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Section 1 General

1.1 Statement of Purpose

[Sample Client] designed these policies and procedures to safeguard their legal responsibility to comply with applicable residential lending laws and regulations. The [board of directors](#) and senior management, through a sound [Compliance Management System](#), ensure the integration of these policies and procedures into the overall framework for product design, delivery and administration across the residential lending origination and service life cycle. Management and employees utilize these policies and procedures to guide their daily responsibilities to effect mitigation of regulatory compliance risk within their job roles.

1.2 Objective

The guidance in this policy applies throughout [Sample Client]'s operations with the objective to mitigate regulatory risk and consumer harm within the standards of [Sample Client]'s compliance program. [Sample Client] requires employees, contractors, and [third-party vendors](#) to comply with these policies and procedures.

1.3 State Law and Agency Guidelines

Federal law may alter, affect, or preempt state laws that are inconsistent with the federal law. Preemption applies only to the extent of the inconsistency. A state law is not inconsistent if it is more protective of a consumer. Wherever state law or local regulations overlap and provide greater consumer protections than federal law or the requirements set out in this policy, [Sample Client] will comply with the more protective law or regulation and will consult with the appropriate legal counsel to set forth [Sample Client]'s policies and procedures for compliance.

In some instances, agencies may overlay guidelines that expand upon the requirements of federal law. [Sample Client] must be cognizant of agency guidelines and incorporate those guidelines into [Sample Client]'s policies and procedures.

Section 2 Summary

The Truth in Lending Act (TILA) or Regulation Z promotes the informed use of consumer credit. TILA requires specific disclosures about the terms and cost of credit at the time the consumer applies for credit and throughout the life of the loan. In addition to required disclosures, TILA also includes comprehensive protections for consumers, including but not limited to the following:

- Provides the consumer the right to rescind (cancel) certain mortgage transactions
- Imposes certain limitations on home-equity plans
- Prohibits certain acts or practices in connection with credit secured by a [dwelling](#) and secured by a consumer's principal dwelling
- Special protections for closed-end mortgage loans that have rates or fees above specified amounts
- Mandates valuation independence, requiring appraisals be free of any influence and valuations be derived from the independent judgement of the appraiser
- Mandates disclosures and protections during mortgage servicing

2.1 Coverage

Generally, Regulation Z applies to each individual or business that offers or extends credit (other than a person excluded from coverage) when the following four conditions are met:

1. The credit is offered or extended to [consumers](#).
2. The offering or extension of credit is done regularly.
3. The credit is subject to a [finance charge](#) or is payable by a written agreement in more than four installments.
4. The credit is primarily for personal, family, or household purposes.

Regulation Z covers most [open-end](#) and [closed-end](#) consumer credit transactions, including credit cards, mortgage loans, home equity lines of credit, and reverse mortgages, as well as provides additional rules which would cover some open-end credit, credit cards, and student loans.

Regulation Z exempts certain transactions, including the following:

- Business, commercial, agricultural, or organizational credit

Section 3 Requirements

Regulation Z requires all creditors and originators to inform their [consumers](#) of the direct and indirect costs of financing and the terms and conditions of their credit agreements.

Regulation Z is divided into the following subparts:

- Subpart A, General
- Subpart B, Open-End Credit
- Subpart C, Closed-End Credit
- Subpart D, Miscellaneous
- Subpart E, Special Rules for Certain Home Mortgage Transactions
- Subpart F, Special Rules for Private Education Loans
- Subpart G, Special Rules Applicable to Credit Card Accounts and Open-End Credit Offered to College Students

For purpose of this guide, Subparts F and G are excluded.

3.1 Open-End Credit

3.1.1 Home Equity Plans

The following provisions apply to [open-end credit](#) plans such as home equity plans.

3.1.1.1 General disclosure requirements

[Sample Client] must make the disclosures required by this section clearly and conspicuously in writing, in a form the consumer may keep. The disclosures may be provided to the consumer in electronic form, subject to compliance with the consumer's affirmative consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act).

Disclosures required by this section may be made in a language other than English, provided that the disclosures are made available in English upon the consumer's request.