

TITLE 15
SAVINGS AND LOAN COMMISSIONER

- Chapter 1 Savings and Loan Association Act Regulations.
2 Uniform Consumer Credit Code Regulations.

CHAPTER 1
SAVINGS AND LOAN ASSOCIATION ACT REGULATIONS

(No rules filed.)

NOTE: Rule-making authority cited for formulation of regulations for the Savings and Loan Association and by the Savings and Loan Commissioner, 11 GCA §41105.

CHAPTER 2
UNIFORM CONSUMER CREDIT CODE REGULATIONS

- §2101. Definition.
- §2102. Exempted Transaction.
- §2103. Determination of Finance Charge.
- §2104. Explanation of Operation of Rate Ceilings.
- §2105. Determination of Annual Percentage Rate.
- §2106. Disclosure Requirements.
- §2107. Advertising Credit Terms.
- §2108. Prepayment.
- §2109. Delinquency Charges.
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NOTE: Rule-making authority cited for formulation of Uniform Consumer Credit Code Regulations by the Administrator (Savings and Loan Commissioner) 14 GCA, Guam Uniform Consumer Credit Code.

§2101. Definitions. (a) *Administrator* means the Savings and Loan Commissioner as designated in 14 GCA §1301.

(b) *Advertisement* means any commercial message in any newspaper, magazine, leaflet, flyer or catalog, on radio, television or public address system, in direct mail literature or other printed material, or any interior or exterior sign or display, in any window display, in any point-of-transaction literature or price tag which is delivered or made available to a customer or prospective customer in any manner whatsoever.

(c) *Agriculture purpose* means a purpose related to the production, harvest, exhibition, marketing, transportation, processing or manufacture of agricultural products by a natural person who cultivates, plants, propagates or nurtures those agricultural products. Agricultural products include agricultural, horticultural, viticultural and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish, and any products thereof; including processed and manufactured products, and any and all products raised or produced on farms and any processed or manufactured products thereof.

(d) *Applicant* is a party applying for any right or authority from the Administrator.

(e) *Amount financed* means the amount of credit of which the customer will have the actual use determined in accordance with §1802.111 of the Code.

(f) *Annual percentage rate* means the annual percentage rate of finance charge determined in accordance with §§1802.304(2) and 1803.304(2) of the Code.

(g) *Arrange for the extension of credit* means to provide or offer to provide consumer credit which is or will be extended by another person under a business or other relationship pursuant to which the person arranging such credit receives or will receive a fee, compensation or other consideration for such service. It does not include honoring a credit card or similar device where no finance charge is imposed at the time of that transaction.

(h) *Billing cycle* means the time interval between regular periodic billing statement dates. Such intervals may be considered equal intervals of time unless a billing date varies more than four (4) days from the regular date.

(i) *Business collateral* means real property used primarily for other than personal, family, household, agricultural or accounts or contract rights other than earnings, business equipment, chattel paper, documents of title, instruments, inventory, business general tangibles, or investment securities, other than investment certificates issued by the creditor. Business equipment does not include farm equipment.

(j) *Business day* means any calendar day except Sunday, or the following business holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Liberation Day, Labor Day, Veteran's Day, Thanksgiving and Christmas.

(k) *Cash price* means the price at which the creditor offers, in the ordinary course of business, to sell for cash the property or services which are the subject of a consumer credit transaction. It may include the cash price of accessories or services related to the sale such as delivery, installation, alternations, modifications and improvements, and may include taxes to the extent imposed on the cash sale, but shall not include any other charges of the types described in 15 GAR 2103. The cash

price disclosed pursuant to the provisions of this Part is presumed (see 14 GCA §2110) to be the "cash price."

(l) *Code* refers to the Guam Uniform Consumer Credit Code as enacted in Public Law 9-253.

(m) *Consumer credit* means credit offered or extended to a natural person, in which the money, property or service which is subject of the transaction is primarily for personal, family, household or agricultural purposes and for which either a finance charge is or may be imposed or which, pursuant to an agreement, is or may be payable in four (4) or more installments with the imposition of a credit service charge. Consumer credit sales and consumer loans as defined in the Code are types of consumer credit. A loan or sale secured by an interest in land where the annual percentage rate does not exceed ten percent (10%) per year calculated on the unpaid balance is not an extension of consumer credit.

(n) *Credit* means the right granted by a creditor to a customer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

A purchase or sale under a Lay-Away Plan under which the vendor retains the merchandise for a customer until the cash price is paid in full, and the customer has no contractual obligation to make payments and may, at his option, revoke a purchase made under the plan and request and receive prompt refund of any amounts paid toward the cash price of the merchandise is not an extension of credit under these Regulations. (See also Paragraph (z)(2) of this Section.)

(o) *Creditor* means a person who in the ordinary course of business regularly extends or arranges for the extension of consumer credit, or offers to extend or arrange for the extension of such credit.

(p) *Credit sale* means any sale with respect to which consumer credit is extended or arranged by the seller.

(q) *Customer* means a natural person to whom consumer credit is offered or to whom it is or will be extended, and includes a co-maker, endorser, guarantor or

surety for such natural person who is or may be obligated to repay the extension of consumer credit.

(r) *Dwelling* means a residential type structure which is real property and contains one (1) or more family housing units, or a residential condominium whatever situated.

(s) *Finance charge* means the cost of credit determined in accordance with 2 GAR §2102. The term includes credit service charge and loan finance charge.

(t) *Open end credit* means consumer credit extended on an account pursuant to a plan under which:

(1) the creditor may permit the customer to make purchases or obtain loans, from time to time, directly from the creditor or indirectly by use of a credit card, check or other device, as the plan may provide;

(2) the customer has the privilege of paying the balance in full or in installments; and

(3) a finance charge may be computed by the creditor from time to time on an outstanding unpaid balance. The term includes consumer credit extended under a revolving charge account and a revolving loan account. The term does not include negotiated advances under an open end real estate mortgage or a letter of credit.

(u) *Organization* means a corporation, trust, estate, partnership, cooperative, association, government or governmental subdivision, agency or instrumentality.

(v) *Period* means a day, week, month or other subdivision of a year.

(w) *Person* means a natural person or an organization.

(w-1) *Real property* means property which is real property under the laws of this Territory. The term includes "land."

(x) *Real property transaction* means an extension of credit in connection with which a security interest in real property is or will be retained or acquired.

(y) *Residence* means any real property in which the customer resides or expects to reside. The term includes a parcel of land on which the customer resides or expects to reside.

(z) *Security interest and security* mean any interest in property which secures payment or performance of an obligation:

(1) This Territory means Guam.

(2) Unless the context indicates otherwise credit shall be construed to mean consumer credit, loan to mean consumer loan, and transaction to mean consumer credit transaction.

(3) A transaction shall be considered consummated at the time a contractual relationship is created between a creditor and a customer irrespective of the time of performance of either party.

§2102. Exempted Transaction. This part pertains only to disclosure provisions and does not apply to the following:

(a) Business or Governmental Credit. Extensions of credit to organizations, including governments, or for business or commercial purposes, other than agricultural purposes.

(b) Certain Transactions in Security or Commodities Accounts. Transactions in securities or commodities accounts with broker-dealer registered with Securities and Exchange Commission.

(c) Non-Real Property Credit Over Twenty- Five Thousand Dollars (\$25,000.00). Credit transactions, other than real property transactions, in which the amount financed exceeds Twenty-Five Thousand Dollars (\$25,000.00) or in which the transaction is pursuant to an express written commitment by the creditor to extend credit in excess of Twenty-Five Thousand Dollars (\$25,000.00).

§2103. Determination of Finance Charge. (a) **General Rule.** Except as otherwise provided in this Section, the

amount of the finance charge in connection with any transaction shall be determined as the sum of all charges, payable directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, whether paid or payable by the customer, the seller, or any other person on behalf of the customer to the creditor or to a third party, including any of the following types of charges:

(1) Interest, time price differential, credit service charge, loan finance charge, and any amount payable under a discount or other system of additional charges.

(2) Minimum, fixed, check service, transaction, activity, carrying or similar charge.

(3) Loan fee, points, finder's fee or similar charge.

(4) Fee for an appraisal, investigation or credit report.

(5) Charges or premiums for credit life, accident, health or loss of income insurance, written in connection with any credit transaction unless:

(A) the insurance coverage is not required by the creditor and this fact is clearly and conspicuously disclosed in writing to the customer; and

(B) any customer desiring such insurance coverage gives specific dated and separately signed affirmative written indication of such desire after receiving written disclosure to him of the cost of such insurance.

(6) Charges or premiums for insurance, written in connection with any credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of the property, unless a clear, conspicuous and specific statement in writing is furnished by the creditor to the customer setting forth the cost of the insurance if obtained from or through the creditor and stating that the customer may choose the person through which the insurance is to be obtained:

(A) A policy of insurance owned by the customer, which is assigned to the creditor or otherwise made payable to the creditor to satisfy a requirement imposed by the creditor, is not insurance "written in connection with" a credit transaction if the policy was not purchased by the customer for the purpose of being used in connection with that extension of credit.

(B) A creditor's reservation or exercise of the right to refuse to accept an insurer offered by the customer, for reasonable cause, does not require inclusion of the premium in the finance charge.

(7) Premium or other charge for any other guarantee or insurance protecting the creditor against the customer's default or other credit loss.

(b) **Itemized Charges Excludable.** If itemized and disclosed to the customer, any charges of the following types need not be included in the finance charge:

(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security interest related to the credit transaction. These fees and charges may be described or referred to as "official fees."

(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction if the premium does not exceed the fees and charges described in Subparagraph (1) of this Paragraph which would otherwise be payable. This premium may be described or referred to as "premium in lieu of official fees."

(3) Taxes not included in the cash price.

(4) License, certificate of title and registration fees imposed by law.

(c) **Late Payment, Delinquency, Default and Reinstatement Charges.** A late payment, delinquency, default, reinstatement or other such charge is not a finance

charge if imposed for actual unanticipated late payment, delinquency, default or other such occurrence.

(d) **Overdraft Charges.** A charge imposed by a bank for paying checks which overdraw or increase an overdraft in a checking account is not a finance charge unless the payment of such checks and the imposition of such overdraft charge were previously agreed to in writing as a plan to extend credit to the checking account customers.

(e) **Excludable Charges, Real Property Transactions.** The following charges in connection with any real property transaction, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this Part, shall not be included in the finance charge with respect to that transaction:

(1) Fees or premiums for title examination, abstract of title insurance, or similar purposes and for required related property surveys.

(2) Fees for preparation of deeds, settlement statements or other documents.

(3) Amounts required to be placed or paid into as escrow or trustee account for future payments of taxes, insurance and water, sewer and land rents.

(4) Fees for notarizing deeds and other documents.

(5) Appraisal fees.

(6) Credit reports.

(f) **Prohibited Offsets.** Interest, dividends or other income received or to be received by the customer on deposits or on investments in real or personal property in which a creditor holds a security interest shall not be deducted from the amount of the finance charge or taken into consideration in computing the annual percentage rate.

(g) **Demand Obligations.** Obligations other than those debited to an open end credit account which are payable on demand shall be considered to have a maturity of one-

half (1/2) year for the purpose of computing the amount of the finance charge and the annual percentage rate, except that where such an obligation is alternatively payable upon a stated maturity, the stated maturity shall be used for the purpose of such computations.

(h) **Computation of Insurance Premiums.** If an insurance premium is required to be included as a part of the finance charge, the amount to be included shall be the premium for coverage extending over the period of time the creditor will require the customer to maintain such insurance. For this purpose, rates and classification applicable at the time the credit is extended shall be applied over the full time during which coverage is required, unless the creditor knows or has reason to know that other rates or classifications shall be used to the extent appropriate.

§2104. Explanation of Operation of Rate Ceilings. This explanation of maximum rates applies to credit service charges made under §1802.201 of the Code. A separate explanation of loan finance charges under §1803.508 of the Code is not made, as the same principals of calculation apply. It should be made clear that the graduated rates permitted are calculated on the periodic declining unpaid balances. The provisions for graduated rates should not be construed as requiring simultaneous liquidation of different portions of the original unpaid balance. Thus, the twenty-one percent (21%) annual rate permitted on unpaid balances exceeding Three Hundred Dollars (\$300.00), but not exceeding One Thousand Dollars (\$1,000.00), does not apply to the initial unpaid balance in that range for the scheduled maturity of the loan, but only to the extent that periodic declining balances fall within the range from Three Hundred Dollars One Cent (\$300.01) to One Thousand Dollars (\$1,000.00).

The operation of this principal with respect to a One Thousand Five Hundred Dollars (\$1,500.00) principal amount of advance for twelve (12) months is illustrated in Table A below. The table shows the total dollar charge, the monthly payments and the charge earned each month when the rates stated in §1802.201 are computed on the unpaid balance as of each scheduled payment date and each payment is applied first to the earned charge and then to principal. It also shows the unpaid balances which result from applying the rate stated in §1802.201 and the parts of

each unpaid balance to which each rate applies each month. The total dollar charge so computed is Two Hundred Eleven Dollars Seventy-One Cents (\$211.71), but Three Cents (\$0.03) is waived rather than increase the final payment.

(a) Table A. Amortization Schedule for One Thousand Five Hundred Dollars (\$1,500.00) paid in twelve (12) equal and consecutive monthly installments of principal and charge combined with the charge computed at maximum graduated rates authorized by §1802.201 - thirty-six percent (36%) per year on that part of the unpaid balances not exceeding Three Hundred Dollars (\$300.00), plus twenty-one percent (21%) per year on that part of the unpaid balances exceeding Three Hundred Dollars (\$300.00) but not exceeding One Thousand Dollars (\$1,000.00), plus fifteen percent (15%) per year on that part of the unpaid balances exceeding One Thousand Dollars (\$1,000.00), yields Two Hundred Eleven Dollars Sixty-Eight Cents (\$211.68).

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TABLE A

Month	Unpaid Principal Balances Outstanding During Month			Total	Application of \$142.64 Monthly Payments	
	at 36%	at 21%	at 15%		Charges	Principal
1	\$300.00	\$700.00	\$500.00	\$1,500.00	\$ 27.50	\$ 115.14
2	300.00	700.00	384.86	1,384.86	26.06	116.58
3	300.00	700.00	268.28	1,268.28	24.60	118.04
4	300.00	700.00	150.24	1,150.24	23.13	119.51
5	300.00	700.00	30.73	1,030.73	21.63	121.01
6	300.00	609.72	--	909.72	19.67	122.97
7	300.00	486.75	--	786.75	17.52	125.12
8	300.00	361.63	--	661.63	15.33	127.31
9	300.00	234.32	--	534.32	13.10	129.54
10	300.00	104.78	--	404.78	10.83	131.81
11	272.97	--	--	272.97	8.19	134.45
12	138.52	--	--	138.52	4/12*	138.52
TOTALS					\$211.68	\$1,500.00

NOTE: Interest rates are applied to parts of unpaid principal balances scheduled to be outstanding. For example, the interest on One Thousand Thirty Dollars Seventy-Three Cents (\$1,030.73) is computed as follows:

36% on	\$ 300.00	=	\$ 9.00
21% on	700.00	=	12.25
15% on	<u>30.73</u>	=	<u>.38</u>
	\$1,030.73		\$21.63

* The charge earned the last month is Four Dollars Fifteen Cents (\$4.15), but Three Cents (\$0.03) is waived and applied to principal to make the final payment equal to the others.

For purposes of disclosure (see 2 GAR §2105 [Paragraph 1.6]) the credit grantor must determine the single annual percentage rate which, when applied according to the U.S. Rule, earns the same dollar amount of charge that is produced by the graduated rates. Table B shows that an annual rate of 25.10% applied monthly to the periodic declining unpaid balances produces the same total dollar charge of Two Hundred Eleven Dollars Sixty-Eight Cents (\$211.68) calculated by application of graduated rates in Table A.

(b) Table B. Amortization Schedule for One Thousand Five Hundred Dollars (\$1,500.00) paid in twelve (12) equal and consecutive monthly installments of principal and charge combined showing that the flat annual percentage rate of 25.10%

computed by the U.S. Rule yields Two Hundred Eleven Dollars Sixty-Eight Cents (\$211.68).

TABLE B

Monthly		Application of \$142.64		
Month	Unpaid Principal Balances	Charges	Payments Principal	
1	111..26	\$1,500.00	\$ 31.38	\$
2		1,388.74	29.05	113.59
3		1,275.15	26.67	115.97
4		1,159.18	24.25	118.39
5		1,040.79	21.77	120.87
6		919.92	19.24	123.40
7		796.52	16.66	125.98
8		670.54	14.03	128.61
9		541.93	11.34	131.30
10		410.63	8.59	134.05
11		276.58	5.79	136.85
12		139.73	2.91*	139.73
TOTAL			\$ 211.68	\$1,500.00

* The charge earned the last month is Two Dollars Ninety-Two Cents (\$2.92), but One Cent (\$0.01) is waived and applied to principal to make the final payment equal to the others.

The Code is intended to give the creditor the following choices in making their charges under §§1802.201 and 1803.508:

(1) The contract may be precomputed to include the dollar finance charge for payment according to schedule. In the example shown, the dollar finance charge of Two Hundred Eleven Dollars Sixty-Eight Cents (\$211.68) would be added to the original unpaid principal, making a total of One Thousand Seven Hundred Eleven Dollars Sixty-Eight Cents (\$1,711.68) to be repaid in twelve (12) monthly installments of One Hundred Forty-Two Dollars Sixty-Four Cents (\$142.64).

A precomputed contract is subject to rebate for prepayment in full and to default and deferment charges in the case of delinquency or

deferral. In such cases the creditor has the option:

(a) to rebate according to §1802.210 or §1803.210 and to make default or deferment charges according to §§1802.203 and 1802.204 or §§1803.203 and 1803.204; or

(b) to recompute charges at the flat annual percentage rate which yields the precomputed charge when computed according to the U.S. Rule. (In the example shown that rate is 25.10%.) Under this second option, the flat annual percentage rate would be computed on the actual unpaid balances of the original principal amount (excluding precomputed charge) for the actual time outstanding and the total charge so computed would be in lieu of the precomputed charge and default and deferment charges.

In the case of a precomputed loan (but not sale), if two (2) or more installments are delinquent ten (10) days, the lender may convert to the flat annual percentage rate (or graduated rates) as of the due date of the first delinquent installment rather than recompute from the beginning. See §1803.203(4). The conversion is by rebating the precomputed charge as of the due date of the first delinquent installment. Charges at the flat annual percentage rate on unpaid balances after conversion are in lieu of the rebate and subsequent default and deferment charges.

(2) The agreement may call for the maximum flat annual rate of charge (or lesser annual flat rate) computed on actual unpaid balances for the actual time outstanding. The flat percentage is the rate which yields the charge for payment according to schedule when the rate is computed according to the U.S. Rule. In the example, the rate is 25.10%. In this case there is no rebate for prepayment in full because the charges are collected only as earned, and there are not separate charges for default or deferment.

(3) The agreement may call for the computation of the graduated rates on parts of the

actual unpaid balance for the time actually outstanding when each payment is made. In this case there is no rebate for payment in full because charges are collected only as earned, and there are no separate charges for default or deferment.

(4) In the case of a credit service charge for revolving charge accounts, the charge for each period must be computed on the parts of the unpaid balance from time to time as defined in 14 GCA §2207. In the case of a revolving loan account, the charge for each period must be computed on the parts of the unpaid balance from time to time as defined in 14 GCA Chapter 3 Article 2.

(c) **Explanation of 14 GCA §2201 (§1802.201(4)).** With respect to §1802.201(4), the variation permitted is limited to eight percent (8%) of the rate of the finance charge and does not permit an eight (8) percentage point variation. For example, if a credit grantor were to levy an annual add-on finance charge of Ten Dollars (\$10.00) per One Hundred Dollars (\$100.00) of initial unpaid balance, under the provisions of this Section he could establish the following maximum range for one (1) year contracts:

Amount Financed	Credit Service Charge
\$92.40 - \$107.60	\$10.00

The medium amount financed is One Hundred Dollars (\$100.00); that is, this amount is Seven Dollars Sixty Cents (\$7.60) from both the upper and lower limits of the specified range. Alternatively, it is just halfway between Ninety-Two Dollars Forty Cents (\$92.40) and One Hundred Seven Dollars Sixty Cents (\$107.60).

The specified range is limited by the eight percent (8%) requirement. On one (1) year contracts the add-on finance charge results in an actuarial rate of 17.972%. Subsection (4) specifies that the yield on the lowest amount within the range may not be more than eight percent (8%) higher than the yield provided on the medium amount. Thus the yield on the lowest amount may not exceed 19.410% (.08 x 17.972 =

19.410). It follows that the lower amount must be such that the Ten Dollars (\$10.00) credit service charge produces an annual rate not in excess of 19.410%.

Interpolation from annuity tables shows that the lower amount must be about Ninety-Two Dollars Forty Cents (\$92.40). Since the median is halfway between the upper and lower limits, the upper amount must be One Hundred Seven Dollars Sixty Cents (\$107.60). These are close approximations; in actual practice very precise limits can be determined. To gain the convenience of using a single dollar amount of credit service charge for a specified range of amounts financed the credit grantor must undercharge for amounts financed above the median. Thus the Ten Dollars (\$10.00) credit service charge is Seventy-Six Cents (\$0.76) less than the Ten Dollars Seventy-Six Cents (\$10.76) credit service charge that could have been received by precise application of add-on rate of Ten Dollars (\$10.00) per One Hundred Dollars (\$100.00) annum on the initial unpaid balance. These results are summarized below for one (1) year monthly installment contracts.

(A)	(B)	(C)	(D)	(E)
Amount Financed	Actual Finance Charge	Accurate Finance Charge	Dollar Difference (C) - (D)	Annual Percentage
\$107.60	\$10.00	\$10.76	-\$0.76	16.73%
100.00	10.00	10.00	0.00	17.97%
92.40	10.00	9.24	+0.76	19.41%

§2105. Determination of Annual Percentage Rate. (a) General Rule - Open End Credit Accounts. The annual percentage rates for open end credit accounts shall be computed so as to permit disclosure with an accuracy at least to the nearest quarter of one percent (1%):

(1) Where the finance charge is exclusively the product of the application of one or more periodic rates:

(A) By multiplying each periodic rate by the number of periods in a year; or

(B) At the creditor's option, if the finance charge is the result of the application of two (2) or

more periodic rates, by dividing the total finance charge for the billing cycle by the sum of the balances to which the periodic rates were applied and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year.

(2) Where the creditor imposes all periodic finance charges in amounts based on specified ranges or brackets of balances, the periodic rate shall be determined by dividing the amount of the finance charge for the period by the amount of the median balance within the range or bracket of balances to which it is applicable, and the annual percentage rate shall be determined by multiplying that periodic rate (expressed by a percentage) by the number of periods in a year. Such ranges or brackets of balances shall be subject to the limitations prescribed in Subdivision d of Paragraph (c) of this Section.

(3) Where the finance charge is or includes a minimum, fixed or other charge not due to the application of a periodic rate, and the finance charge:

(A) exceeds Fifty Cents (\$0.50) for a monthly or longer billing cycle, or the pro rata part of Fifty Cents (\$0.50) for a billing cycle shorter than monthly, by dividing the total finance charge for the billing cycle by the amount of the balance to which applicable and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year; or

(B) does not exceed Fifty Cents (\$0.50) for a monthly or longer billing cycle, or the pro rata part of Fifty Cents (\$0.50) for a billing cycle shorter than monthly, by multiplying each applicable periodic rate by the number of periods in a year, irrespective of the imposition of such minimum, fixed or other charge.

(b) **General Rule - Other Credit.** Except as otherwise provided in this Section, the annual percentage rate applicable to any extension of credit, other than open end credit, shall be that nominal annual percentage rate determined as follows:

(1) In accordance with the actuarial method of computation so that it may be disclosed with an accuracy at least to the nearest quarter of one percent (1%). The mathematical equation and technical instructions for determining the annual percentage rate in accordance with the requirements of this Paragraph are set forth in Supplement I to Regulation Z of the Federal Truth in Lending Act. Supplement I to Regulation Z may be obtained from any Federal Reserve Bank or from the Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

(2) At the option of the creditor, by application of the United States Rule so that it may be disclosed with an accuracy at least to the nearest quarter of one percent (1%). Under this Rule, the finance charge is computed on the unpaid balance for the actual time the balance remains unpaid and if the amount of a payment is insufficient to pay the accumulated finance charge, the unpaid accumulated finance charge continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the amount financed.

(c) Charts and tables:

(1) The Regulation Z Annual Percentage Rate Tables produced by the Board may be used to determine the annual percentage rate, and any such rate determined from these tables in accordance with instructions contained therein will comply with the requirements of this Section. Volume I contains Table FRB-100-M covering one (1) to sixty (60) monthly payments, Table FRB-100-M covering sixty-one (61) to one hundred twenty (120) monthly payments, Table FRB-300-M covering one hundred twenty-one (121) to four hundred eighty (480) monthly payments, and Table FRB-100-W covering one (1) to one hundred four (104) weekly payments. Volume I also contains instructions for use of the tables in regular transactions and most irregular transactions which involve only odd first and final payment periods.

Volume II contains factor tables and instructions for their use in connection with the tables in Volume I in the computation of annual percentage rates in any type of irregular payment period transaction and in

transactions involving multiple advances. Each volume is available from the Board of Governors of the Federal Reserve System and the Federal Reserve Banks.

(2) Any chart or table other than the Board's Regulation Z Annual Percentage Rate Tables also may be utilized for the purpose of determining the annual percentage rate provided:

(A) It is prepared in accordance with the general rule set forth in Paragraph (b), (1) or (2) of this Section;

(B) It bears the name and address of the person responsible for its production, and identification number assigned to it by that person which shall be the same for each chart or table so produced with like numerical content and configuration and, if prepared for use in connection with irregular transaction, an identification of the method of computation ("Actuarial" or "U.S. Rule");

(C) Except as provided in Subdivision d of this Subparagraph, it permits determination of the annual percentage rate to the nearest one-quarter of one percent ($1/4$ of 1%) for the range of rates covered by the chart or table; and

(D) If applicable to ranges or brackets of balances, it discloses the amount of the finance charge and the annual percentage rate on the median balance within each range or bracket of balances where a creditor imposes the same finance charge for all balances within a specified range or bracket of balances, and provided further that if the annual percentage rate determined on the median balance understates the annual percentage rate determined on the lowest balance in that range or bracket by more than eight percent (8%) of the rate on the lowest balance, then the annual percentage rate for that range or bracket shall be computed upon any balance lower than the median balance within that range so that any understatement will not exceed eight percent (8%) of the rate on the lowest balance

within that range or bracket of balances.

(3) In the event of an error in disclosure of the amount of a finance charge or an annual percentage rate occurs because of a corresponding error in a chart or table acquired or produced in good faith by the creditor, that error in disclosure shall not, in itself, be considered a violation provided that upon discovery of the error, that creditor makes no further disclosure based on that chart or table and promptly notifies the Administrator and either the Board of Governors of the Federal Reserve System or a Federal Reserve Bank in writing of the error and identifies the inaccurate chart or table by giving the name and address of the person responsible for its production and its identification number.

§2106. Disclosure Requirements. Under current federal law, the control of disclosure enforcement lies with the Federal Government and the provisions of such enforcement are contained under Regulation Z - Truth in Lending Act. This situation will continue until such time as Guam enacts an amendment to the present Guam Uniform Consumer Credit Code, bringing its disclosure standards up to those contained in federal legislation, the Federal Consumer Protection Act. After such amendment Guam can then become exempt under Federal Law by submitting this new program of enforcement for exemption certification. With such exemption, Guam will then have control over the enforcement of the disclosure provisions of the Code. Until such time, all disclosure requirements are governed and enforced by Federal Law.

§2107. Advertising Credit Terms. (a) General Rule. No advertisement to aid, promote, or assist directly or indirectly any extension of credit may state:

(1) That a specific amount of credit or installment amount can be arranged unless the creditor usually and customarily arranges or will arrange credit amounts or installments for that period and in that amount; or

(2) That no down payment or that a specified down payment will be accepted in connection with any extension of credit, unless the creditor usually and

customarily accepts or will accept down payments in that amount.

(b) **Catalogs and Multi-Page Advertisements.** If a catalog or other multiple-page advertisement sets forth or gives information in sufficient detail to permit determination of the required disclosures or schedule of credit terms, such catalog or multiple-page advertisement shall be considered or single advertisement provided:

(1) The table or schedule and the disclosures made therein are set forth clearly and conspicuously; and

(2) Any statement of credit terms appearing in any place other than in that table or schedule of credit terms clearly and conspicuously refers to the page or pages on which that table or schedule appears, unless that statement discloses all of the credit terms required to be stated under this Section. For the purpose of this Subparagraph, cash price is not a credit term.

(c) **Advertising of Open End Credit.** No advertisement to aid, promote or assist directly or indirectly the extension of open end credit may set forth that no down payment, a specified down payment or a specified periodic payment is required or any of the following items unless it also clearly and conspicuously sets forth all of the following items:

(1) An explanation of the time period, if any, within any credit extended may be paid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge may be imposed.

(3) The method of determining the amount of the finance charge, including the determination of any minimum, fixed, check service, transaction, activity or similar charge, which may be imposed as a finance charge.

(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the

range of balances to which it is applicable, and the corresponding annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(5) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(6) The minimum periodic payment required.

(d) Advertising of Credit Other Than Open End.

Except for a catalog or other multiple-page advertisement which complies with Paragraph (b) of this Section, no advertisement to aid, promote or assist directly or indirectly any credit sale including the sale of residential real estate, loan or other extension of credit, other than open end credit, subject to the provisions of this Part shall state:

(1) The rate of finance charge unless it states the rate of that charge expressed as an "annual percentage rate," using that term;

(2) The amount of the down payment required or that no down payment is required, the amount of any installment payment, the dollar amount of any finance charge, the number of installments or the period of repayment, or that there is no charge for credit, unless it states all of the following items:

(A) The cash price or the amount of the loan, as applicable.

(B) The amount of the down payment required or that no down payment is required, as applicable.

(C) The number, amount and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

(D) The amount of the finance charge expressed as an annual percentage rate.

(E) Except in the case of the sale of a dwelling

or a loan secured by a first lien on a dwelling to purchase that dwelling, the deferred payment price or the sum of the payments, as applicable.

§2108. Prepayment. The Guam Uniform Consumer Credit Code provides that the debtor shall have the right to prepay any precomputed debt and shall receive a rebate or refund of the unearned portion of the finance charge as well as of any unearned deferral charge and for insurance premium. The refund of insurance other than credit life and disability must be made according to the "Short Rate Table." The refund of credit life, disability insurance and unearned finance charges shall be based upon the Rule of 78's ("Sum of the Digits") where a deferral has been granted, a pro rata refund must be applied to the deferral charge or charges and the two (2) or three (3) separate rebates totaled and credited to the debtor. Examples of the application of §§1802.210 and 1803.210 appear below. It is noted that the majority of lenders in Guam apply the basic fifteen (15) day rule (fifteen (15) days or less is waived, sixteen (16) days or more represents a computational period of one (1) month). The lender has the option to compute daily or apply the fifteen (15) day rule; however, he may not do both:

(a) **Example 1:** Time sale contract executed July 1, 1969, and goods delivered the same day. Payable in twelve (12) equal monthly payments beginning August 1, 1969. Sale price is One Thousand Dollars (\$1,000.00), credit service charge is Seventy-One Dollars Twenty-Four Cents (\$71.24), and the monthly payment is Eighty-Nine Dollars Twenty-Seven Cents (\$89.27). Debtor prepays in full on October 1, 1969:

(1) The computational period is one month (§1802.210 (3)(b)). The interval to the due date of the first installment starts July 1 and, being one (1) month, constitutes one (1) computational period. The denominator of the fraction called for by §1802.210(2) is therefore the sum of the twelve (12) scheduled unpaid balances as of the last days of the months of July 1969 through June 1970, before deducting the payments scheduled for those days. Sum of twelve (12) balances (1,071.24; 981.97; 892.70 ... 89.27) = 6,963.06.

(2) The computational periods in the numerator of the fraction called for by §1802.210(2) begin with the one starting on October 2, 1969, so the numerator is the sum of the nine (9) scheduled unpaid balances as of the first days of the months of November 1969, through July 1970, before deducting the payments scheduled for those days. Sum of nine (9) balances (803.43; 714.16; 624.89 ... 89.27) = 4,017.15.

(3) Refund is $4,017.15 \times 71.24 = \41.10

6,963.06

(b) **Example 2:** Time sale executed June 26, 1969, and goods delivered July 9, 1969. Payable in twelve (12) equal monthly payments beginning August 15. Sale price is One Thousand Dollars (\$1,000.00), credit service charge is Seventy-One Dollars Twenty-Four Cents (\$71.24), and the monthly payment is Eighty-Nine Dollars Twenty-Seven Cents (\$89.27). Debtor prepays in full on November 10, 1969:

(1) The computational period is one (1) month (§1802.210(3)(b)). The interval to the due date of the first installment starts July 9 and constitutes one (1) computational period (§1802.201(3)). Since the interval is thirty-seven (37) days, the seller has the option of reducing the rebate by an adjustment for seven (7) days (§1802.210(4)(a)). Subsection (4)(.a)(ii) of §1802.210 does not apply.

The denominator of the fraction called for by §1802(2) therefore is the sum of the twelve (12) scheduled unpaid balances as of the fifteenth day of the months of August through July before deducting the payment scheduled for those days. Sum of twelve (12) balances (1,071.24; 981.97; 892.70 ... 89.27) = 6,963.06. The adjustment is found in taking 7/30 of the credit service charge earned in the computational period of the first scheduled due date or:

$$\begin{aligned} &7/30 \times \text{beginning balance} \\ &\quad \text{denominator as determined above} \\ &\quad \times \text{credit service charge.} \\ &7/30 \times 1,071.24 \times 71.24 = \$2.56 \end{aligned}$$

6,963.06

(2) The computational periods in the numerator of the fraction called for by §1802.210(2) begin with the one starting on November 16 so the numerator is the sum of the eight (8) scheduled balances as of the fifteenth of the months of December 1969, through July 1970, before deducting the payment scheduled for that day. Sum of eight (8) balances (714.16; 624.89; 535.62 ... 89.27) = 3,213.72.

(3) Refund is $3,213.72 \times 71.24 = \32.88

6,963.06

\$32.88 minus adjustment of \$2.56 = \$30.32. [Rule 1.8]

§2109. Delinquency Charges. Delinquency charges can only be collected when provided for in the loan agreements. A delinquency charge may be collected on any installment not paid in full within ten (10) days. The delinquency charge may not exceed the greater of Five Dollars (\$5.00) or five percent (5%) of the unpaid amount of the installment with the minimum charge being Two Dollars (\$2.00). The delinquency charge may be collected only one (1) time and only on the installment in default, regardless of the period in which the installment remains in default. Payments are applied first to current installments and then to delinquent installments. A delinquency charge may not be collected on an installment which has been deferred. Delinquency charges may be collected at the time it is assessed or at any time thereafter. Section 1802.203 does not provide for conversion to an interest bearing note once a delinquent loan is in default two (2) installments by ten (10) days or more. Section 1802.203 concerns itself with consumer credit sales. However, a precomputed loan under §1803.203 can be converted to an interest bearing note in the event that the borrower is in default two (2) installments by ten (10) days or more. The following examples apply to both §§1802.203 and 1803.203:

(a) Example 1: Delinquency Unit Charge - 5% of \$50.00 = \$2.50. Term 12 x \$50.00 - 1st due 1-15-71.

<u>Date Paid</u>	<u>Amount Paid</u>	<u>Delinquency Charge</u>
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2-14-71	\$50.00	\$2.50
3-17-71	50.00	2.50
4-25-71	50.00	-0-
5-26-71	50.00	2.50

On 2-14-71, a delinquency charge of Two Dollars Fifty Cents (\$2.50) was permitted representing the 1-71 delinquent installment. The payment received on 2-14-71 would be counted as the 1-71 installment since 2-71 was not yet due. The payment received on 3-17 would represent the 3-71 installment. However, a delinquency charge can be collected for the 2-71 delinquent installment. No additional delinquency charge could be collected when the 4-25 payment was received since the creditor must apply this payment to the 4-71 installment and no further delinquency charges could be collected for the 1-71 and 2-71 payments. However, a charge on 5-26 was permissible as this installment fell beyond ten (10) days from the due date of the 15th.

NOTE: If the 2-71 installment had been received on 2-15 instead of 2-14, the delinquency charge collected on 3-17 would not have been permitted.

The reason for this is that the creditor would be required to apply the payment received on 2-15 to the 2-71 installment, rather than the 1-71 installment based on the rule that payments must be applied first to current installments and then to delinquent installments. A delinquent charge could still be collected for 1-71 but no charge for 2-71 could be made. (b) Example 2: Delinquency Unit Charge - 5% of \$50.00 = \$2.50. Term 24 x \$50.00 - 1st due 1-15-71.

Date Paid	Amount Paid	Delinquency Charge
	4-15-70	\$50.00
\$7.50		
	6-26-70	50.00
5.00		
	7-15-70	50.00
-0-		
	8-15-70	50.00
-0-		
	12-15-70	50.00
7.50		
	1-15-71	50.00
-0-		
	2-15-71	50.00

financial organization in the conduct of his business under this Act must have first been submitted to and approved by the Administrator. Forms should be submitted in duplicate.

§2113. Effective Date. These Regulations shall take effect on January 7, 1972.