



## Region Legal Service Office, Mid Atlantic Legal Assistance Department

### Truth In Lending Act (TILA) Disclosures

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1. The **Truth in Lending Act (TILA)** requires lenders to disclose important information to borrowers about the cost of a loan before the borrower agrees to the loan. For example, TILA disclosures are required on all car loans and mortgages for houses.
2. **TILA disclosures must be in a standard written format:** Lenders must disclose the cost and terms of a loan in a standard five box written format. The disclosures include the Annual Percentage Rate (yearly cost of the loan to the borrower expressed as a percentage), the Amount Financed (amount of the loan), the Payment Schedule, the Finance Charge (the total cost of the loan, which is the sum of all interest payments and other fees), and the Total of Payments, as shown below:

Annual Percentage Rate	Finance Charge	Amount Financed	Total Payments	Total Sales Price
Number of Payments	Amount of Payments	When Payments are Due		

3. **TILA disclosures should be reviewed by you before agreeing to accept a loan:** TILA disclosures allow you to comparison shop for better loan terms prior to agreeing to enter into a loan. Do not sign the TILA disclosure before accepting the loan so that you can seek competitive rates.
4. **The lender must allow you to leave with the written disclosures:** Because the purpose of TILA is to allow you to knowledgeably shop for loans using the TILA disclosures, you must be given physical possession of the written TILA disclosures and you must be allowed to leave with them.
5. **Leave with the TILA disclosures to comparison shop:** You should use the information contained in the disclosures to comparison shop with other lenders. You should take the disclosures to your credit union, bank, or other lending source to compare rates.
6. **Use the TILA disclosures to get the credit you deserve:** Although a lender 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 you can find the best credit terms available. Some companies will indicate that they are offering the best terms; however, it is your responsibility to make sure they are telling you the truth by shopping around for the best terms with different lenders.
7. **Compare the Annual Percentage Rate disclosure:** The Annual Percentage Rate (APR) is the yearly interest rate of the loan. It greatly affects the total cost of the loan and this disclosure allows various loan offers to be easily compared. The lower the interest rate the better the deal for you, and you should always shop the APR first.
8. **Pay attention to the Payment Schedule:** The number and size of payments is important because you need to be aware of the repayment terms—how much money and for how long. While smaller payments may seem more affordable, smaller payments may be spread over a longer period of time. For example, if you are buying a used car with 100,000 miles on it and you enter into a six year loan, consider the possibility that the car may not be drivable in 6 years. Regardless of whether the car still works, you will still owe the total amount of the loan.

**This handout is for information purposes only and is not intended to be legal advice. If you need legal advice and assistance you may see legal advice from your Legal Assistance Office. Legal Assistance Offices can be located at <http://legalassistance.law.af.mil/content/locator.php>**