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APPENDIX B TO PART 707—MODEL
CLAUSES AND SAMPLE FORMS

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GENERAL NOTE: Appendix B contains model clauses and sample forms intended for optional use by credit unions to aid in compliance with the disclosure requirements of §§ 707.4 (account disclosures), 707.5 (subsequent disclosures), 707.6 (statement disclosures), and 707.8 (advertisements). Section 269(b) of TISA provides that credit unions that use these clauses and forms will be in compliance with TISA's disclosure provisions.

As discussed in the supplementary information to § 707.3(a), this final rule provides for flexibility in designing the format of the disclosures. Credit unions can choose to prepare a single document or brochure that incorporates disclosures for all accounts offered, or to prepare different documents for each type of account. Credit unions may also use inserts to a document, or fill in blanks to show current rates, fees and other terms.

In the model clauses, words in parentheses indicate the type of disclosure a credit union should insert in the space provided (for example, a credit union might insert "July 23, 1995" in the blank for a "(date)" disclosure). Brackets and "/" indicate that a credit union must choose the alternative that best describes its practice (for example, "[daily

balance/ average daily balance]"). It should be noted that only in sections B-6 through B-10 of this appendix have specific examples of disclosures been given, with dates and figures. Sections B-1 through B-5, and section B-11 provide only unspecific model clauses or blank forms. The Board felt, as articulated in the appendix A to Regulation DD, that a mix of blank clauses and forms and application of the model clauses to real specific situations would benefit those who must comply with TISA.

Any references to NCUA Rules and Regulations, the *NCUA Standard FCU Bylaws*, or the *NCUA Accounting Manual for FCUs*, are provided for guidance and as a point of reference for credit unions. Citations to these sources does not indicate that their application is required for those credit unions who need not follow them.

B-1 MODEL CLAUSES FOR ACCOUNT
DISCLOSURES (§ 707.4(B))

(a) *Rate Information (Sec. 707.4(b)(1))*

(i) *Fixed-Rate Accounts (§ 707.4(b)(1)(i)(A-B))*

1. *Interest-bearing Accounts*

The interest rate on your deposit account is _____% with an annual percentage yield (APY) of _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

NOTE: This provision reflects an accurate statement for an interest-bearing account authorized by state law for state-chartered credit unions. While the definition of the term "interest" permits its substitution for the term "dividends," separate disclosures should be made for interest-bearing accounts. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Given the definition of fixed-rate account in § 707.2(n), credit unions offering fixed-rate accounts must contract to

hold rates steady for at least a 30-day period. Thus, if the 30-day option of the last sentence is not chosen, the period chosen must be longer than 30 days.

2. Dividend-bearing Term Share Accounts

The dividend rate on your term share account is _____% with an annual percentage yield (APY) of _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

NOTE: This provision reflects an accurate statement for a fixed-rate, dividend-bearing term share account. Interest-bearing term share accounts would use the disclosure in §1, above. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Given the definition of fixed-rate account in §707.2(n), credit unions offering fixed-rate accounts must contract to hold rates steady for at least a 30-day period. Thus, if the 30-day option of the last sentence is not chosen, the period chosen must be longer than 30 days.

3. Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the dividend rate was _____% with an annual percentage yield (APY) of _____% on your account. /or The prospective dividend rate on your account is _____% with a prospective APY of _____% for the current dividend period.] You will be paid this rate for [(time period)/at least 30 calendar days].

or

[As of [the last dividend declaration date/ (date)], the dividend rate was _____% with an annual percentage yield (APY) of _____% on your account. /or The prospective dividend rate on your account is _____% with an annual percentage yield (APY) of _____% for this dividend period.] This rate will not change unless the credit union notifies you at least 30 calendar days prior to any change.

NOTE: Credit unions may disclose the dividend rate and annual percentage yield on accounts as of the last dividend declaration date. This necessitates inclusion of a disclosure of the actual calendar date of the last dividend declaration date. Additionally or alternatively (if the last dividend rate could

be inaccurate), credit unions may disclose a prospective dividend rate and a prospective annual percentage yield. Such prospective rates and yields must be estimated in good faith, and must be declared at the proper time if it is at all possible to do so. As for the last sentence in these disclosures, this provision reflects a credit union policy to set prospective dividend rates for the next month (or at least 30 days), quarter or other period. Many credit unions, at their mid-monthly board meeting, set prospective dividend rates for the next month beginning on the 1st day of the month and continuing to the last day of the month. These rates must be formalized or ratified at the end of a dividend period. Given the timing of the board meetings, the time to prepare and mail notices and the 30 day period, it will often take credit unions 45 to 60 days to effectively change rates. For these reasons, the Board strongly suggests that credit unions do not offer fixed-rate, dividend-bearing accounts.

(ii) Variable-Rate Accounts (§ 707.4(b)(1)(ii))

1. Interest-bearing Accounts

The interest rate on your deposit account is _____%, with an annual percentage yield (APY) of _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] The interest rate and annual percentage yield may change every (time period) based on [(name of index)/the determination of the credit union board of directors]. The interest rate for your account will [never change by more than _____% each (time period)/never be less/more than _____%/never exceed _____% above or fall more than _____% below the initial interest rate].

NOTE: This disclosure combines the requirements of §707.4(b)(1)(i) with §707.4(b)(1)(ii) for interest-bearing accounts. The variable nature of a deposit account usually is based on an external index or is set at the discretion of the board. If another means of rate setting is used, that, instead of the proposed language, must be disclosed. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Rarely would there be limitations on rate changes, but language is provided for this situation in the

last sentence. Of course, it is only to be used if it applies to an account.

2. Dividend-bearing Term Share Accounts

The dividend rate on your term share account is _____%, with an annual percentage yield (APY) of _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] The dividend rate and annual percentage yield may change every (time period) based on [(name of index)/the determination of the credit union board of directors]. The dividend rate for your account will [never change by more than _____% each (time period)/never be less/more than _____% /never exceed _____% above or fall more than _____% below the initial dividend rate].

NOTE: This disclosure combines the requirements of §707.4(b)(1)(i) with §707.4(b)(1)(ii) for dividend-bearing, variable-rate term share accounts. The variable nature of a deposit account usually is based on an external index or is set at the discretion of the board. If another means of rate setting is used, that, instead of the model language, must be disclosed. Since account opening disclosures may be provided to potential members requesting account information before opening an account, and members opening new accounts, information is provided indicating that the rate may not be current, but that the potential member or member may call the credit union to obtain up-to-date information. When opening a new account, of course, a credit union could provide the contractual rate alone, and delete the sentences in brackets. Rarely would there be limitations on rate changes, but language is provided for this situation in the last sentence. Of course, it is only to be used if it applies to an account.

3. Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the dividend rate was _____% with an annual percentage yield (APY) of _____% on your account. /or The prospective dividend rate on your account is _____% with an anticipated annual percentage yield (APY) of _____% for the current dividend period.] The dividend rate and annual percentage yield may change every (dividend period) as determined by the credit union board of directors.

NOTE: This language combines the requirements of §707.4(b)(1)(i) with §707.4(b)(1)(ii). Credit unions may disclose the dividend rate and annual percentage yield on accounts as of the last dividend declaration date. This necessitates inclusion of a disclosure of the actual calendar date of the last dividend declaration date or use of the phrase "last divi-

dend declaration date". Additionally or alternatively, credit unions may disclose a prospective dividend rate and a prospective annual percentage yield. Such prospective rates and yields must be estimated in good faith, and must be declared at the proper time if it is at all possible to do so. As for the last sentence in these disclosures, this provision reflects the variable nature of the account. Generally, there is only one variable-rate feature for share accounts: the frequency of dividend period rate changes (e.g., daily, weekly, monthly, quarterly, semi-annually, annually). Normally, there are no contractual limitations on share account earnings (unless imposed by a regulator), nor are earnings based on any internal or external index. If contractual limitations or an index are involved, however, those factors would need to be disclosed (unless a regulator orders otherwise).

(iii) Stepped-Rate Accounts (§707.4(b)(1)(i))

1. Interest-bearing Accounts

The initial interest rate on your deposit account is _____%. You will be paid that rate [for (time period)/ until (date)]. After that time, the interest rate for your deposit account will be _____% and you will be paid that rate [for (time period)/ until (date)]. The annual percentage yield (APY) for your account is _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

2. Dividend-bearing Term Share Accounts

The initial dividend rate on your term share account is _____%. You will be paid that rate [for (time period)/ until (date)]. After that time, the dividend rate for your term share account will be _____% and you will be paid that rate [for (time period)/ until (date)]. The annual percentage yield (APY) for your account is _____%. [For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.] You will be paid this rate [for (time period)/until (date)/for at least 30 calendar days].

3. Other Dividend-bearing Accounts

[As of [the last dividend declaration date/ (date)], the initial dividend rate on your account was _____%. /or The prospective dividend rate on your account is _____%.] You will be paid that rate [for (time period)/ until (date)]. After that time, the prospective dividend rate for your share account will be

_____ % and you will be paid such rate [for (time period)/ until (date)]. The annual percentage yield (APY) for your account is _____ %. You will be paid this rate for [(time period)/at least 30 calendar days].

NOTE: Stepped-rate accounts are accounts with two or more rates that take effect in succeeding periods. The applicable rates and time periods are known when the account is opened. By nature these are fixed-rate accounts and are usually associated with term share (certificate) accounts. Accordingly, a contract provision (for share accounts) to change rates should be included.

(iv) *Tiered-Rate Accounts (§ 707.4(b)(1)(i))*

1. *Interest-bearing Accounts*

Tiering Method A

1* If your [daily balance/average daily balance] is \$ _____ or more, the interest rate paid on the entire balance in your account will be _____ %, with an annual percentage yield (APY) of _____ %.

2* If your [daily balance/average daily balance] is more than \$ _____, but less than \$ _____, the interest rate paid on the entire balance in your account will be _____ %, with an APY of _____ %.

3* If your [daily balance/average daily balance] is \$ _____ or less, the interest rate paid on the entire balance will be _____ % with an APY of _____ %.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[*Fixed-rate*—You will be paid this rate [for (time period)/until (date)]/for at least 30 calendar days]./ *Variable-rate*—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

NOTE: Tiering Method A pays the stated interest rate that corresponds to the applicable deposit tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currency of the rate, as is provided in the first set of brackets. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* An interest rate of _____ % will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____. The annual percentage yield (APY) for this tier will range from _____ % to

_____ %, depending on the balance in the account.

2* An interest rate of _____ % will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____, but less than \$ _____. The annual percentage yield (APY) for this tier will range from _____ % to _____ %, depending on the balance in the account.

3* If your [daily balance/average daily balance] is \$ _____ or less, the interest rate paid on the entire balance will be _____ %, with an annual percentage yield (APY) of _____ %.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[*Fixed-rate*—You will be paid this rate [for (time period)/until (date)]/for at least 30 calendar days]./ *Variable-rate*—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

NOTE: Tiering Method B pays different stated interest rates corresponding to applicable deposit tiers, on the applicable balance in each tier of the account. For example, a credit union might pay 3% interest on account funds of \$500 or below, and pay 4% interest on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currency of the rate, as is provided in the first set of brackets.

Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosure. Thus, the disclosures outlined above will be made in addition to either: (i) Disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

2. *Dividend-bearing Term Share Accounts*

Tiering Method A

1* If your [daily balance/average daily balance] is \$ _____ or more, the dividend rate paid on the entire balance in your account will be _____ %, with an annual percentage yield (APY) of _____ %.

2* If your [daily balance/average daily balance] is more than \$ _____, but less than \$ _____, the dividend rate paid on the entire balance in your account will be _____ %, with an APY of _____ %.

3* If your [daily balance/average daily balance] is \$ _____ or less, the dividend rate paid on the entire balance will be _____ % with an APY of _____ %.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[*Fixed-rate*—You will be paid this rate [for (time period)/until (date)] for at least 30 calendar days]./ *Variable-rate*—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

NOTE: Tiering Method A pays the stated dividend rate that corresponds to the applicable account balance tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currency of the rate, as is provided in the first set of brackets. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* A dividend rate of _____ % will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____. The annual percentage yield (APY) for this tier will range from _____ % to _____ %, depending on the balance in the account.

2* A dividend rate of _____ % will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____, but less than \$ _____. The annual percentage yield (APY) for this tier will range from _____ % to _____ %, depending on the balance in the account.

3* If your [daily balance/average daily balance] is \$ _____ or less, the dividend rate paid on the entire balance will be _____ %, with an annual percentage yield (APY) of _____ %.

[For purposes of this disclosure, this is a rate and APY that were offered within the most recent seven calendar days and were accurate as of (date). Please call (credit union telephone number) to obtain current rate information.]

[*Fixed-rate*—You will be paid this rate [for (time period)/until (date)] for at least 30 calendar days]./ *Variable-rate*—The interest rate and APY may change every (time period) based on [(name of index)/ the determination of the credit union board of directors.]

NOTE: Tiering Method B pays different stated dividend rates corresponding to applicable account balance tiers, on the applica-

ble balance in each tier of the account. For example, a credit union might pay 3% dividend on account funds of \$500 or below, and pay 4% dividend on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the currentness of the rate, as is provided in the first set of brackets.

Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosure. Thus, the disclosures outlined above will be made in addition to either: (i) Disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

3. Other Dividend-bearing Accounts

Tiering Method A

1* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$ _____ or more, the dividend rate paid on the entire balance in your account was _____ %, with an annual percentage yield (APY) of _____ %./or If your [daily balance/average daily balance] is \$ _____ or more, a prospective dividend rate of _____ % will be paid on the entire balance in your account with a prospective annual percentage yield (APY) of _____ % for this dividend period.]

2* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was more than \$ _____, but was less than \$ _____, the dividend rate paid on the entire balance in your account was _____ %, with an annual percentage yield (APY) of _____ %./or If your [daily balance/average daily balance] is more than \$ _____, but is less than \$ _____, a prospective dividend rate of _____ % will be paid on the entire balance in your account with a prospective annual percentage yield (APY) of _____ % for this dividend period.]

3* [As of the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$ _____ or less, the dividend rate paid on the entire balance in your account will be _____ % with an annual percentage yield (APY) of _____ %./or If your [daily balance/average daily balance] is \$ _____ or less, the prospective dividend rate of _____ % will be paid on the entire balance in your account with a prospective annual percentage yield (APY) of _____ % for this dividend period.

[*Fixed-rate*—You will be paid this rate for [(time period)/at least 30 calendar days]./

Variable-rate—The dividend rate and APY may change every (dividend period) as determined by the credit union board of directors.]

NOTE: Tiering Method A pays the stated dividend rate that corresponds to the applicable deposit tier on the full balance in the account. This example contemplates a two-tier system. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. For tiered-rate accounts, a disclosure may be added about the prospective rate. Note that the prospective rate disclosure options match the required tiered-rate disclosures based on the previous dividend declaration date. A disclosure regarding the fixed-rate or variable-rate nature of the account must be added, as is provided in the last set of brackets.

Tiering Method B

1* [As of [the last dividend declaration date/ (date)], a dividend rate of _____% was paid only on the portion of your [daily balance/average daily balance] that was greater than \$ _____. The annual percentage yield (APY) for this tier ranged from _____% to _____%, depending on the balance in the account. /or A prospective dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____ with a prospective annual percentage yield (APY) ranging from _____% to _____%, depending on the balance in the account, for this dividend period.]

2* [As of [the last dividend declaration date/ (date)], a dividend rate of _____% was paid only on the portion of your [daily balance/average daily balance] that was greater than \$ _____ but less than \$ _____. The annual percentage yield (APY) for this tier ranged from _____% to _____%, depending on the balance in the account. /or A prospective dividend rate of _____% will be paid only on the portion of your [daily balance/average daily balance] that is greater than \$ _____, but less than \$ _____] with a prospective annual percentage yield (APY) ranging from _____% to _____%, depending on the balance in the account, for this dividend period.]

3* [As of [the last dividend declaration date/ (date)], if your [daily balance/average daily balance] was \$ _____ or less, the dividend rate paid on the entire balance was _____%, with an annual percentage yield (APY) of _____%. /or If your [daily balance/average daily balance] was \$ _____ or less, the prospective dividend rate paid on the entire balance in your account will be _____% with a prospective annual percentage yield (APY) of _____% for this dividend period.]

NOTE: Tiering Method B pays different stated dividend rates corresponding to appli-

cable account tiers, on the applicable balance in each tier of the account. For example, a credit union might pay a 3% dividend on account funds of \$500 or below, and pay a 4% dividend on the portion of the same account that exceeds \$500. The example contemplates an account with two tiers, but additional tiers are possible. The option (1, 2 or 3) most closely matching the terms of the account should be chosen as the appropriate disclosure. Note that the prospective rate disclosure options match the required tiered-rate disclosures based on the previous dividend declaration date.

Tiered-rate accounts can be either fixed-rate or variable-rate accounts. The last sentence offers an option of either fixed-rate or variable-rate disclosures. Thus, the disclosures outlined above must be made in addition to either: (i) Disclosure of the period the fixed-rates are in effect or (ii) the variable-rate disclosures. Tiered-rate accounts are also subject to the requirement for disclosure of the balance computation method, see paragraph (e) to this appendix.

(b) *Nature of Dividends (§ 707.4(b)(8))*

Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.

NOTE: The Board of Directors declares dividends based on current income and available earnings of the credit union after providing for the required reserves at the end of the month. The dividend rate and annual percentage yield shown may reflect either the last dividend declaration date on the account or the earnings the credit union anticipates having available for distribution. This disclosure only applies to share and share draft (as opposed to deposit) accounts and should be grouped with the Rate Information to make the disclosures more meaningful. This disclosure also does not apply to term share accounts for reasons discussed in the supplementary information regarding §§ 707.3(e) and 707.4(b)(8).

(c) *Compounding and Crediting (§ 707.4(b)(2))*

[Dividends/Interest] will be compounded (frequency) and will be credited (frequency), and, if applicable:

If you close your [share/deposit] account before [dividends/interest] [are/is] paid, you will not receive the accrued [dividends/interest].

and, if applicable (for dividend-bearing accounts):

For this account type, the dividend period is (frequency), for example, the beginning date of the first dividend period of the calendar year is (date) and the ending date of such dividend period is (date). All other dividend periods follow this same pattern of

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dates. The dividend declaration date follows the ending date of a dividend period, and for the example is (date).

NOTE: Where the word “(frequency)” appears, time periods must be inserted to coincide with those specified in board resolutions of each credit union’s board of directors. A disclosure of dividend period was added to § 707.4(b)(2)(i) in the final rule to assist members in knowing when dividend rate and APY disclosures would be given by a credit union using the optional statement rule of § 707.6(a). The dividend declaration date is important for purposes of § 707.4(a)(2)(ii), request disclosures, § 707.4(b)(2), account opening disclosures, and § 707.8(c)(2), advertising disclosures. The Board believes that this is critical information for dividend-bearing accounts, but that provision by an example (whether of the first dividend period of the year, or of any randomly chosen dividend period) is favorable to providing a list of such dates for the entire year or for a period of years (although these methods would also be permissible). As noted in the supplementary information to § 707.2(j), dividend declaration date, the dividend period and actual dividend distribution date may vary. Thus, it is possible for crediting periods and dividend periods not to coincide, though the Board believes that credit unions should make every effort to attempt to coordinate the two periods.

(d) *Minimum Balance Requirements* (§ 707.4(b)(3)(i))

(i) *To open the account*

The minimum balance required to open this account is \$_____.

or, for first share account at a credit union

The minimum required to open this account is the purchase of a (par value of a share) share in the credit union.

(ii) *To avoid imposition of fees*

You must maintain a minimum daily balance of \$_____ in your account to avoid a service fee. If, during any (time period), your account balance falls below the required minimum daily balance, your account will be subject to a service fee of \$_____ for that (time period).

or

You must maintain a minimum average daily balance of \$_____ in your account to avoid a service fee. If, during any (time period), your average daily balance is below the required minimum, your account will be subject to a service fee of \$_____ for that (time period).

(iii) *To obtain the annual percentage yield disclosed*

You must maintain a minimum daily balance of \$_____ in your account each day to obtain the disclosed annual percentage yield.

or

You must maintain a minimum average daily balance of \$_____ in your account to obtain the disclosed annual percentage yield.

(iv) *Absence of minimum balance requirements*
No minimum balance requirements apply to this account.

(v) *Par value*

The par value of a share in this credit union is \$_____.

NOTE: Where the words “(time period)” appear, time periods should be inserted to coincide with those specified in board resolutions of each credit union’s board of directors. As the supplementary information to § 707.4(b)(3)(i) explains, the par value of a share to establish membership is a critical disclosure to be made to potential members of credit unions. The par value disclosure is required by § 707.4(b)(3)(i) as being analogous to a minimum balance account opening requirement.

(e) *Balance Computation Method* (§ 707.4(b)(3)(ii))

(i) *Daily Balance Method*

[Dividends/Interest] [are/is] calculated by the daily balance method which applies a daily periodic rate to the balance in the account each day.

(ii) *Average Daily Balance Method*

[Dividends/Interest] [are/is] calculated by the average daily balance method which applies a periodic rate to the average daily balance in the account for the period. The average daily balance is calculated by adding the balance in the account for each day of the period and dividing that figure by the number of days in the period.

NOTE: Any explanation of balance computation method must contain enough information for members to grasp the means by which dividends or interest will be calculated on their accounts. Using a shorthand form, such as “day in/day out” for the daily balance method or “average balance” for the average daily balance method, without more information, is insufficient. In addition, any disclosure based on the equivalency of the two allowable methods, such as stating that the average daily balance method was the same as the daily balance method, is impermissible and misleading.

(f) *Accrual of Dividends/Interest on Noncash Deposits* (§ 704.4(b)(3)(iii))

[Dividends/Interest] will begin to accrue on the business day you [place/deposit] noncash items (e.g. checks) to your account.

or

[Dividends/Interest] will begin to accrue no later than the business day we receive provisional credit for the [placement/deposit] of noncash items (e.g. checks) to your account.

NOTE: Accrual information is not included in the explanation of balance computation

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method required by §707.4(b)(4)(ii). In addition, the disclosures required by TISA do not affect the substantive requirements of the EFAA and Regulation CC.

The EFAA and Regulation CC control, and any modifications to them should occasion credit unions to revisit this disclosure with a view to revising it to reflect current law.

(g) Fees and Charges (§ 707.4(b)(4))

The following fees and charges may be assessed against your account:

(Service/explanation)—\$ _____.
(Service/explanation)—\$ _____.

NOTE: Fees and charges may be disclosed in an account disclosure, or separately in a Rate and Fee Schedule (see section B-11 of this appendix). In either event, the disclosure should also specify when the fee will be assessed by using phrases such as “per item,” “per month,” or “per inquiry.”

(h) Transaction Limitations (§ 707.4(b)(5))

The minimum amount you may [withdraw/write a draft for] is \$ _____.

During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a preauthorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft, debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to [closure by the credit union/a fee of \$ _____].

NOTE: This paragraph satisfies the requirements of §707.4(b)(6) with respect to the Federal Reserve Board’s Regulation D limitations on share accounts and money market accounts. These are some of the more common limitations applicable.

The credit union reserves the right to require a member intending to make a withdrawal from any account (except a share draft account) to give written notice of such intent not less than seven days and up to 60 days before such withdrawal.

NOTE: This disclosure is limited to federal credit unions with Bylaws containing this limitation. See *Standard Federal Credit Union Bylaws*, Art. III, section 5(a). Similar disclosures are required of any state-chartered credit unions having similar limitations in their bylaws, or under state law. This limitation does not directly relate to the “number” or “amount” of transactions, and accordingly, may not be necessary under §707.4(b)(5), but would, if applicable, be required by §707.3(b).

(i) Disclosures Related to Term Share Accounts (§ 707.4(b)(6))

(i) Time requirements

Your account will mature on (date).

or

Your account will mature after (time period).

(ii) Early withdrawal penalties

We [will/may] impose a penalty if you withdraw [any/all] of the [funds/principal] in your account before the maturity date. The penalty will equal [_____] [days/weeks/months] [dividends/interest] on your account.

or

We [will/may] impose a penalty of \$ _____ if you withdraw [any/all] of the [funds/principal] before the maturity date.

If you withdraw some of your funds before maturity, the [dividend/interest] rate for the remaining funds in your account will be _____%, with an annual percentage yield of _____%.

NOTE: In most cases, the dividend rate and annual percentage yield on the funds remaining in the account after early withdrawal are the same as before the withdrawal. Accordingly, the disclosure of dividend rate and annual percentage yield after withdrawal is required only if the dividend rate and APY will change.

(iii) Withdrawal of Dividends/Interest Prior to Maturity

The annual percentage yield is based on an assumption that [dividends/interest] will remain in the account until maturity. A withdrawal will reduce earnings.

NOTE: This disclosure may be used if the credit union compounds dividends/interest and allows withdrawal of accrued dividends/interest before maturity. This disclosure alerts members that the annual percentage yield is based on an assumption that the dividends/interest remain on deposit until maturity.

(iv) Renewal Policies

1. Automatically Renewable Term Share Accounts

Your term share account will automatically renew at maturity. You will have a grace period of _____ [calendar/business] days after the maturity date to withdraw the funds in the account without being charged an early withdrawal penalty.

or

Your term share account will automatically renew at maturity. There is no grace period following the maturity of this account.

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2. Non-Automatically Renewable Term Share Accounts

This account will not renew automatically at maturity. If you do not renew the account, your account will [continue to earn/ no longer earn] [dividends/interest] after the maturity date.

NOTE: These disclosures should agree with the necessary pre-maturity notices for term share accounts in B-3 of this appendix.

(v) Required dividend distribution.

This account requires the distribution of dividends and does not allow dividends to remain in the account.

(j) Bonuses (§ 704.4(b)(7))

You will [be paid/receive] [\$ _____/(description of item)] as a bonus [when you open the account/on (date)].

You must maintain a minimum [daily balance/average daily balance] of \$ _____ to obtain the bonus.

To earn the bonus, [\$ _____/your entire principal] must remain on deposit [for (time period)/until (date)].

NOTE: These disclosures follow the requirements of § 707.4(b)(7) and should be used as applicable. Further information may also be added, especially if it clarifies the conditions and timing of receiving the bonus, or better informs the member about the bonus.

B-2 MODEL CLAUSES FOR CHANGES IN TERMS (§ 707.5(a))

On (date), the (type of fee) will increase to \$ _____.

On (date), the [dividend/interest] rate on your account will decrease to _____%, with an annual percentage yield (APY) of _____%.

On (date), the [minimum daily balance/average daily balance] required to avoid imposition of a fee will increase to \$ _____.

NOTE: These examples apply to the more common changes necessitating a change in terms notice. However, any change, amendment or modification reducing the APY or adversely affecting the members holding such accounts must be disclosed. For such changes not contemplated by the model clauses, the Board recommends the use of as simple language as possible to convey the change, along with cross-referencing to the particular sections or paragraph numbers of the account opening disclosures, when to do so will assist members in reviewing and understanding the change.

B-3 MODEL CLAUSES FOR PRE-MATURITY NOTICES FOR TERM SHARE ACCOUNTS (§ 707.5(b-c))

(a) Maturity Date

Your term share account will mature on _____.

(b) Nonrenewal

Unless your term share account is renewed, it will not accrue further [dividends/interest] after the maturity date.

(c) Rate Information

The [dividend/interest] rate and annual percentage yield that will apply to your term share account if it is renewed have not yet been determined. That information will be available on _____. After that date, you may call the credit union during regular business hours at (telephone number) to find out the [dividend/interest] rate and annual percentage yield (APY) that will apply to your term share account if it is renewed.

NOTE: Pre-maturity notices should follow the requirements of § 707.5(b-d) as closely as possible. Care should be taken to explain any grace periods used. See discussion of use of alternative timing in supplementary information to § 707.2(o) and § 707.5(b-d).

B-4 SAMPLE FORM (SIGNATURE CARD/ APPLICATION FOR MEMBERSHIP)

Application for Membership/Account Signature Card

ACCOUNT NUMBER _____

(last name) (first name) (middle name)

(street address) (apartment number)

(city) (state) (zip code)

(home telephone number) (business telephone number)

(Social Security # or TIN) (date of birth)

(mother's maiden name) (employer, occupation)

I hereby make application for membership in and agree to conform to the Bylaws, as amended, of _____ Credit Union (the "Credit Union"). I certify that: I am within the field of membership of this Credit Union; the information provided on this application is true and correct; and my signature on this card applies to all accounts under my name at this Credit Union. I also agree to be bound to the terms and conditions of any account that I have in the Credit Union now or in the future.

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 (signature of applicant)
 This application approved _____ (date) by
 the (Check one)
 Board Exec. Committee
 Membership Officer
 Signed: _____
 (Secretary; Exec. Cmte. Member, or
 Membership Officer)

NOTE: This form is modeled on NCUA Form FCU 150, Application for Membership, as discussed in the *Accounting Manual for FCUs*, §§ 5030.1, 5150.3. It is noted that other information can also be requested on the signature card, as long as it is in accordance with federal and state laws. For example, information identifying the member, such as a state driver's license number, could be added. The types of accounts that the signature applies to could be specified. Furthermore, the Board notes that this card contains much identification information that may not be necessary for all credit unions; common sense should guide credit union boards of directors in designing their applications for membership/signature cards. However, the Board believes that the information solicited on this form is reasonable and prudent for many credit unions. Payable on death designations, joint account language required under state law, life savings beneficiary designations, and other like variations and designations may be added to the card if so desired. The proposed signature card/ application for membership form contained taxpayer certification language. One commenter noted that the IRS may always change its requirements in this area, which are beyond the authority of the Board. Therefore, the Board has deleted reference to the IRS taxpayer certification required by 26 U.S.C. 3406, but notes that such certification must be made in accordance with applicable law and IRS rules. The information may be included on the front and back of a standard size signature card, or on the front of a large size signature card. However, no account terms may be included on a signature card unless a copy of the signature card is provided to the member at the time of account opening. The Board recommends that credit unions refrain from this practice, and instead use standard account disclosures. One reason for this is that if laws, regulations or credit union policies change, discrepancies may result between them and the earlier signature card terms. Given the longevity of credit union membership, signature cards may well be in use for up to or over a century. In addition, as signature cards are relatively small, they probably will not contain enough space to make all desired and required disclosures. Fragmentation of terms, some on signature cards, some on separate disclosures, could easily lead to member confusion. As terms are usually construed

against the drafter, credit unions should be very careful in their use of account terms and conditions varying from those provided as model clauses and sample forms in this appendix.

B-5 SAMPLE FORM (TERM SHARE
 (CERTIFICATE) ACCOUNT)

Term Share Certificate

 Date Issued

 Account Number

 Certificate Number

 Social Security Number

This is to certify that (name(s)) _____ [is/ are] the owner(s) of a term share certificate account in the _____ Credit Union (the "Credit Union") in the amount of _____ Dollars (\$ _____). This term share certificate account may be redeemed on (maturity date) _____ only upon presentation of the certificate to the Credit Union. The dividend rate of this certificate account is ____% with an annual percentage yield of ____%. The annual percentage yield and dividend rate assume that dividends are to be [check one] () added to principal/() paid to regular share account number _____ / () mailed to owner(s). This account is subject to all terms and conditions stated in the Term Share Certificate Account Disclosures, as they may be amended from time to time, and incorporates the same by reference into this agreement.

 Authorized signature

 Authorized signature

NOTE: This form is modeled on NCUA Form FCU 107SCP, Credit Union Share Certificate, as discussed in the *Accounting Manual for FCUs*, §§ 5030.1, 5150.6. It is simplified to reflect the term share (certificate) account agreement, the parties involved, the maturity term and the annual percentage yield and dividend rate. All other terms are incorporated by reference. This should allow the credit union maximum flexibility in fashioning certificate, and other term share account, products. If a credit union so desired, other terms and conditions could be incorporated into the term share certificate itself, as long as a copy is presented to the member at the account opening. Care should also be taken to ensure that the term share certificate format addresses any necessary state law concerns. As the FRB's Regulation D on reserve requirements permits all term share accounts to be represented by a transferable

or nontransferable, or a negotiable or non-negotiable, certificate, instrument, pass-book, statement or otherwise, and still be considered a "time deposit", the Board has made no entry on this sample form regarding such terms, leaving the decision instead to each credit union's board of directors. 12 CFR 204.2(c)(2).

B-6 SAMPLE FORM (REGULAR SHARE ACCOUNT DISCLOSURES)

Regular Share Account Disclosures

1. *Rate information.* As of April 1, 1995, the dividend rate was 5.00% and the annual percentage yield (APY) was 5.13% on your regular share account. In addition, the credit union estimates a prospective dividend rate of 5.25% and a prospective APY of 5.39% on your share account for this dividend period. The dividend rate and annual percentage yield may change every quarter as determined by the credit union board of directors.

2. *Compounding and crediting.* Dividends will be compounded daily and will be credited quarterly. For this account type, the dividend period is quarterly, for example, the beginning date of the first dividend period of the calendar year is January 1 and the ending date of such dividend period is March 31. All other dividend periods follow this same pattern of dates. The dividend declaration date follows the ending date of a dividend period, and for the example is April 1. If you close your regular share account before dividends are credited, you will not receive accrued dividends.

3. *Minimum balance requirements.* The minimum balance to open this account is the purchase of a \$5 share in the Credit Union. You must maintain a minimum daily balance of \$500 in your account to avoid a service fee. If, during any day during a quarter, your account balance falls below the required minimum daily balance, your account will be subject to a service fee of \$5 for that quarter.

4. *Balance computation method.* Dividends are calculated by the daily balance method which applies a daily periodic rate to the principal in your account each day.

5. *Accrual of dividends.* Dividends will begin to accrue on the business day you deposit noncash items (e.g., checks) to your account.

6. *Fees and charges.* The following fees and charges may be assessed against your account.

- a. Statement copies—\$5.00 per statement.
- b. Account inquiries—\$3.00 per inquiry.
- c. Dormant account fee—\$10.00 per month.
- d. Wire transfers—\$8.00 per transfer.
- e. Minimum balance service fee—\$5.00 per quarter.
- f. Share transfer—\$1.00 per transfer.
- g. Excessive share withdrawals \$1.00 per item.

7. *Transaction limitations.* During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a preauthorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft, debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to closure by the credit union or to a fee of \$1.00 per item.

8. *Nature of dividends.* Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.

9. *Bylaw Requirements.* A member who fails to complete payment of one share within _____ of his admission to membership, or within _____ from the increase in the par value in shares, or a member who reduces his share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership at the end of a dividend period. [All blanks should be filled with time chosen by credit union board of directors.] Shares may be transferred only from one member to another, by written instrument in such form as the Credit Union may prescribe. The Credit Union reserves the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts so paid in by them. No member may withdraw shareholdings that are pledged as required on security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the Credit Union. No member may withdraw any shareholdings below the amount of his/her primary or contingent liability to the Credit Union if he/she is delinquent as a borrower, or if borrowers for whom he/she is comaker, endorser, or guarantor are delinquent, without the written approval of the credit committee or loan officer.

10. *Par value of shares; Dividend period.* The par value of a regular share in this Credit Union is \$5. The dividend period of the Credit Union is quarterly.

11. *National Credit Union Share Insurance Fund.* Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.

12. *Other Terms and Conditions.* [In this item, which may be titled or subdivided in any manner by each credit union, NCUA suggests that the following issues be covered or handled: Statutory lien or setoff; expenses (garnishments and bankruptcy orders and holds on account); joint ownership accounts; trust accounts; payable-on-death accounts;

retirement accounts; Uniform Transfer to Minor Act accounts; sole proprietorship accounts; escrow and custodial accounts; corporation accounts; not-for-profit corporation accounts; voluntary association accounts; partnership accounts; public unit accounts; powers of attorney (guardianship orders); tax disclosures and certifications; Uniform Commercial Code variances; amendments; reliance on signature card; change of address; incorporations of other documents by reference, such as expedited funds availability policies, service charges schedules or electronic banking disclosures; ability to suspend services; and operational matters (stop payment orders—verbal and written, satisfactory identification, refusal of deposits not in proper form, wire transfers, stale check deposits, availability of periodic statements or passbook feature.)]

NOTE: This form is modeled on the share account disclosures in the *Accounting Manual for FCUs*, §5150.7. The disclosures are for a variable-rate, daily balance method dividend calculation regular share account in an FCU with a \$500 minimum balance to avoid service fees. For the example, the account was opened on May 1, 1995. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. Item nos. 1-8 reflect standard TISA and part 707 disclosures discussed in sections B-1 through B-3 of this appendix. Note that if the credit union limits the maximum amount of shares which may be held by one member under *NCUA Standard FCU Bylaws*, Art. III, section 2, that this should be stated in item no. 7, transaction limitations. Item no. 9 reflects various terms provided in Art. III, sections 3-6 of the *NCUA Standard FCU Bylaws*. Item no. 10 reflects the par value amount of regular shares in a federal credit union, pursuant to section 117 of the FCU Act, 12 U.S.C. 117. It also states the dividend period of the credit union, which is set by the board of directors. Item no. 11 addresses the requirements of 12 CFR part 740. Nonfederally insured credit unions (NICUs) would be expected to disclose information required by section 151 of the Federal Deposit Insurance Corporation Improvement Act of 1991, 12 U.S.C. 1831t. By December 19, 1992, all NICUs were required to include conspicuously on all periodic statements of account, signature cards, passbooks, share certificates and other similar instruments of deposit and in all advertising a notice that the credit union is not federally insured. Additional disclosures will be required of NICUs by June 19, 1994. Item no. 12 is inserted to ensure that credit unions add other account terms and conditions not covered by the proposed regulation. These sorts of terms are contemplated by proposed §707.3(b), requiring that the disclosures reflect the terms of the

legal obligation between the member and the credit union. This list is not meant to be exhaustive, but to give a general idea of other topics often covered in share account contracts. Item no. 12 is not expressly required by either TISA or part 707, but any of these terms that are disclosed must be accurate and not misleading. Also the Board strongly recommends that such terms are included in account opening disclosures to inform the membership and to clearly set forth the legal relationship between the members and their credit union.

B-7 SAMPLE FORM (SHARE DRAFT ACCOUNT DISCLOSURES)

Share Draft Account Disclosures

1. *Rate information.* As of January 1, 1995, the dividend rate was 3.00% and the annual percentage yield (APY) was 3.04% on your share account. In addition, the prospective dividend rate on your account is 3.15% with a prospective annual percentage yield (APY) of 3.20% for the current dividend period. The dividend rate and APY may change every dividend period as determined by the credit union board of directors.

2. *Compounding and crediting.* Dividends will be compounded monthly and will be credited monthly. For this account type, the dividend period is monthly, for example, the beginning date of the first dividend period of the calendar year is January 1 and the ending date of such dividend period is January 31. All other dividend periods follow this same pattern of dates. The dividend declaration date follows the ending date of a dividend period, and for the example above is February 1. If you close your share draft account before dividends are credited, you will not receive accrued dividends.

3. *No Minimum balance requirements apply to this account.*

4. *Balance computation method.* Dividends are calculated by the average daily balance method which applies a periodic rate to the average daily balance in the account for the period. The average daily balance is calculated by adding the balance in the account for each day of the period and dividing that figure by the number of days in the period.

5. *Accrual of dividends.* Dividends will begin to accrue no later than the business day we receive provisional credit for the placement of noncash items (e.g. checks) to your account.

6. *Fees and charges.* The following fees and charges may be assessed against your account.

- a. Statement copies—\$5.00 per statement.
- b. Account inquiries—\$3.00 per inquiry.
- c. Dormant account fee—\$10.00 per month.
- d. Wire transfers—\$8.00 per transfer.
- e. Overdrafts/Returned Items—\$5.00 per draft.
- f. Share transfer—\$1.00 per transfer.

g. Excessive share withdrawals—\$1.00 per item.

h. Certified checks—\$5.00 per check.

i. Stop Payment Order—\$5.00 per order.

j. Check Printing Fee—\$12.00 per 200 checks (varies depending on style of check ordered).

7. *No transaction limitations apply to this account.*

8. *Nature of dividends.* Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.

9. *Bylaw Requirements.* A member who fails to complete payment of one share within _____ of his admission to membership, or within _____ from the increase in the par value in shares, or a member who reduces his share balance below the par value of one share and does not increase the balance to at least the par value of one share within _____ of the reduction may be terminated from membership at the end of a dividend period. [All blanks should be filled with time chosen by credit union board of directors.] Shares may be transferred only from one member to another, by written instrument in such form as the Credit Union may prescribe. The Credit Union reserves the right, at any time, to require members to give, in writing, not more than 60 days notice of intention to withdraw the whole or any part of the amounts so paid in by them. Shares paid in under an accumulated payroll deduction plan may not be withdrawn until credited to a member's account. No member may withdraw shareholdings that are pledged as required on security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the Credit Union. No member may withdraw any shareholdings below the amount of his/her primary or contingent liability to the Credit Union if he/she is delinquent as a borrower, or if borrowers for whom he/she is comaker, endorser, or guarantor are delinquent, without the written approval of the credit committee or loan officer.

10. *Par value of shares; Dividend period.* The par value of a regular share in this Credit Union is \$5. The dividend period of the Credit Union is monthly, beginning on the first of a month and ending on the last day of the month.

11. *National Credit Union Share Insurance Fund.* Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.

12. *Other Terms and Conditions.* [See section B-6, item 12, of this appendix].

NOTE: This form is modeled on the share account disclosures in the *Accounting Manual for FCUs*, §5150.7. The disclosures are for a variable-rate, average daily balance method dividend calculation share draft account in

an FCU with no minimum balance requirement. For purposes of this example, the account was opened on January 15, 1995. The Credit Union has monthly dividend periods. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. The disclosures are very similar to the ones in section B-6 of appendix B, except for the roll-back and par value disclosures, which have been removed from the final rule and appendices.

B-8 SAMPLE FORM (MONEY MARKET SHARE ACCOUNT DISCLOSURES)

Money Market Share Account Disclosures

1. *Rate information.* As of January 1, 1995, if your average daily balance was \$500 or more, the dividend rate paid on the entire balance in your account was 4.75%, with an annual percentage yield (APY) of 4.85%. If your average daily balance is \$500 or more, a prospective dividend rate of 4.95% will be paid on the entire balance in your account with a prospective APY of 5.00% for this dividend period on your account. The dividend rate and APY may change every dividend period as determined by the credit union board of directors.

2. *Compounding and crediting.* Dividends will be compounded monthly and will be credited quarterly. If you close your share money market account before dividends are credited, you will not receive accrued dividends.

3. *Minimum balance requirements.* The minimum balance required to open this account is \$500. You must maintain a minimum daily balance of \$500 in your account to avoid a service fee. If, during any (time period), your account falls below the required minimum daily balance, your account will be subject to a service fee of \$5 for that (time period).

4. *Balance computation method.* Dividends are calculated by the average daily balance method which applies a periodic rate to the average daily balance in your account for the period. The average daily balance is calculated by adding the principal in the account for each day of the period and dividing that figure by the number of days in the period.

5. *Accrual of dividends.* Dividends will begin to accrue on the business day you deposit noncash items (e.g., checks) to your account.

6. *Fees and charges.* The following fees and charges may be assessed against your account.

- a. Statement copies—\$5.00 per statement.
- b. Account inquiries—\$3.00 per inquiry.
- c. Dormant account fee—\$10.00 per month.
- d. Wire transfers—\$8.00 per transfer.
- e. Minimum balance service fee—\$5.00 per (time period).
- f. Share transfer—\$1.00 per transfer.

g. Excessive share withdrawals—\$1.00 per item.

h. Certified checks—\$5.00 per check.

i. Stop Payment Order—\$5.00 per order.

j. Check Printing Fee—\$12.00 per 200 checks (varies depending on style of check ordered).

7. *Transaction limitations.* During any statement period, you may not make more than six withdrawals or transfers to another credit union account of yours or to a third party by means of a preauthorized or automatic transfer or telephonic order or instruction. No more than three of the six transfers may be made by check, draft, debit card, if applicable, or similar order to a third party. If you exceed the transfer limitations set forth above in any statement period, your account will be subject to closure by the credit union or to a fee of \$1.00 per item.

8. *Nature of dividends.* Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.

9. *Bylaw Requirements.* [This section should reflect any requirements concerning share accounts in the FISCO's bylaws or charter.]

10. *Par value of shares; Dividend period.* The par value of a regular share in this Credit Union is \$50. The dividend period of the Credit Union is monthly, beginning on the first of a month and ending on the last day of the month.

11. *National Credit Union Share Insurance Fund.* Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.

12. *Other Terms and Conditions.* [See section B-6, item 12, of this appendix.]

NOTE: This form is modeled on the share account disclosures in the Accounting Manual for FCUs, §5150.7 and on the share draft account disclosures in section B-7 of this appendix. The disclosures are for a variable-rate, tiered-rate (method A, option 1), average daily balance method dividend calculation, money market share account in a FISCO with a \$500 minimum balance to open the account and to avoid service fees. For purposes of this example, the account was opened on January 29, 1995. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures will reflect the prospective dividend rate for a given dividend period. Note that the contents of Item 9, Bylaw requirements, must be tailored to the specific bylaws of a FISCO or NICU. Also note the high par value amount in Item 10.

B-9 SAMPLE FORM (TERM SHARE
(CERTIFICATE) ACCOUNT DISCLOSURES)

Term Share (Certificate) Account Disclosures

1. *Rate information.* [Repeat rates disclosed on face of term share certificate, see §B-5,

Sample Form (Term Share (Certificate) Account)].

2. *Compounding and crediting.* Dividends will be compounded monthly and will be credited annually. If you close your certificate account before dividends are credited, you will not receive accrued dividends.

3. *Minimum balance requirements.* The minimum balance required to open this account is \$500.

4. *Balance computation method.* Dividends are calculated by the daily balance method, which applies a daily periodic rate to the principal in your account each day.

5. *Accrual of dividends.* Dividends will begin to accrue on the business day you deposit noncash items (e.g., checks) to your account.

6. *Fees and charges.* The following fees and charges may be assessed against your account.

a. Statement copies—\$5.00 per statement.

b. Account inquiries—\$3.00 per inquiry.

c. Share transfer—\$1.00 per transfer.

7. *Transaction limitations.* After the account is opened, you may not make deposits into the account until the maturity date stated on the certificate.

8. *Maturity date.* Your account will mature on January 1, 1996.

9. *Early withdrawal penalties.* We may impose a penalty if you withdraw any of the funds before the maturity date. The penalty will equal three months' dividends on your deposit.

10. *Renewal policies.* Your certificate account will automatically renew at maturity. You will have a grace period of 10 business days after the maturity date to withdraw the funds in the account without being charged an early withdrawal penalty.

11. *Bonus.* You will receive a new (insert brand name) toaster-oven as a bonus when you open the account after December 31, 1994, and before June 30, 1995. You must maintain your entire principal on deposit until the maturity date of your certificate account to obtain the bonus.

12. [Reserved]

13. *Bylaw Requirements.* [This section should reflect any requirements concerning share accounts in the FISCO's bylaws or charter.]

14. *Par value of shares; Dividend period.* The par value of a regular share in this Credit Union is \$25. The dividend period of the Credit Union on this type of account is annual, beginning on the date the account is opened, and ending on the stated maturity date, unless renewed.

15. *National Credit Union Share Insurance Fund.* Member accounts in this Credit Union are federally insured by the National Credit Union Share Insurance Fund.

16. *Other Terms and Conditions.* [See section B-6, item 12, of this appendix.]

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NOTE: Even though this disclosure is for an account at a FISCO, this form is modeled on the share account disclosures in the *Accounting Manual for FCUs*, §5150.7 and upon the regular share account disclosures in section B-6 of this appendix. The disclosures are for a fixed-rate, daily balance method dividend calculation, automatically renewing term share certificate account in a FISCO with a \$500 minimum balance to open the account and a ten day grace period. For the example, the account is opened on January 1, 1995 and matures on January 1, 1996. Other terms are self-explanatory. The dividend rate paid and annual percentage yield disclosures reflect the contracted, prospective dividend rate for a given dividend period. Note the special disclosures for term share certificate accounts, items nos. 8-10. Note also the bonus disclosure, item no. 11.

B-10 SAMPLE FORM (PERIODIC STATEMENT)

Periodic Statement

Member Name _____

Account Number _____

[Transaction account activity by date.]
[Average daily balance of \$1,500 for the month, daily compounding.]

Your account earned \$6.72, with an annual percentage yield earned of 5.40%, for the statement period from May 1 through and including May 31. In addition, your account earned \$15 in extraordinary dividends for this period. Any fees assessed against your account are shown in the body of the periodic statement and are identified by the code at the bottom margin of this statement.

Service Charge Codes

- SC-1 Stop Payment Order Fee
- SC-2 Statement Copy Fee
- SC-3 Draft Return Fee
- SC-4 Transfer from Shares
- SC-5 Microfilm Copy
- SC-6 Share Draft Printing Fee
- SC-7 Dormant Account Fee
- SC-8 Wire Transfer Fee
- SC-9 Excessive Share Withdrawal Fee
- SC-10 _____

Other Transactions

- D Dividends
- EC Error Correction
- OR Overdraft Returned
- OL Overdraft Loan
- OS Overdraft Share Transfer

NOTE: This form is modeled on the share draft statement of account, Form FCU 107G-SD, in the *Accounting Manual for FCUs*, §5150.4. All information is self-explanatory. Codes of transactions are not required, but are a common credit union practice. The in-

formation regarding fees could also be included on the line of the periodic statement showing when the fees were debited from the account. Alternatively, a credit union could show all fees debited against the account for the statement period in a special area of the periodic statement. Clarity to the member of the required information—annual percentage yield earned; amount of dividends; fees imposed and length of period—is the important goal. An additional disclosure regarding the dollar value of any extraordinary dividends earned must be added to those statements showing the payment of such extraordinary dividends to the member.

B-11 SAMPLE FORM (RATE AND FEE SCHEDULE)

Rate and Fee Schedule

This Rate and Fee Schedule for all Accounts sets forth certain conditions, rates, fees and charges applicable to your regular share, share draft, and money market accounts at the _____ Federal Credit Union as of _____ [insert date of delivery to member]. This schedule is incorporated as part of your account agreement with the _____ Federal Credit Union.

Regular Share

Dividend Rate as of Last Dividend Declaration Date _____%.

Annual Percentage Yield as of Last Dividend Declaration Date _____%.

Prospective Dividend Rate _____%.
Prospective Annual Percentage Yield _____%.

Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily].

Dividends Credited—At close of a dividend period.

Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily].

Minimum Opening Deposit \$5.00 par value share.

Minimum Monthly Balance [None, \$ amount].

Share Draft

Dividend Rate as of Last Dividend Declaration Date _____%.

Annual Percentage Yield as of Last Dividend Declaration Date _____%.

Prospective Dividend Rate _____%.
Prospective Annual Percentage Yield _____%.

Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily].

Dividends Credited—At close of a dividend period.

Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily].

Minimum Opening Deposit [None, \$ amount].

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Minimum Monthly Balance [None, \$ amount].

Money Market

Dividend Rate as of Last Dividend Declaration Date ____%.

Annual Percentage Yield as of Last Dividend Declaration Date ____%.

Prospective Dividend Rate ____%.

Prospective Annual Percentage Yield ____%.

Dividends Compounded [Annually, Semi-annually, Quarterly, Monthly, Weekly, Daily].

Dividends Credited—At close of a dividend period.

Dividend Period [Annually, Semiannually, Quarterly, Monthly, Weekly, Daily].

Minimum Opening Deposit [None, \$ amount].

Minimum Monthly Balance [None, \$ amount].

The following fees may be assessed in connection with your accounts:

FEES APPLICABLE TO ALL ACCOUNTS

Returned item fee—\$ ____ .00 per item.

Account reconciliation fee—\$ ____ .00 per hour.

Statement copies fee—\$ ____ .00 per statement.

Certified draft fee—\$ ____ .00 per draft.

Wire transfer fee—\$ ____ .00 per transfer.

Account inquiry fee—\$ ____ .00 per inquiry.

Dormant account fee—\$ ____ .00 per month.

Minimum balance service fee—\$ ____ .00 per day.

Share transfer fee—\$ ____ .00 per transfer.

Excessive share withdrawals fee—\$ ____ .00 per item.

SHARE DRAFT ACCOUNT FEES

Monthly service fee—\$ ____ .00 per month.

Overdraft transfers fee—\$ ____ .00 per overdraft.

Drafts returned insufficient funds fee—\$ ____ .00 per draft.

Stop payment order fee—\$ ____ .00 per order.

Draft copy fee—\$ ____ .00 per copy.

Check printing fee—\$ ____ .00 per 200 drafts.

MONEY MARKET SHARE ACCOUNT FEES

Monthly service fee—\$ ____ .00 per month.

Check printing fee—\$ ____ .00 per 200 drafts.

NOTE: This illustration is for use of an FCU. The information provided on a Rate and Fee Schedule can be presented in any format. To ensure that it is a part of the account agreement, if used, it should be incorporated by reference into the appropriate share account disclosures. The figures used are illustrative only.

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B–12 AGGREGATE OVERDRAFT AND RETURNED ITEM FEES SAMPLE FORM

	Total for this period	Total year-to-date
Total overdraft fees	\$60.00	\$150.00
Total returned item fees	\$0.00	\$30.00

[58 FR 50445, Sept. 27, 1993, as amended at 59 FR 13436, 13437, Mar. 22, 1994; 63 FR 71575, Dec. 29, 1998; 72 FR 30246, May 31, 2007; 74 FR 36104, July 22, 2009; 75 FR 47175, Aug. 5, 2010; 77 FR 71084, Nov. 29, 2012]

APPENDIX C TO PART 707—OFFICIAL STAFF INTERPRETATIONS

Introduction

1. *Official status.* This commentary is the means by which the staff of the Office of General Counsel of the National Credit Union Administration issues official staff interpretations of Part 707 of the NCUA Rules and Regulations. Good faith compliance with this commentary affords protection from liability under section 271(f) of the Truth in Savings Act (TISA), 12 U.S.C. 4311.

Section 707.1—Authority, Purpose, Coverage, and Effect on State Laws

(c) Coverage

1. *Foreign applicability.* Part 707 applies to all credit unions that offer share and deposit accounts to residents (including resident aliens) of any state as defined in §707.2(v) and that offer accounts insurable by the National Credit Union Share Insurance Fund (NCUSIF) whether or not such accounts are insured by the NCUSIF. Corporate credit unions designated as such by NCUA under 12 CFR 704.2 (definition of “corporate credit union”) are exempt from part 707.

2. *Persons who advertise accounts.* Persons who advertise accounts are subject to the advertising rules. This includes agent and agented accounts, such as a member who subdivides interests in a jumbo term share certificate account for sale to other parties or among members who form a certificate account investment club. For example, if an agent places an advertisement that offers members an interest in an account at a credit union, the advertising rules apply to the advertisement, whether the account is held by the agent or directly by the member.

3. *Nonautomated credit unions.* Nonautomated credit unions with an asset size of \$2 million or less, after subtracting any non-member deposits, are exempt from TISA and part 707. NCUA defines a “nonautomated credit union” as a credit union without sufficient data processing capability and capacity to establish, operate and maintain a share and loan software system to timely