

**“TILA” Truth in Lending Act**  
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**University of the Pacific**  
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**“Or when and how did we become  
the Campus Finance Company!”**

# What we will discuss:

- TILA (who, what, where, why)
- Written procedures
- Step by step instructions
- Forms and documents required
- After the loan is signed, what now
- Your turn, you get to ask questions

# My own disclosures!

- I am not an attorney.
- I cannot give legal advice. The information contained on this presentation is my own views and opinions.
- Please consult with your legal counsel to receive guidance on this subject matter.

# Who, What, Where, When

February 14, 2010 was the mandatory compliance deadline for the Board of Governors of the Federal Reserve System's (Board) amendments to Regulation Z for private education loans (PELs).introduced new consumer protections and disclosures.

Some lenders believe the new PEL rules do not apply to them because they do not have a formal student lending program, do not routinely arrange such loans, or do not promote loans to cover education expenses. However, any creditor who makes a PEL, as defined in §226.46(b)(5) of Regulation Z, is subject to the disclosure rules.

Rulemaking authority for TILA transferred to the Consumer Financial Protection Bureau from the Board of Governors of the Federal Reserve System. This transfer is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

That's why you will see many references for the Board of Governors of the Federal Reserve System listed on documents, web pages, etc. The Higher Education Act was also amended to reflect the requirements placed on private student loan lenders and schools who loan money to their students.

**To read the entire Act:**

<http://www.occ.gov/publications/publications-by-type/comptrollers-handbook/truth-in-lending-handbook.pdf>

# Special Note

- Only Title IV Federal student loans are exempt from TILA regulations.
- Health Professions (HPSL) is a Title V Federal loan and requires full TILA disclosures. Please check your Federal loan portfolio to determine the specific Title of loans you are issuing.

## Designing your own Forms

You can customize and design your own forms to incorporate special disclosures . You MUST make sure to include all the directives given on the model forms.

### **Here is the link:**

to view the model forms published by the Board of Governors Federal Reserve System:

<http://www.federalreserve.gov/newsevents/press/bcreg/20090730a.htm>

- The subsequent disclosure forms were designed by me
- I made sure to include the required guidelines and graphics provided by DOE
- Each disclosure has a specific purpose, and is done in “plain language”
- Each form was designed to include special disclosures directly related to the loan type we are offering.

## Simple TILA Procedures

This is a copy of our procedures  
Detailing the steps on how to process  
a private University loan.

### TILA PROCEDURES

### STOCKTON CAMPUS

1. Financial Aid sends 1<sup>st</sup> disclosure and self-certification when they offer the loan to a borrower.
2. Borrower returns signed self-certification to Student Aid office with signed acceptance offer.
3. Student Aid office sends signed self-certification to Student Loans office.
4. Student Loan office contacts borrower by email or telephone to setup a signing appointment.
5. Student Loan office prior to borrower's appointment completes all 3 disclosures and promissory note for borrower to sign. Create file folder, place all documents for borrower to sign and Q & A form in the folder.
6. Staff meets with borrower, verifies borrower ID, staff explains all 3 disclosures, rights and responsibilities of loan, and promissory note. Borrower signs promissory note in Student Loans office.
7. Student Loans MUST WAIT 3 BUSINESS DAYS TO DISBURSE LOAN to borrowers student account
8. Student Loans complete Q & A of borrower total loan packet confirms all disclosures, documents signed.
9. Student Loans disburses loan onto borrower's student account.
10. Staff takes copy of original signed Promissory places it in borrower file folder, and files the folder in Student Loans office.
11. Staff puts original signed Promissory Note in the fire safe cabinet.

# 1<sup>st</sup> Form

Pursuant to Section 155 of the Higher Education Act of 1965, as amended, (HEA) and to satisfy the requirements of Section 128(e)(3) of the Truth in Lending Act, a lender must obtain a self-certification signed by the applicant before disbursing a private education loan.

Borrower must complete it. Cannot process loan until it received. **Has 2 pages, only first page shown.**

**Download form here:**

<http://www.ifap.ed.gov/dpclatters/attachments/GEN1001A-AppSelfCert.pdf>



## Private Education Loan Applicant Self-Certification

OAS No. XXXX-XXXX  
Form Approved  
Exp. Date XX-XX-XXXX

**Important:** Pursuant to Section 155 of the Higher Education Act of 1965, as amended, (HEA) and to satisfy the requirements of Section 128(e)(3) of the Truth in Lending Act, a lender must obtain a self-certification signed by the applicant before disbursing a private education loan. The school is required on request to provide this form or the required information only for students admitted or enrolled at the school. Throughout this Applicant Self-Certification, "you" and "your" refer to the applicant who is applying for the loan. The applicant and the student may be the same person.

**Instructions:** Before signing, carefully read the entire form, including the definitions and other information on the following page. Return the signed form to your lender.

### SECTION 1: NOTICES TO APPLICANT

- Free or lower-cost Title IV federal, state, or school student aid may be available in place of, or in addition to, a private education loan. To apply for Title IV federal grants, loans and work-study, submit a Free Application for Federal Student Aid (FAFSA) available at [www.fafsa.ed.gov](http://www.fafsa.ed.gov), or by calling 1-800-4-FED-AID, or from the school's financial aid office.
- A private education loan may reduce eligibility for free or low-cost federal, state, or school student financial assistance.
- You are strongly encouraged to pursue the availability of free or lower-cost financial assistance with your school's financial aid office.
- The financial information required to complete this form can be obtained from the school's financial aid office. If the lender has provided this information, you should contact your school's financial aid office to verify this information and to discuss your financing options.

### SECTION 2: COST OF ATTENDANCE AND ESTIMATED FINANCIAL ASSISTANCE

If information is not already entered below, obtain the needed information from the school financial aid office and enter it on the appropriate line. Sign and date where indicated.

- A. Student's cost of attendance for the period of enrollment covered by the loan \$ \_\_\_\_\_
- B. Estimated financial assistance \$ \_\_\_\_\_
- C. Difference between amounts A and B: \$ \_\_\_\_\_
- ⚠ **Warning:** If you borrow more than the amount on line C, you risk reducing your eligibility for free or low-cost federal, state, or school financial aid

### SECTION 3: APPLICANT INFORMATION

Enter or correct the information below.

Name and Address of School \_\_\_\_\_

Applicant Name (last, first, MI) \_\_\_\_\_ Date of Birth (mm/dd/yyyy) \_\_\_\_/\_\_\_\_/\_\_\_\_

Street Address \_\_\_\_\_ E-mail Address \_\_\_\_\_

City, State \_\_\_\_\_ Zip Code \_\_\_\_\_

Area Code / Telephone Number Home ( ) \_\_\_\_\_ Period of Enrollment Covered by the Loan (mm/dd/yyyy)  
Other ( ) \_\_\_\_\_ From \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_

If the student is not the loan applicant, provide the student's name and date of birth.

Student Name (last, first, MI) \_\_\_\_\_ Student Date of Birth (mm/dd/yyyy) \_\_\_\_/\_\_\_\_/\_\_\_\_

### SECTION 4: APPLICANT SIGNATURE

I **certify** that I have read and understood the notices in Section 1 and, to the best of my knowledge, the information provided on this form is true and correct.

Signature of Applicant \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_



# 1<sup>st</sup> Disclosure

## EMERGENCY Private Educational Loan Offer

You are being offered the following private educational loan by:

University of the Pacific
Student Loans Office
3601 Pacific Avenue
Stockton, CA 95211
Contact Telephone #209-946-2446

### Loan Interest Rate & Fees

Your starting interest rate will be:

6%

After this starting rate is set, your rate will NOT change.

**Your rate is fixed.** This means that your interest rate will remain the same, and will not change during the life of your loan. More information on this rate can be found in the reference notes located on page 2 of this notice.

**The maximum rate for this loan is: 6%.**

### Loan Fees

There are no fees for processing this loan.  
 \$5.00 per month late fee, until the loan goes over (90) ninety days past due when the late fee increases to \$15.00 per month thereafter.  
 \$25.00 per return payment fee

### Loan Cost Examples

The total amount you will pay for this loan will vary depending upon when you start to repay it. This example provides an estimate based upon the current interest rate being offered to you and the repayment option available

Repayment Option	Amount Provided (amount provided directly to you)	Interest Rate (this is a fixed rate)	Total Paid Over term of loan (See repayment option)	
Repayment of Principal without interest begins upon receipt of the loan. No interest accrues during the first eight months of the repayment term. If the loan is NOT paid off within the first (8) months it will begin to accrue interest at the given rate.				
8 monthly payments	\$63.91 (with accrued interest)	\$500.00	6%	\$511.32

## FEDERAL LOAN ALTERNATIVES

You may qualify for Federal education loans. For additional information, contact your school's financial aid office or the Department of Education at: [www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov)

Loan Program	Current Interest rate by Program Type
<b>Perkins</b> For students	N/A Fixed
<b>Stafford</b> For students	N/A Fixed Undergraduate subsidized N/A Fixed Undergraduate un-subsidized & Graduate
<b>Plus</b> For Parents and Graduate/ Professional Students	N/A Fixed Federal Family Education Loan N/A Fixed Federal Direct Loan

## Next Steps

### 1. Find Out About Other Loan Options.

Some schools have school specific student loan benefits and terms not detailed on this form. Contact your school's financial aid office or visit the Department of Education's web site at: [www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov) for more information about other loans.

### 2. To Apply for this Loan, Complete the Application and Self-Certification Form.

You may get the certification form from your school's financial aid office. If you accept this loan, the loan terms will be available for 30 days (terms will not change during this period) except as permitted by law.

### Bankruptcy Limitations

If you file for Bankruptcy you may still be required to pay this loan back.

### Reference Notes

Repayment of Principal without interest begins upon receipt of the loan. No interest accrues during the first eight months of the repayment term. If the loan is NOT paid off within the first (8) months of receiving the loan, it will begin to accrue interest at the given rate.

More information about loan eligibility and repayment deferral or forbearance options is available in your loan rights and responsibilities and loan agreement.

The fixed interest rate means that the interest rate listed on your agreement will be the same for the life of the loan. It will not change during the repayment term.

# 2nd Disclosure/ 30 Day Notice

BORROWER:

CREDITOR:

## Loan Rates & Estimated Costs

Total Loan Amount	Interest Rate	Finance Charge	Total of Payments
<b>\$10,000.00</b>	<b>7 %</b>	<b>\$3088.28</b>	<b>\$13,088.28</b>

The total amount you are borrowing

Your current interest rate.

The estimated dollar amount the credit will cost you.

The estimated amount you will have paid when you have made all payments.

### ITEMIZATION OF AMOUNT FINANCED

Amount paid to you	\$ 0.00
Amount paid to others on your Behalf: University of the Pacific	\$10,000.00
Amount Financed University Term Loan	\$10,000.00
Initial finance charges (total)	\$ 0.00
Total Loan Amount	\$10,000.00

### ABOUT YOUR INTEREST RATE

**Your rate is fixed.** The interest rate on this loan is fixed, and will not change during the life of your loan.

Your Annual Percentage Rate (APR) is 7%

### FEES

**There are no fees for processing this loan.**  
**Minimum \$5.00 per month late fee until the loan goes over 90 days delinquent and the late fee will increase to \$15.00 per month.**  
**\$25.00 Return payment fee**

### Estimated Repayment Schedule & Terms

PAYMENT PERIOD: MONTHLY	
<b>8 Year Loan Term</b>	at <b>7.00%</b> the current interest rate of your loan
<b># 95 Monthly payments</b>	<b>\$136.34</b>
<b>One final monthly payment</b>	<b>\$135.98</b>

⚠ This example provides an estimate based upon the current interest rate being offered to you and the repayment option available

Payments and interest are deferred when you are a full time student at University of the Pacific

## Federal Loan Alternatives

Loan Program	Current Interest Rates by Program Type
<b>PERKINS</b> for students	5.0 % fixed
<b>STAFFORD</b> for students	4.66% fixed Undergraduate unsubsidized & subsidized
	6.21% fixed Graduate unsubsidized
<b>PLUS</b> For Parents and Graduate/Professional Students	7.21% fixed Federal Direct Loan

You may qualify for Federal education loans.

For additional information, contact your school's financial aid office or the Department of Education.

[www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov)

### Next Steps & Terms of Acceptance

This offer is good until:

**May 30, 2015**

- Find Out About Other Loan Options.**  
Contact your school's financial aid office for more information.
- You have until June 30, 2015 to Accept this Offer**  
The terms of this offer will not change except as permitted by law.

### To Accept the Terms of this loan,

Sign and return the enclosed promissory note to the University of the Student Loan office. Our address is listed on the top of this form. If you have any questions concerning this form you may contact us at 000-000-0000.

### Reference Notes

If you file for bankruptcy you may still be required to pay this loan back.

**See your promissory note or rights and responsibilities for any additional information about nonpayment, default, and any required repayment in full before the scheduled date, and prepayment refunds and penalties.**

# 3<sup>rd</sup> Disclosure/ 3 Day Right to Cancel

BORROWER:

CREDITOR:

**RIGHT TO CANCEL**

You have a right to cancel this transaction, without penalty, by midnight on **May 5, 2015**. No funds will be disbursed to you or to your school until after this time. You may cancel by calling us at 209-946-2446.

**Loan Rates & Estimated Costs**

Total Loan Amount	Interest Rate	Finance Charge	Total of Payments
<b>\$10,000.00</b>	<b>7 %</b>	<b>\$3088.28</b>	<b>\$13,088.28</b>

The total amount you are borrowing

Your current interest rate.

The estimated dollar amount the credit will cost you.

The estimated amount you will have paid when you have made all payments.

**ITEMIZATION OF AMOUNT FINANCED**

Amount paid to you	\$ 0
Amount paid to others on your Behalf: University of the Pacific	\$10,000.00
Amount Financed University Term Loan	\$10,000.00
Initial finance charges (total)	\$ 0.00
<b>Total Loan Amount</b>	<b>\$10,000.00</b>

**ABOUT YOUR INTEREST RATE**

The interest rate on this loan is fixed, and will not change during the life of your loan.

Your Annual Percentage Rate (APR) is 7%

**FEES**

**There are no loan origination fees associated with this loan.**  
**\$5.00 per month late fee until the loan goes over 90 days delinquent and late fee increases to \$15.00 per month.**  
**\$25.00 Return payment fee**

**Reference Notes**

If you file for bankruptcy you may still be required to pay this loan back.

The fixed interest rate means that the interest rate listed on your agreement will be the same for the life of the loan. It will not change during the repayment term.

If you pay this loan off early, you will not have to pay a penalty.

**See your loan agreement for any additional information about nonpayment, default, and any required repayment in full before the scheduled date, and prepayment refunds and penalties.**

**Estimated Repayment Schedule & Terms**

<b>8 Year Long Term</b>	<b>PAYMENT PERIOD: Monthly</b>		◀ This example provides an estimate based upon the current interest rate being offered to you and the repayment option available.
	at 7% the current interest rate of your loan.		
	# 95 Monthly payments	<b>\$136.34</b>	
1 final monthly payment	<b>\$135.98</b>		

## Quality and Assurance Form

I designed this form as a safeguard to ensure we have done all our forms and disclosures.

When performing a loan signing, it is a sound business practice to always verify the identity of your borrower. I recommend using this form to document what specific type of ID shown (drivers license, student ID card, state issued picture ID card) , and the ID information/numbers used for verification. You can also take a copy of the ID used. The staff member who witnessed the verification should initial the ID information listed on this form.

The completed Q & A form is placed in the borrowers loan file.

<u>TRUTH IN LENDING DISCLOSURES</u>	
<u>QUALITY ASSURANCE CHECKLIST</u>	
<b>Performed by:</b>	
<b>Date:</b>	
<b>Borrower Name:</b>	<b>Student ID#</b>
<b>First disclosure:</b>	<b>Date provided to borrower:</b>
<b>Self Certification:</b>	<b>Date Signed by borrower:</b>
<b>Second disclosure:</b>	<b>Date provided to borrower:</b>
<b>Final disclosure:</b>	<b>Date provided to borrower:</b>

# Variable Rate Disclosure Example

Private Education Loan Final Approval Form

[Loan Name]  
Page 1

**BORROWER:**  
< First Name> < Middle Init> < Last Name>  
< Address Line 1>  
< Address City>, < Address State>  
< Address Zip Code>

**CREDITOR:**  
University of the Pacific  
Office Name  
Office physical address  
Contact telephone #

**RIGHT TO CANCEL**

You have a right to cancel this transaction, without penalty, by midnight on <offer expiration date>. No funds will be disbursed to you or to your school until after this time. You may cancel by calling us at 209-946-2446.

## Loan Rates & Estimated Costs

Total Loan Amount	Interest Rate	Finance Charge	Total of Payments
\$ <Loan Amount>	[Interest Rate] %	\$(Ttl Finance calc)	\$(Ttl Pymts calc)
The total amount you are borrowing	Your current interest rate.	The estimated dollar amount the credit will cost you.	The estimated amount you will have paid when you have made all payments.

## ITEMIZATION OF AMOUNT FINANCED

Amount paid to you	\$ < Amount Paid to Student>
Amount paid to others on your Behalf: [School Name]	\$ < Amount Paid to Others>
Amount Financed [Loan Name]	\$ < Loan Amount>
Initial finance charges (total)	\$ < Initial Finance Charge>
Total Loan Amount	\$ (Ttl Ln calc)

## ABOUT YOUR INTEREST RATE

Your rate is variable. This means that your rate could move higher or lower than the rate listed on this form. The variable rate is based upon the Prime Interest rate as published at the beginning of each year in the Wall Street Journal current prime rate Index. Your variable interest rate will be reset only once per year.

**There is no cap on the maximum rate of interest you may be charged on this loan.**

Your Annual Percentage Rate (APR) is <APR>.

### FEES

**There are no loan origination fees associated with this loan.**  
**\$5.00 per month late fee until the loan goes over 90 days delinquent and the late fee increases to \$15.00 per month.**  
**\$25.00 Return payment fee**

## Estimated Repayment Schedule & Terms

00 Year Loan Term	PAYMENT PERIOD: MONTHLY	
	at <ln 0.00%> the current interest rate of your loan	
# Monthly payments	\$00.00	Payments and interest are deferred when you are a full time student at University of the Pacific
One final payment	\$00.00	

◀ The total amount you will pay for this loan will vary depending upon when you start to repay it, and the variable interest rate fluctuation. This example provides an estimate based upon the current interest rate being offered to you and the repayment option available

- You must disclose, if any, what is the interest rate “cap”.

# Special Notes

- 2<sup>nd</sup> DISCLOSURE: The second disclosure is calculated on 30 calendar days, starting on the day you are meeting with the borrower. If they do not show up for their appointment, you must redo the forms with the new dates for their appointment.
- 3<sup>RD</sup> DISCLOSURE: The third disclosure is calculated on 3 BUSINESS DAYS, starting on the day AFTER the borrower has signed their loan documents. Remember BUSINESS days do not include holidays, or weekends.
- You must do these disclosures if you have variable rate loans. They are a bit more labor intensive, and require a different set of loan payment schedules.
- Print out your loan interest amortization schedule. I recommend you attach your interest schedule to your signed Promissory Note as a safeguard, It will provide proof in the future the validity of the interest and payment amounts listed on your loan disclosures was correct. You can utilize Bankrate.com or FINAID.org to calculate payments and interest schedules. Bankrate.com allows you to calculate rates using variable monthly schedules.
- Keep your forms updated, specifically the section reflecting Federal student loan rates. Review it annually at the end of July after DOE has reset their interest rates to update your disclosures with the current rates.

**NOW IT'S YOUR TURN !**

