



TRUTH IN LENDING ACT DISCLOSURES: WHAT THEY ARE AND HOW TO USE THEM

NACA Defending Servicemembers by Building an Army of Informed Consumers

The National Association of Consumer Advocates (NACA) is a non-profit association of attorneys and consumer advocates committed to representing consumers' interests. This Handout addresses how to use the important disclosures required by the Truth in Lending Act (TILA).

1. TILA disclosures are in a standard written format: Creditors must disclose the cost and terms of credit in a standard written format. Among others, the disclosures include the Annual Percentage Rate, the Amount Financed, the Payment Schedule, the Finance Charge, and the Total of Payments.

2 TILA disclosures are to be reviewed before agreeing to accept credit: TILA disclosures give information to a consumer to comparison shop prior to agreeing to accept credit from a particular creditor. This means the consumer is to use them before the consumer signs or agrees to accept any credit in a transaction. Do not agree to any credit transaction without first obtaining and using them.

3. The creditor must allow you to leave with the disclosures: The creditor must provide the consumer with the written disclosures in a form the consumer can keep and leave with. The purpose of TILA is to create an informed consumer who can knowledgeably shop elsewhere for credit with standard written disclosures to compare. In a credit transaction, the consumer must be given physical possession of these disclosures and allowed to leave with them or the creditor is committing a crime.

4. Leave with the TILA disclosures to comparison shop: Once the consumer has possession of the TILA disclosures, the consumer should then leave to comparison shop the credit terms elsewhere. If the consumer does not comparison shop, the purpose of TILA is defeated. Consumers must allow time for this comparison shopping and not be rushed to sign a credit contract without doing it.

5. Use the TILA disclosures to get the credit you deserve: Although a creditor is not required to offer the best possible credit terms available in the financial market, the creditor is required to provide the TILA disclosures so that the consumer can find the best credit terms available. After obtaining TILA disclosures from one possible credit source, the consumer should consult another credit source. Obtaining TILA disclosures from two different sources allows for knowledgeable credit shopping.

6. Compare the Annual Percentage Rate disclosure: The Annual Percentage Rate (APR) disclosure is the total cost of the cost as a yearly rate. It allows various credit offers to be easily compared. The lower the APR, the better the deal for the consumer. Always first shop the APR.

7. Pay attention to the Payment Schedule: The amount and number of payments is also important because any consumer should be aware of the repayment terms: how much and how long.

8. Be sure that the Amount Financed contains only what you need: Never obtain more credit than you need and Amount Financed shows the amount of credit being provided. Whether using credit to buy a home or a car, the starting point is the cash price because this is what is being borrowed. Always be sure the cash price is correct before obtaining credit to pay that price.

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