

amount throughout Regulation Z. The proposed updates to the staff commentary also provide guidance on consumers' exercise of rescission for certain home-secured loans. While the proposal would amend Regulation Z and the staff commentary, it is expected that these revisions would not increase the paperwork burden of creditors. With respect to state member banks, there are 1,312 respondents and recordkeepers. Current annual burden is estimated to be 618,398 hours.

Because the records would be maintained at state member banks and the notices are not provided to the Federal Reserve, no issue of confidentiality arises under the Freedom of Information Act.

Comments on the collection of information should be sent to the Office of Management and Budget, Paperwork Reduction Project (7100-0199), Washington, DC 20503, with copies of such comments sent to Cynthia Ayouch, Federal Reserve Board Clearance Officer, Division of Research and Statistics, Mail Stop 41, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Text of Proposed Revisions

Certain conventions have been used to highlight the proposed revisions. New language is shown inside bold-faced arrows while language that would be deleted is set off with bold-faced brackets.

List of Subjects in 12 CFR Part 226

Advertising, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements, Truth in Lending.

For the reasons set forth in the preamble, the Board proposes to amend Regulation Z, 12 CFR part 226, as set forth below:

PART 226—TRUTH IN LENDING (REGULATION Z)

1. The authority citation for part 226 would continue to read as follows:

Authority: 12 U.S.C. 3806; 15 U.S.C. 1604 and 1637(c)(5).

2. Section 226.2 is amended by adding a new paragraph (a)(27) and adding a new paragraph (b)(5) to read as follows:

Subpart A—General

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§ 226.2 Definitions and rules of construction.

(a) *Definitions.* For purposes of this regulation, the following definitions apply:

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(27) *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.

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(b) *Rules of construction.* For purposes of this regulation, the following rules of construction apply:

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(5) Where the word “amount” is used in this regulation to describe disclosure requirements, it refers to a numerical amount.

3. In Supplement I to Part 226:

a. Under *Section 226.2 Definitions and Rules of Construction*, under 2(a) *Definitions*, a new paragraph title 2(a)(27) *Clear and conspicuous* is added, and new paragraphs (27) 1. through (27) 4. are added; and under 2(b) *Rules of Construction*, a new paragraph (b)2. is added.

b. Under *Section 226.5 General Disclosure Requirements*, under *Paragraph 5(a)(1)*, paragraph 1. is revised.

c. Under *Section 226.5a Credit and Charge Card Applications and Solicitations*, under *Paragraph 5a(a)(2)*, paragraph 1. is revised.

d. Under *Section 226.15 Right of Rescission*, under *Paragraph 15(a)(2)*, paragraph 1. is revised, and under *Paragraph 15(d)(4)*, paragraph 1. is revised.

e. Under *Section 226.16 Advertising*, paragraph 1. is revised.

f. Under *Section 226.18 Content of Disclosures*, under *Paragraph 18(c)(1)(iii)*, paragraph 1. is revised.

g. Under *Section 226.19 Certain Residential Mortgage and Variable-Rate Transactions*, under 19(b) *Certain variable-rate transactions*, paragraph 1. is revised, and under *Paragraph 19(b)(1)*, paragraph 1. is revised.

h. Under *Section 226.23 Right of Rescission*, under *Paragraph 23(a)(2)*, paragraph 1. is revised, and under *Paragraph 23(d)(4)*, paragraph 1. is revised.

i. Under *Section 226.24 Advertising*, paragraph 1. is revised.

j. Under *Section 226.27*, the section title is revised, paragraph 1. is revised, and paragraph 2. is removed and reserved.

k. Under *Section 226.32 Requirements for Certain Closed-End Home Mortgages*, under *Paragraph 32(a)(1)(ii)*, paragraph 1.ii. is revised.

l. Under *Appendix K—Total Annual Loan Cost Rate Computations for Reverse Mortgage Transaction*, under (d) *Reverse mortgage model form and sample form*, under (d)(2), paragraph 1. would be revised.

Supplement I To Part 226—Official Staff Interpretations

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Subpart A—General

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Section 226.2—Definitions and Rules of Construction

2(a) Definitions.

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2(a)(27) *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.

3. *Other information.* Except as otherwise provided, the “clear and conspicuous” standard does not prohibit adding to the required disclosures such items as contractual provisions, explanations of contract terms, state disclosures, and translations; or sending promotional material with the required disclosures. However, the presence of this other information may be a factor in determining whether the “clear and conspicuous” standard is met.

4. *Use of codes or symbols.* The “clear and conspicuous” standard does not prohibit using codes or symbols such as *APR* (for annual percentage rate), *FC* (for finance charge), or *Cr* (for credit balance), so long as