

Truth in Lending Act

Consumer Protection for Borrowing Money

Overview

The Truth in Lending Act, or TILA, also known as regulation Z, requires lenders to disclose information about all charges and fees associated with a loan. This 1968 federal law was created to promote honesty and clarity by requiring lenders to disclose terms and costs of consumer credit. The TILA standardized the process of how borrowing costs are calculated and disclosed, making it easier for consumers to compare loans and credit costs with various lenders.

TILA disclosures include the number of payments, the monthly payment, late fees, whether a borrower can prepay the loan without penalty and other important terms. TILA disclosures is often provided as part of the loan contract, so the borrower may be given the entire contract for review when the TILA is requested. Borrowers should always receive and review the TILA disclosure page in detail before signing any loan contract that obligates repayment.

What Does the TILA Do?

THE TILA:

- Protects consumers from unethical lending
- Promotes business with standardized and clear lending practices by simplifying the ability to compare loans and credit with various lenders
- Discloses finance charges, fees and costs of credit before consumers take out credit and have a legal obligation to repay

What Information Do TILA Disclosure Statements Provide?

DISCLOSURE STATEMENTS UNDER THE TILA WILL PROVIDE THE FOLLOWING INFORMATION ABOUT THE COSTS OF LOANS AND CREDIT:

- **Borrowing costs:** The cost of credit is expressed as a yearly percentage rate known as the annual percentage rate, or APR.
- **Finance charges:** Finance charges are the cost of credit shown as a dollar amount. They are made up of the total amount of interest and fees paid over the life of loan with on-time payments.
- **Amount financed:** The amount financed is the dollar amount of credit provided to the borrower, which is normally the amount borrowed.
- **Total of payments:** The total of payments is the sum of all payments the borrower will have paid at the end of the loan, which includes the repayment of the principle plus all finance charges on the loan.

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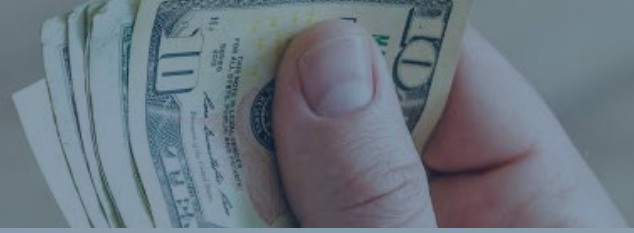


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What Is Disclosed Under the TILA?

THE TILA DISCLOSES:

- Late payment fees
- Interest rate increases
- Service charges and fees

What Is Not Covered Under TILA?

THE TILA DOES NOT COVER:

- Student loans
- Loans over \$25,000 made for purposes other than housing
- Business loans (The TILA only protects consumer loans and credit.)

Summary

Purchasing a home, vehicle or other assets with credit and loans can greatly impact your financial security. Be money smart by carefully reviewing TILA disclosures to obtain the best financial option for your borrowing needs. For additional assistance, make an appointment to receive no-cost, personal support from an accredited personal financial manager or counselor at your nearest Family Center. Visit <https://installations.militaryonesource.mil> to locate one near you.

Additional Resources:

- <https://www.occ.treas.gov>
- <https://www.consumerfinance.gov>

