

October 21, 1990

Dear

You have asked the Bureau how to comply with Section 3-206(2)(C) of the Maine Consumer Credit Code which requires a disclosure of the total of payments in the Notice to Cosigner when the transactions has a demand feature. As you have pointed out, a payment disclosure is possible to disclose in demand transactions only with reference to a hypothetical loan term, such as the one year of Regulation Z, § 226.17(c)(5). In fact, the Official Staff Commentary to Regulation Z, at 226.18(h), Paragraph 4, allows a creditor to omit the total of payments in demand transactions.

The Bureau will authorize one of two approaches. First, a creditor may disclose a total of payments based on the one-year estimated finance charge allowed by Regulation Z for demand transactions and should, of course, do so if the creditor has disclosed a total of payments with the other TIL disclosures or if there is an alternative maturity date as part of the legal obligation. If this option is chosen, the creditor should reference the one-year source of the total of payments figure disclosed in the cosigner notice.

Second, a creditor who does not make a total of payments disclosure pursuant to Regulation Z can label the same disclosure in the Cosigner Notice as "not applicable." The argument here is that the requirement of Section 3-206 of the Code intended that the Regulation Z disclosures be made, when applicable, in this additional Cosigner Notice. The cosigner will, therefore, know all that the primary obligor knows, but Section 3-206 should not be read to require the cosigner to be told more than the primary obligor.

If you have any further questions on this matter, please do not hesitate to contact me.

Sincerely,

Barbara R. Alexander
Superintendent

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