

HOME IMPROVEMENT FINANCING

Compliance guidelines for consumer protection



It's important to understand key laws and regulations while offering customers flexible, convenient payment options for their home improvement projects.

It is your responsibility for ensuring your marketing and customer interactions comply with the law. We're here to help highlight high-risk areas and offer recommendations based on our experience. Our guidance is meant to support, not replace, your own compliance and risk management processes. In completing this guide, you'll be prepared with the knowledge you need to make sure both you and your customers are protected.**

The **Truth In Lending Act** is a federal law designed to promote the informed use of credit by requiring standardized disclosures about its terms and cost.

According to **Regulation Z (The Truth in Lending Act)**, any time a triggering term is used in advertising material, you must include a disclosure.

Disclosures for every loan available to you are easily accessible in Regions' PartnerPortal or from your relationship manager.

The Four P's

When using advertising disclosures, consider:

- **Prominence** - Is the disclosure big enough for consumers to read easily?
- **Presentation** - Is the disclosure worded in a way that consumers can easily understand?
- **Placement** - Is the disclosure where consumers are likely to look?
- **Proximity** - Is the disclosure close to the claim it modifies?



The use of appropriate disclosures does not excuse an otherwise misleading statement.

Triggering terms are specific details of a credit product.

What triggering terms might look like in advertising materials:

- The term or period of repayment, such as *“5-, 7-, or 10-year loans available”*.
- The finance charge amount, such as *“\$500 cost of credit”*.
- The amount of any payment, such as *“As low as \$99 per month”*.
- The amount of down payment, such as *“As low as \$99 down”*.

Truth in Lending allows the customer to compare the cost of a cash transaction with that of a credit transaction. It requires that:

- Lenders provide an Annual Percentage Rate (APR) on all customer transactions.
- All disclosures and advertisements be clear and conspicuous.
- All disclosures be either in writing or in an electronic form that the consumer can keep.

The Truth in Lending Disclosure statement includes a description of the total loan cost and includes:

- **The Annual Percentage Rate (APR):** The APR is a disclosure of the cost of credit expressed as a yearly rate.
- **Finance Charge:** The finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction.
- **Amount Financed:** The amount financed is the amount borrowed minus any prepaid finance charges. It represents a net figure allowing the customer to accurately assess the amount of credit actually provided.
- **Itemization:** The amount financed, including the amount credited.
- **Payment Schedule:** Payment schedule is the number and dollar amount of payments the customer will make in repaying the loan or paid on the customer’s behalf. It also includes the payment due dates and the frequency of the payments.
- **Late Charge:** The late charge explains that if a loan payment is more than a certain number of days late, the bank will charge the customer a late fee. The fee may be a certain percentage of the unpaid portion of the payment or a set sum.
- **Prepayment:** Prepayment explains whether there may be a penalty for paying off the loan early.



Unfair Deceptive or Abusive Acts or Practices (UDAAP)

UDAP stands for Unfair and Deceptive Acts or Practices. The Federal Trade Commission (FTC) has the authority to penalize companies for advertisements that are considered unfair or deceptive. UDAAP is an expansion of the FTC's "UDAP" provisions and includes prohibitions on abusive practices under the Dodd-Frank Act. Additionally, state contractor boards may have jurisdiction over your ad practices, allowing them to revoke or suspend your license or even impose fines. Be sure to protect yourself by including required disclosures in all promotional materials.

In order to avoid penalties from the FTC, ensure that your advertisements do not contain **unfair, deceptive, or abusive** material.

What could be considered **deceptive**?

- The act or practice misleads or is likely to mislead the consumer (can take the form of a misrepresentation or omission).
- The consumer's interpretation is reasonable under the circumstances (a statement or information can be misleading even if not all consumers would be misled or if the statement conveys more than one meaning).
- The misleading act or practice is material (includes any information that's likely to affect a consumer's choice or conduct).

What could be considered **abusive**?

- It causes or is likely to cause injury to consumers (usually in the form of monetary harm).
- The injury is not reasonably avoidable by consumers (such as when an act or practice interferes with a consumer's ability to make informed decisions or avoid that injury).

What could be considered **unfair**?

- It materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service.

It takes reasonable advantage of:

- A lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service.
- The inability of the consumer to protect its interests in selecting or using a consumer financial product or service.
- The reasonable reliance by the consumer on a covered person to act in the interests of the consumer.



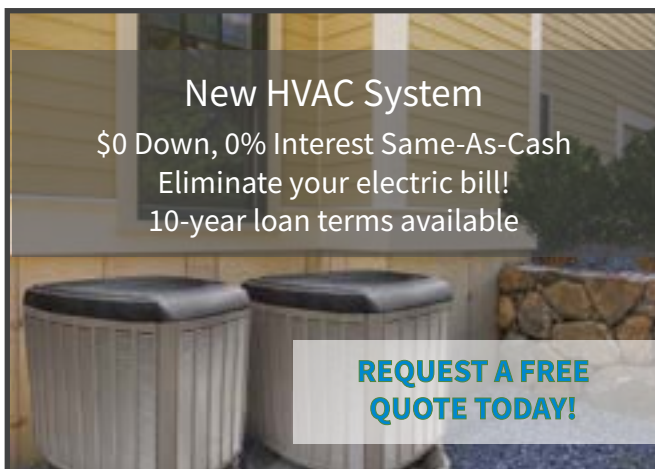
It is suggested to follow the below practices:

- When providing a choice of payment options, clearly disclose limitations, conditions, or restrictions, if any.
- Provide customers the opportunity to review the Consumer Note & Disclosure Statement to ensure they understand the terms of the loan and their obligations.
- Under no circumstances should you pressure customers to sign for the loan. Do not make a funding request unless entitled to do so.
- If the customer has any questions about the terms contained in their Consumer Note & Disclosure statement, including, but not limited to, any fees, penalties, or other charges that may be imposed, please refer them directly to a Regions representative.
- Do not make claims, representations, or statements that mislead customers about the cost, value, availability, cost savings, benefits, or terms of the product or service.



Example: Advertising false promotions or payment terms that are not actually available, displaying results that aren't typical, inclusion of images that falsely imply affiliation or endorsement by a government agency, celebrity, or business.

Why is this potentially unfair and/or deceptive?



- When offering Same-As-Cash loans, don't use "0% Interest", as Same-As-Cash is not a 0% interest product, but is a deferred interest product.
- There is a missing ad disclosure because "10-year loan terms available" is a triggering term.
- "Eliminate your electric bill" may not be accurate depending on system size, connection to grid, etc.



Equal Credit Opportunity Act (ECOA)

Lending institutions make decisions based on creditworthiness and the ability to repay loans every day; however, those decisions must follow certain laws. When these laws are not followed, it is considered illegal discrimination. Illegal discrimination is defined in the Equal Credit Opportunity Act, or ECOA, as an applicant being treated less fairly than other applicants and occurs when:

- An individual receives unfair or inconsistent treatment.
- A company makes a distinction between individuals or groups so as to disadvantage some or advantage others without a justifiable business reason.



Lending laws and regulations do not distinguish between intentional and unintentional discrimination during loan transactions; therefore, it is important to treat all applicants fairly, consistently, and equally.

Who is protected? Groups of people who share common characteristics are protected from discrimination by federal laws. There are nine prohibited factors under the ECOA. Most people are familiar with seven of them: gender, race, color, religion, national origin, marital status, and age. Typically, the other two are not as well known. They include different treatment based on whether:

- Any or all of an applicant's income comes from a public assistance program, including Social Security the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act
- Our policy is to treat all customers fairly, consistently, and equally without discrimination. Anyone offering payment options from the bank must also treat all customers fairly, consistently and equally.

Under the ECOA regulation, you may not do any of the following on a prohibited basis, based on the nine prohibited factors:

- Fail to provide different information or services during any phase of the lending process. Discourage or selectively encourage an applicant with respect to inquiries about applications for credit.
- Vary the terms of credit offered, including the amount, interest rate, duration, or type of loan.
- Express a preference based on factors or treat applicants differently during any aspect of the loan process based on prohibited factors or a prohibited basis in any aspect of a loan, including marketing, pre-application, application, loan decision, or loan closing.
- Refrain from discussing with any customer their likelihood of loan approval.



Fair Credit Reporting Act (FCRA)

The Fair Credit Reporting Act, or FCRA, covers the collecting and communicating of information about granting credit to a borrower. It means that consumer reporting agencies must be fair, confidential, and accurate in preparing and disclosing credit information.

As a lender, we are required to have a permissible purpose for obtaining credit information about an applicant (i.e., prequalification or credit application). In our credit application, we obtain permission from the applicant(s) to perform a hard or soft pull on their credit.

Military Lending Act (MLA)

Active-duty members of the armed forces or active Guards or Reservists have certain rights as outlined in the Military Lending Act (MLA). The bank has structured its loans to comply with the MLA requirements. We include disclosures in our Consumer Note and Disclosure Statements that provide information for the borrower regarding the MLA. Under the MLA, we also provide a toll-free number for borrowers to obtain required disclosures.

Privacy Requirements (Regulation P)

Regulation P covers the privacy requirements of customer financial information. Banks have an obligation to provide notice to customers about privacy policies and practices. **Personally Identifiable Information (PII)**, as it relates to the US privacy law and information security, is information that can be used on its own or with other information to identify, contact, or locate a single person or to identify an individual in context. You must protect the confidentiality of every applicant's PII, both during and after the application process, and refrain from disclosing it to any third party. Please ensure you are providing your customer with ample privacy when they are filling out their loan application.

What qualifies as PII? PII is any information a consumer provides to obtain a loan or information obtained about a consumer in connection with a loan or resulting from a loan made to the consumer. When applicants apply for a loan from the bank, they will be required to submit certain private information like Social Security numbers, or in some cases, proof or verification of homeownership or income. If a loan is conditionally approved, the customer may need to provide additional verification. But remember — any information obtained in connection with the loan is PII.



Regardless of how much applicant information is required, all customer information is considered private and must never be disclosed to the public or left where someone not involved in the loan process can see it.

The bank has measures in place for handling confidential data while following the application process. However, any information that is printed or gathered that may contain an applicant's PII must be treated as confidential. All customer privacy information must be shredded and disposed of according to processes and procedures.

Bank Secrecy Act (BSA) and Customer Identification Program (CIP)

The USA Patriot Act was enacted, in part, to deter and punish terrorist acts in the United States and around the world and to enhance law enforcement investigatory tools. The Bank Secrecy Act (BSA) Customer Identification Program (CIP) is part of the USA Patriot Act.

CIP requires collecting certain identifying information such as legal name, physical street address, date of birth, and an identifying number. The bank uses the Social Security number as a type of identifying number. The collected information is then verified through non-documentary verification, and any discrepancies are resolved. In some cases, the applicant may have to provide additional proof of identification. The credit application also includes the required USA Patriot Act disclosure:

Patriot Act Disclosure

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: when you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Electronic Signatures in Global and National Commerce Act (E-Sign Act)

The Electronic Signatures in Global and National Commerce Act (E-Sign Act) allows the use of electronic records to satisfy any statute, regulation, or rule of law requiring that such information be provided in writing if the consumer has affirmatively consented to such use and has not withdrawn such consent.

Prior to obtaining their consent, financial institutions must provide customers with a clear statement informing them of the right or option to have the record provided or made available on paper or non-electronic form.



Customers also have the right to withdraw their consent to using e-signatures; however, there may be conditions, consequences, and fees in the event of a withdrawal.

Make sure your customer is using their own personal device to sign their loan documents. To comply with the E-Sign Act, customers cannot sign loan documents on a sales rep's device unless it's been previously demonstrated and documented that the customer can access the records electronically on his/her own device.

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act (ADA) specifically addresses persons with disabilities and protects their civil rights. The ADA guarantees equal opportunity for individuals with disabilities in regard to certain public accommodations, such as bank loans offered to the public.

An individual is considered to have a “disability” if s/he has:

- A physical or mental impairment that substantially limits one or more major life activities.
- A record of such an impairment or is regarded as having such an impairment.

People with disabilities are a protected class under the Equal Credit Opportunity Act and should be treated fairly.

To protect you and your customers...

Allow everyone an equal opportunity to choose payment options.

- Making assumptions about customers will make you miss out on key opportunities.
- Treat elders with respect; never discriminate or pressure customers.



Protect your customer's privacy.

- Give your customers privacy, avoid using speakerphones, and refrain from helping customers fill out their application.
- Keep information and credit decisions private. Do not send third-party credit decision denials to Regions.
- Do not discuss specific terms of the loan. If your customer has specific loan questions, refer them to a Regions lender.
- Do not send customers' loan documents to your email address. They can have their documents sent via mail.



Make sure you're aware of unacceptable and acceptable practices.

✗ Unacceptable practices include:

- Itemizing dealer fees on bids, invoices, quotes, advertisements, contracts, or any other method.
- Charging a price higher than the cash price for a project that includes Regions financing.
- Letting other companies use your Contractor ID number.

✓ Acceptable practices include:

- Offering payment options to all customers and charging the same price regardless of payment options.
- Offering promotional discounts if the promotion is not contingent on payment method.
- Working with your accounting team to build in the cost of the dealer fee into your general overhead for all jobs regardless of payment method.

Marketing and Advertising Checklist

- Have I included the required disclosures available in PartnerPortal and are they in a location that can be easily read?
- Have I made the ad's layout and wording easy to understand?
- Am I only advertising payment options for work that I'm licensed to perform?
- Have I made it possible for the customer to make an informed decision regarding my services based on the information I included in the advertisement?
- Do I have an asterisk or footnote tied to the triggering terms?
- Have I included the proper Equal Housing Lender logo next to Regions' brand?
- Have I kept in mind that those considered more susceptible to unfair advertising practices include the elderly, minority communities, and individuals who have a limited proficiency in the English language?
- When using the phrases "No Interest" or "No Payments" in relation to a same-as-cash loan, did I include the following disclosure: "On approved credit, interest is waived if loan is repaid in full during the Same-As-Cash period"?
- Do all internal documents with triggering terms include the disclosure "For internal use only, not for consumer use"?
- Have all advertisements that include the promotion of Regions payment options been submitted to Regions for approval prior to use?



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