$.50 for share deposits and \$1.00 for withdrawals.
 - (iii) Fees for electronic fund transfers with fees for other services, such as balance inquiry or maintenance fees.
- (3) Identifying fees. Statement details must enable the member to identify the specific fee. For example:
 - (i) Credit unions may use a code to identify a particular fee if the code is explained on the periodic statement or in documents accompanying the statement.
 - (ii) Credit unions using debit slips may disclose the date the fee was debited on the periodic statement and show the amount and type of fee on the dated debit slip.
- (4) Relation to Regulation E. Disclosure of fees in compliance with Regulation E complies with this section for fees related to electronic fund transfers (for example, totaling all electronic funds transfer fees in a single figure).

(b)(4) Length of period

- (1) General. Credit unions providing the beginning and ending dates of the period must make clear whether both dates are included in the period. For example, stating “April 1 through April 30” would clearly indicate that both April 1 and April 30 are included in the period.
- (2) Opening or closing an account midcycle. If an account is opened or closed during the period for which a statement is sent, credit unions must calculate the annual percentage yield earned based on account balances for each day the account was open.

§ 707.7—Payment of Dividends.

(a) Permissible methods

- (1) Prohibited calculation methods. Calculation methods that do not comply with the requirement to pay dividends on the full amount of principal in the account each day include:
 - (i) The “rollback” method, also known as the “grace period” or “in by the 10th” method, where credit unions pay dividends on the lowest balance in the account for the period.
 - (ii) The “increments of par value” method, where credit unions only pay dividends on full shares in an account, e.g., a credit union with \$5 par value shares pays dividends on \$20 of a \$24 account balance.
 - (iii) The “ending balance” method, where credit unions pay dividends on the balance in the account at the end of the period.
 - (iv) The “investable balance” method, where credit unions pay dividends on a percentage of the balance, excluding an amount credit unions set aside for reserve requirements.
 - (v) The “low balance” method, where credit unions pay dividends on the lowest balance in the account for any day in that period.
- (2) Use of 365-day basis. Credit unions may apply a daily periodic rate that is greater than $1/365$ of the dividend rate—such as $1/360$ of the dividend rate—as long as it is applied 365 days a year.
- (3) Periodic dividend payments. A credit union can pay dividends each day on the account and still make uniform dividend payments. For example, for a one-year term share account, a credit union could make monthly dividend payments that are equal to $1/12$ of the amount of dividends that will be earned for a 365-day period (or 11 uniform monthly payments— each equal to roughly $1/12$ of the total amount of dividends—and one payment that accounts for the remainder of the total amount of dividends earned for the period).
- (4) Leap year. Credit unions may apply a daily rate of $1/366$ or $1/365$ of the dividend rate for 366 days in a leap year, if the account will earn dividends for February 29.
- (5) Maturity of term share accounts. Credit unions are not required to pay dividends after term share accounts mature. Examples include:
 - (i) During any grace period offered by a credit union for an automatically renewable term share account, if the member decides during that period not to renew the account.
 - (ii) Following the maturity of non-rollover term share accounts.

- (iii) When the maturity date falls on a holiday, and the member must wait until the next business day to obtain the funds.
 - (6) Dormant accounts. Credit unions must pay dividends on funds in an account, even if inactivity or the infrequency of transactions would permit the credit union to consider the account to be “inactive” or “dormant” (or similar status) as defined by state or other law or the account contract.
 - (7) Insufficient funds. Credit unions are not required to pay dividends on checks or share drafts deposited to a member’s account that are returned for insufficient funds. If a credit union accrues dividends on a check that it later determines is not good, it may deduct from the accrued dividends any dividends attributed to the proceeds of the returned check. If dividends have already been credited before the credit union determines the item has insufficient funds, the credit union may deduct the amount of the check and associated dividends from the account balance. The amount deducted will not be reflected in the dividend amount and annual percentage yield earned reported for the next period.
 - (8) Account drawn below par value of a share. If a member draws his or her account below the par value of a share, dividends would continue to accrue on the account so long as any minimum balance requirement is met. However, under the NCUA Standard FCU Bylaws, if a member who reduces his or her share balance below the value of a par value share and does not increase the balance within at least six months, the credit union may terminate the member’s membership. State-chartered credit unions may have similar termination provisions.
- (a)(2) Determination of minimum balance to earn dividends
- (1) General. Credit unions may set minimum balance requirements that must be met in order to earn dividends. However, credit unions must use the same method to determine a minimum balance required to earn dividends as they use to determine the balance upon which dividends will accrue and pay. For example, a credit union that calculates dividends on the daily balance method must use the daily balance method to determine if the minimum balance to earn dividends has been met. Similarly, a credit union that calculates dividends on the average daily balance method must use the average daily balance method to determine if the minimum to earn dividends has been met. Credit unions may have a par value of a share that is different from the minimum balance requirement to earn dividends. (See commentary to § 707.4(b)(3)(i)).
 - (2) Daily balance accounts. Credit unions that require a minimum balance to earn dividends may choose not to pay dividends for days when the balance drops below the required minimum balance if they use the daily balance method to calculate dividends. For example, a credit union could set a minimum daily balance level of \$200 and pay dividends only those days the \$200 daily balance is maintained.
 - (3) Average daily balance accounts. Credit unions that require a minimum balance to earn dividends may choose not to pay dividends for the average daily balance calculation period in which the average daily balance drops below the required minimum, if they use the average daily balance method to calculate dividends.

For example, a credit union could set a minimum average daily balance level of \$200 and pay dividends only if the \$200 average daily balance is met for the calculation period.

- (4) Beneficial method. Credit unions may not require members to maintain both a minimum daily balance and a minimum average daily balance to earn dividends, such as by requiring the member to maintain a \$500 daily balance and a prescribed average daily balance (whether higher or lower). But a credit union could offer a minimum balance to earn dividends that includes an additional method that is “unequivocally beneficial” to the member such as the following:
 - (i) A credit union using the daily balance method to calculate dividends and requiring a \$500 minimum daily balance could choose to pay dividends on the account (for those days the minimum balance is not met) as long as the member maintained an average daily balance throughout the month of \$400.
 - (ii) A credit union using the average daily balance method to calculate dividends and requiring a \$400 minimum average daily balance could choose to pay dividends on the account as long as the member maintained a daily balance of \$500 for at least half of the days in the period.
 - (iii) A credit union using either the daily balance method or average daily balance method to calculate dividends that requires:
 - (A) a \$500 daily balance; or
 - (B) a \$400 average daily balance to pay dividends on the account.
 - (5) Paying on full balance. Credit unions must pay dividends on the full balance in the account that meets the required minimum balance. For example, if \$300 is the minimum daily balance required to earn dividends, and a member deposits \$500, the credit union must pay the stated dividend rate on the full \$500 and not just on \$200.
 - (6) Negative balances prohibited. Credit unions must treat a negative account balance as zero to determine:
 - (i) The daily or average daily balance on which dividends will be paid.
 - (ii) Whether any minimum balance to earn dividends is met (See commentary to Appendix A, Part II, which prohibits credit unions from using negative balances in calculating the dividends figure for the annual percentage yield earned.)
 - (7) Club accounts. Credit unions offering club accounts (such as a “holiday” or “vacation” club accounts) cannot impose a minimum balance requirement for dividends based on the total number or dollar amount of payments required under the club plan. For example, if a plan calls for \$10 weekly payments for 50 weeks, the credit union cannot set a \$500 minimum balance and then pay only if the member makes all 50 payments.
 - (8) Minimum balances not affecting dividends. Credit unions may use the daily balance, average daily balance, or other computation method to calculate minimum balance requirements not involving the payment of dividends— such as to compute minimum balances for assessing fees.
- (b) Compounding and crediting policies

- (1) General. Credit unions choosing to compound dividends may compound or credit dividends annually, semi-annually, quarterly, monthly, daily, continuously, or on any other basis.
 - (2) Withdrawals prior to crediting date. If members withdraw funds (without closing the account), prior to a scheduled crediting date, credit unions may delay paying the accrued dividends on the withdrawn amount until the scheduled crediting date, but may not avoid paying dividends.
 - (3) Closed accounts. Subject to state or other law, a credit union may choose not to pay accrued dividends if members close an account prior to the date accrued dividends are credited, as long as the credit union has disclosed that fact. If accrued dividends are paid, accrued dividends must be paid on funds up until the account is closed or the account is deemed closed. For example, if an account is closed on a Tuesday, accrued dividends on the funds through Monday would be paid. Whether (and the conditions under which) credit unions are permitted to deem an account closed by a member is determined by state or other law, if any. Credit unions are cautioned that bylaw requirements may prevent a credit union from deeming a member's account closed until certain time periods are extinguished. (See NCUA Standard FCU Bylaws, Art. III, 3 (members have at least 6 months to replenish membership share before membership can terminate and the account is deemed closed). Such bylaw requirements may not be overridden without proper agency approval.)
- (c) Date dividends begin to accrue
- (1) Relation to Regulation CC. Credit unions may rely on the Expedited Funds Availability Act (EFAA) and Regulation CC (12 CFR part 229) to determine, for example, when a deposit is considered made for purposes of dividend accrual, or when dividends need not be paid on funds because a deposited check is later returned unpaid.
 - (2) Ledger and collected balances. Credit unions may calculate dividends by using a "ledger" balance or "collected" balance method, as long as the crediting requirements of the EFAA are met (12 CFR § 229.14).
 - (3) Withdrawal of principal. Credit unions must accrue dividends on funds until the funds are withdrawn from the account. For example, if a check is debited to an account on a Tuesday, the credit union must accrue dividends on those funds through Monday.

§ 707.8—Advertising.

- (a) Misleading or inaccurate advertisements
- (1) General. All advertisements are subject to the rule against misleading or inaccurate advertisements, even though the disclosures applicable to various media differ. The word "profit" may be used when referring to dividend-bearing share accounts, as it reflects the nature of dividends. The word "profit" may not be used when referring to interest-bearing deposit accounts.
 - (2) Indoor signs. An indoor sign advertising an annual percentage yield is not misleading or inaccurate if:
 - (i) For a tiered-rate account, it also provides the upper and lower dollar amounts of the tier corresponding to the advertised annual percentage yield.

- (ii) For a term share account, it also provides the term required to obtain the advertised annual percentage yield.
 - (3) “Free” or “no cost” accounts. For purposes of determining whether an account can be advertised as “free” or “no cost,” maintenance and activity fees include:
 - (i) Any fee imposed if a minimum balance requirement is not met, or if the member exceeds a specified number of transactions.
 - (ii) Transaction and service fees that members reasonably expect to be imposed on an account on a regular basis (See comments 4(b)(4)-1 and 2.)
 - (iii) A flat fee, such as a monthly service fee.
 - (iv) Fees imposed to deposit, withdraw or transfer funds, including per-check or per-transaction charges (for example, \$.25 for each withdrawal, whether by check, or in person).
 - (4) Other fees. Examples of fees that are not maintenance or activity fees include:
 - (i) Fees that are not required to be disclosed under § 707.4(b)(4).
 - (ii) Check printing fees of any type.
 - (iii) Fees for obtaining copies of checks, whether or not the original checks have been truncated or returned to the member periodically.
 - (iv) Balance inquiry fees.
 - (v) Fees assessed against a dormant account.
 - (vi) Fees for using an ATM.
 - (vii) Fees for electronic transfer services that are not required to obtain an account, such as pre-authorized transfers or home electronic credit union services.
 - (viii) Stop payment fees and fees for share drafts or checks returned unpaid.
 - (5) Similar terms. An advertisement may not use a term such as “fees waived” if a maintenance or activity fee may be imposed because it is similar to the terms “free” or “no cost.”
 - (6) Specific account services. Credit unions may advertise a specific account service or feature as free as long as no fee is imposed for that service or feature. For example, credit unions offering an account that is free of deposit or withdrawal fees could advertise that fact, as long as the advertisement does not mislead members by implying that the account is free and that no other fee (a monthly service fee, for example) may be charged.
 - (7) Free for limited time. If an account (or a specific account service) is free only for a limited period of time—for example, for one year following the account opening—the account (or service) may be advertised as free as long as the time period is stated.
 - (8) Conditions not related to share accounts. Credit unions may advertise accounts as “free” for members that meet conditions not related to share accounts, such as the member’s age. For example, credit unions may advertise a share draft account as “free for persons over 65 years old,” even though a maintenance or activity fee may be assessed on accounts held by members that are 65 or younger.
- (b) Permissible rates
- (1) Tiered-rate accounts. An advertisement for a tiered-rate account that states an annual percentage yield must also state the annual percentage yield for each

tier, along with corresponding minimum balance requirements. Any dividend rates stated must appear in conjunction with the annual percentage yields for each tier.

- (2) Stepped-rate accounts. An advertisement that states a dividend rate for a stepped-rate account must state all the dividend rates and the time period that each rate is in effect.
- (3) Representative examples. An advertisement that states an annual percentage yield for a type of account (such as a term share account for a specified term) need not state the annual percentage yield applicable to every variation offered by the credit union or indicate that other maturity terms are available. In an advertisement stating that rates for an account may vary depending on the amount of the initial deposit or the term of a term share account, credit unions need not list each balance level and term offered. Instead, the advertisement may:
 - (i) Provide a representative example of the annual percentage yields offered, clearly described as such. For example, if a credit union offers a \$25 bonus on all term share accounts and the annual percentage yield will vary depending on the term selected, the credit union may provide a disclosure of the annual percentage yield as follows: "For example, our 6-month share certificate currently pays a 3.15% annual percentage yield."
 - (ii) Indicate that various rates are available, such as by stating short-term and longer-term maturities along with the applicable annual percentage yields. "We offer share certificates with annual percentage yields that depend on the maturity you choose. For example, our one-month share certificate earns a 2.75% APY. Or, earn a 5.25% APY for a three-year share certificate."

(c) When additional disclosures are required

- (1) Trigger terms. The following are examples of information stated in advertisements that are not "trigger" terms:
 - (i) "One, three, and five year share certificates available".
 - (ii) "Bonus rates available".
 - (iii) "1% over our current rate," so long as the rates are not determinable from the advertisement.

(c)(2) Time annual percentage yield is offered

- (1) Specified recent date. If an advertisement discloses an annual percentage yield as of a specified date, that date must be recent in relation to the publication or broadcast frequency of the media used. For example, the printing date of a brochure printed once for an account promotion that will be in effect for six months would be considered "recent," even though rates change during the six-month period. Dividend rates published in a daily newspaper or on television must be a rate offered shortly before (or on) the date the rates are published or broadcast. Similarly, dividend rates published in a daily newspaper or on television must be a rate reflecting either the preceding dividend period, or a prospective rate, and the option chosen should be noted.
- (2) Reference to date of publication. An advertisement may refer to the annual percentage yield as being accurate as of the date of publication, if the date is on

the publication itself. For instance, an advertisement in a periodical may state that a rate is “current through the date of this issue,” if the periodical shows the date.

(c)(5) Effect of fees

- (1) Scope. This requirement applies only to maintenance or activity fees as described in paragraph 8(a).

(c)(6) Features of term share accounts

(c)(6)(i) Time requirements

- (1) Club accounts. If a club account has a maturity date, but the term may vary depending on when the account is opened, credit unions may use a phrase such as: “The maturity date of this club account is November 15; its term varies depending on when the account is opened.”

(c)(6)(ii) Early withdrawal penalties

- (1) Discretionary penalties. Credit unions imposing early withdrawal penalties on a case-by-case basis may disclose that they “may” (rather than “will”) impose a penalty if that accurately describes the account terms.

(d) Bonuses

- (1) General reference to “bonus.” General statements such as “bonus checking” or “get a bonus when you open a checking account” do not trigger the bonus disclosures.

(e) Exemption for certain advertisements

(e)(1) Certain media (e)(1)(i)

- (1) ATM messages. Messages provided on ATM or computer screens are eligible for this exemption.

(e)(1)(iii)

- (1) Tiered-rate accounts. Solicitations for tiered-rate accounts made through telephone response machines must provide all annual percentage yields and the balance requirements applicable to each tier.

(e)(2) Indoor signs (e)(2)(i)

- (1) General. Indoor signs include advertisements displayed on computer screens, banners, preprinted posters, and chalk or peg boards. Any advertisement inside the premises that can be retained by a member (such as a brochure or a printout from a computer) is not an indoor sign.

(e)(3) Newsletters

- (1) General. The partial exemption applies to all credit union newsletters, whether instituted before or after the compliance date of part 707. Nor must a newsletter be of any particular circulation frequency (e.g., weekly, monthly, quarterly, biannually, annually, or irregularly) or of any certain format (e.g. magazine,

bulletin, broadside, circular, mimeograph, letter, or pamphlet) in order to be eligible for the partial advertising exemption.

- (2) Permissible Distribution. In order for newsletters to retain the partial advertising exemption, newsletters can be sent to existing credit union members only. Any distribution reasonably calculated to reach only members is also acceptable, such as:
 - (i) Mailing newsletters to existing members.
 - (ii) Distributing newsletters at a function reasonably limited to members, such as an annual meeting or member picnic.
 - (iii) Displaying or offering newsletters at a credit union lobby, branch, or office.
- (3) Impermissible Distribution. Distributing a newsletter in a place open to non-members, such as a sponsor's lunch room, is not reasonably calculated to reach only members, and such newsletter would be subject to all applicable advertising rules.

§ 707.9—Enforcement and Record Retention.

(c) Record retention

- (1) Evidence of required actions. Credit unions comply with the regulation by demonstrating they have done the following:
 - (i) Established and maintained procedures for paying dividends and providing timely disclosures as required by the regulation, and
 - (ii) Retained sample disclosures for each type account offered to members, such as account-opening disclosures, copies of advertisements, and change-in-term notices; and information regarding the dividend rates and annual percentage yields offered.
- (2) Methods of retaining evidence. Credit unions must be able to reconstruct the required disclosures or other actions. They need not keep disclosures or other business records in hard copy. Records evidencing compliance may be retained on microfilm, microfiche, or by other methods that reproduce records accurately (including computer files). Credit unions must retain copies of all printed advertisements and the text of all advertisements conveyed by electronic or broadcast media, and newsletters.
- (3) Payment of dividends. Credit unions must retain sufficient rate and balance information to permit the verification of dividends paid on an account, including the payment of dividends on the full principal balance.

Appendix A to Part 707—Annual Percentage Yield Calculation

Part I. Annual percentage yield for account disclosures and advertising purposes.

- (1) Rounding for calculations. The following are examples of permissible rounding rules for calculating dividends and the annual percentage yield:
 - (i) The daily rate applied to a balance carried to five or more decimals. For example: .008219178%, 3.00% for a 365 day year, would be rounded to no less than .00822%.
 - (ii) The daily dividends or interest earned carried to five or more decimals. For example; \$.08219178082, daily dividends on \$1,000 at 3% for a 365 day year, would be rounded to no less than \$.08219.

- (2) Exponents in a leap year. The annual percentage yield formula's exponent numerator will remain 365 in leap years. The "days in term" figure used in the denominator should be consistent with the length of term used in the dividends calculation.
- (3) First tier of a tiered-rate account. When credit unions use a rate table, the first tier of a tiered rate account is to be disclosed and advertised: "Up to but not exceeding . . .", "\$.01 to . . .", or similar language.
- (4) Term share accounts opened in midterm. For club accounts that meet the definition of a term share account, the annual percentage yield is based on the maximum number of days in the term not to exceed 365 days (or 366 days in a leap year).

Part II. Annual percentage yield earned for periodic statements.

- (1) Balance method. The dividend or interest figure used in the calculation of the annual percentage yield earned may be derived from the daily balance method or the average daily balance method. Regardless of the dividend calculation method, the balance used in the annual percentage yield earned formula is the average daily balance. The average daily balance calculation is the sum of the balances for each day in the period divided by the number of days in the period. The balance for each day is based on a point in time; i.e. beginning of day balance, end of day balance, closing of day balance, etc. Each day's balance, for dividend accrual and payment purposes, must be based on the same point in time and cannot be based on the day's low balance.
- (2) Negative balances prohibited. Credit unions must treat a negative account balance as zero to determine the balance on which the annual percentage yield earned is calculated. (See commentary to § 707.7(a)(2).)

(A) General formula.

- (1) Accrued but uncredited dividends. To calculate the annual percentage yield earned, accrued but uncredited dividends:
 - (i) May not be included in the balance for statements that are issued at the same time or less frequently than the account's compounding and crediting frequency. For example, if monthly statements are sent for an account that compounds dividends daily and credits dividends monthly, the balance may not be increased each day to reflect the effect of daily compounding. Assume a credit union will pay \$13.70 in dividends on \$100,000 for the first day, \$6.85 in dividends on \$50,013.70 for the second day, and \$3.43 in dividends on \$25,020.55 for the third day. The sum of each day's balance is \$175,000 (does not include accrued, but uncredited, dividends amounts \$13.70, \$6.85, and \$3.43), thereby resulting in an average daily balance for the three days of \$58,333.33.
 - (ii) Must be included in the balance for succeeding statements if a statement is issued more frequently than compounded dividends are credited on an account. For example, if monthly statements are sent for an account that compounds dividends daily and credits dividends quarterly, the balance for the second monthly statement would include dividends

that had accrued for the prior month. Assume a credit union will pay \$411.78 in dividends on 30 days of \$100,000, \$427.28 in dividends on 31 days of \$100,411.78, and \$415.23 in dividends on 30 days of \$100,839.06. The balance (average daily balance in the account for the period) for the second 31 days is \$100,411.78.

- (2) Rounding. The dividends earned figure used to calculate the annual percentage yield earned must be rounded to two decimals to reflect the amount actually paid. For example, if the dividends earned for a statement period is \$20.074 and the credit union pays the member \$20.07, the credit union must use \$20.07 (not \$20.074) to calculate the annual percentage yield earned. For accounts that pay dividends based on the daily balance method, compound and credit dividends or interest quarterly, and send monthly statements, the credit union may, but need not, round accrued dividends to two decimals for calculating the “projected” or “anticipated” annual percentage yield earned on the first two monthly statements issued during the quarter. However, on the quarterly statement the dividends earned figure must reflect the amount actually paid.
 - (3) Compounding frequency using the average daily balance method. Any compounding frequency, including daily compounding, can be used when calculating dividends using the average daily balance method. (See comment § 707.7(b), which does not require credit unions to compound or credit dividends at any particular frequency).
- (B) Special formula for use where periodic statement is sent more often than the period for which dividends are compounded.
- (1) Statements triggered by Regulation E. Credit unions may, but need not, use this formula to calculate the annual percentage yield earned for accounts that receive quarterly statements and that are subject to Regulation E’s rule calling for monthly statements when an electronic fund transfer has occurred. They may do so even though no monthly statement was issued during a specific quarter. This formula must be used for accounts that compound and credit dividends quarterly and that receive monthly statements, triggered by Regulation E, which comply with the provisions of § 707.6.
 - (2) Days in compounding period. Credit unions using the special annual percentage yield earned formula must use the actual number of days in the compounding period.

Appendix B to Part 707—Model Clauses and Sample Forms

- (1) Modifications. Credit unions that modify the model clauses will be deemed in compliance as long as they do not delete information required by TISA or regulation or rearrange the format so as to affect the substance or clarity of the disclosures.
- (2) Format. Credit unions may use inserts to a document (see Sample Form B–11) or fill-in blanks (see Sample Forms B–4 and B–5, which use double underlining to indicate terms that have been filled in) to show current rates, fees or other terms.

- (3) Disclosures for opening accounts. The sample forms illustrate the information that must be provided to a member when an account is opened, as required by § 707.4(a)(1). (See § 707.4(a)(2), which states the requirements for disclosing the annual percentage yield, the dividend rate, and the maturity of a term share account in responding to a member's request.)
- (4) Compliance with Regulation E. Credit unions may satisfy certain requirements under Part 707 with disclosures that meet the requirements of Regulation E. (See § 707.3(c).) The model clauses and sample forms do not give examples of disclosures that would be covered by both this regulation and Regulation E (such as disclosing the amount of a fee for ATM usage). Credit unions should consult appendix A to Regulation E for appropriate model clauses.
- (5) Duplicate disclosures. If a requirement such as a minimum balance applies to more than one account term (to obtain a bonus and determine the annual percentage yield, for example), credit unions need not repeat the requirement for each term, as long as it is clear which terms the requirement applies to.
- (6) Guide to model clauses. In the model clauses, italicized words indicate the type of disclosure a credit union should insert in the space provided (for example, a credit union might insert "March 25, 1995" in the blank for "(date)" disclosure). Brackets and diagonals ("/") indicate a credit union must choose the alternative that describes its practice (for example, [daily balance/average daily balance]).
- (7) Sample forms. The sample forms (B-4 through B-11) serve a purpose different from the model clauses. They illustrate various ways of adapting the model clauses to specific accounts. The clauses shown relate only to the specific transactions described.