

**§ 213.2 Definitions.**

For the purposes of this part the following definitions apply:

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(q) *Clear and conspicuous* means that a disclosure is reasonably understandable and designed to call attention to the nature and significance of the information in the disclosure.

3. In Supplement I to Part 213:

a. Under Section 213.2—*Definitions*, a new paragraph title 2(q) *Clear and conspicuous* is added, and new paragraphs (q)1. and (q)2. are added.

b. Under Section 213.3—*General Disclosure Requirements*, under 3(a) *General Requirements*, paragraph 2. is revised.

c. Under Section 213.7—*Advertising*, under 7(b) *Clear and Conspicuous Standard*, paragraph 1. is revised.

**Supplement to Part 213—Official Staff Commentary to Regulation M**

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*Section 213.2—Definitions*

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**2(q) Clear and Conspicuous**

1. *Reasonably understandable*. Examples of disclosures that are reasonably understandable include disclosures that:

- i. Present the information in the disclosure in clear, concise sentences, paragraphs, and sections;
- ii. Use short explanatory sentences or bullet lists whenever possible;
- iii. Use definite, concrete, everyday words and active voice whenever possible;
- iv. Avoid multiple negatives;
- v. Avoid legal and highly technical business terminology whenever possible; and
- vi. Avoid explanations that are imprecise and readily subject to different interpretations.

2. *Designed to call attention*. Examples of disclosures that are designed to call attention to the nature and significance of the information include disclosures that:

- i. Use a plain-language heading to call attention to the disclosure;
- ii. Use a typeface and type size that are easy to read. Disclosures in 12-point type generally meet this standard. Disclosures printed in less than 12-point type do not automatically violate the standard; however, disclosures in less than 8-point type would likely be too small to satisfy the standard;
- iii. Provide wide margins and ample line spacing;
- iv. Use boldface or italics for key words; and
- v. In a document that combines disclosures with other information, use distinctive type size, style, and graphic devices, such as shading or sidebars, to call attention to the disclosures.

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*Section 213.3—General Disclosure Requirements***3(a) General Requirements**

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2. *Clear and conspicuous standard*. See § 213.2(q) and accompanying comments. [The clear and conspicuous standard requires that disclosures be reasonably understandable. For example, the disclosures must be presented in a way that does not obscure the relationship of the terms to each other; appendix A of this part contains model forms that meet this standard. In addition, although no minimum typesize is required, the disclosures must be legible, whether typewritten, handwritten, or printed by computer.]

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*Section 213.7—Advertising*

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**7(b) Clear and Conspicuous Standard**

1. *Standard*. See § 213.2(q) and accompanying comments. [The disclosures in an advertisement in any media must be reasonably understandable. For example,] Very fine print in a television advertisement or detailed and very rapidly stated information in a radio advertisement does not meet the clear[-]and[-]conspicuous standard if consumers cannot see and read or hear, and cannot comprehend, the information required to be disclosed.

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By order of the Board of Governors of the Federal Reserve System, November 25, 2003.

**Jennifer J. Johnson,**

*Secretary of the Board.*

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**FEDERAL RESERVE SYSTEM****12 CFR Part 226**

**[Regulation Z; Docket No. R-1167]**

**Truth in Lending**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Proposed rule.

**SUMMARY:** The Board is proposing to amend Regulation Z, which implements the Truth in Lending Act, and the staff commentary to the regulation. Regulation Z would be revised to define more specifically the standard for providing “clear and conspicuous” disclosures, and to provide a more uniform standard among the Board’s regulations. The staff commentary would be revised to include examples of how to meet this standard. Similar proposed revisions to Regulations B, E, M, and DD appear elsewhere in today’s **Federal Register**. These revisions are intended to help ensure that consumers receive noticeable and understandable information that is required by law in connection with obtaining consumer financial products and services. In addition, consistency among the

regulations should facilitate compliance by institutions. The Board also is proposing to add an interpretative rule of construction to state that the word “amount” represents a numerical amount throughout Regulation Z. The proposed updates to the staff commentary also provide guidance on consumers’ exercise of the right to rescind certain home-secured loans. In addition, the proposal includes several technical revisions to the staff commentary.

**DATES:** Comments must be received on or before January 30, 2004.

**ADDRESSES:** Comments should refer to Docket No. R-1167 and should be mailed to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551. However, because paper mail in the Washington area and at the Board of Governors is subject to delay, please consider submitting your comments by e-mail to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov), or faxing them to the Office of the Secretary at (202) 452-3819 or 452-3102. Members of the public may inspect comments in Room MP-500 of the Martin Building between 9 a.m. and 5 p.m. on weekdays pursuant to § 261.12, except as provided in § 261.14, of the Board’s Rules Regarding Availability of Information, 12 CFR 261.12 and 261.14.

**FOR FURTHER INFORMATION CONTACT:**

Krista P. DeLargy and Elizabeth A. Eurgubian, Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667 or 452-2412; for users of Telecommunications Device for the Deaf (“TDD”) only, contact (202) 263-4869.

**SUPPLEMENTARY INFORMATION:****I. Background**

The purpose of the Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq.*, is to promote the informed use of consumer credit by providing for disclosures about its terms and cost. The act requires creditors to disclose the cost of credit as a dollar amount (the finance charge) and as an annual percentage rate (APR). Uniformity in creditors’ disclosures is intended to assist consumers in comparison shopping for credit. TILA requires additional disclosures for loans secured by consumers’ homes and permits consumers to rescind certain transactions that involve their principal dwelling. In addition, the act regulates certain practices of creditors. TILA is implemented by the Board’s Regulation Z (12 CFR part 226). An official staff