

RULES IMPLEMENTING THE TRUTH IN LENDING ACT

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Section 1. Legal Basis

BOA Res. No.074, series of 2012 dated March 14, 2012 and RA 3765 (Truth in Lending Act).

Section 2. Scope

All credit and multi-purpose cooperatives with savings and loan services registered with the Cooperative Development Authority under RA9520.

Section 3. Purposes

The purposes of issuing these rules are:

- 1) To enhance loan protection transparency;
- 2) To ensure a level playing field among credit providers;
- 3) To protect the member-borrower from the effect of misrepresentation and concealment;
- 4) To permit the member-borrower fully appreciate and evaluate the real cost of their borrowings; and
- 5) To avoid circumvention of usury laws.

Section 4. Methods of Computing Interest on Loans Receivables

- 1) The amount of interest shall be charged only based on the outstanding balance of a loan at the beginning of an interest period.
- 2) For a loan where principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.
- 3) All loan related documents shall show repayment schedules in a manner consistent with this provision.

Section 5. Definition of Terms

Finance Charges – includes interest, fees, service fees, discounts and such other charges incidental to the extension of credits.

Loans and Receivables – as defined under the Standard Chart of Accounts (SCA) MC-2009-4 Series of 2009, these refer to financial assets with fixed or determinable payments that are not quoted in an active market other than Available for Sale, Held to Maturity and Investment at Fair Value through Profit and Loss.

Section 6. Information to be disclosed.

As a general rule, loan terms shall be disclosed to all types of borrowers. For micro and small cooperatives with lending operations, the following are the minimum information to be disclosed.

- a. The total amount of Loans;
- b. The finance charges;
- c. The net proceeds of the loans; and
- d. The percentage that the finance charge bears to the total amount of the loans.

All credit cooperatives and multi-purpose cooperatives with savings and lending operations shall enjoined to

adopt the above stated rules.

Section 7. Effectivity – This circular shall become effective upon approval of the Board of Administrators and fifteen (15) days upon submission of a copy to the Office of the National Administrative Register (ONAR).

Approved this 14[th] day of March 2012.

(SGD.) EMMANUEL M. SANTIAGUEL, PH. D.
Chairman

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