

Examples for Calculation of Annual Percentage Rate of Total Finance Charges for Advertisement of Credit Products by Banks and Insurance Enterprises

Approved by FSC per FSC letter Jin-Guan-Yin (3)-Zi-0940030381 dated
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- I. For the purpose of producing advertising specimens, credit products are classified into three types - installment loan, revolving line of credit, and “credit card cash advance”. The basis for trial calculating the annual percentage rates (APR) for those three types of credit products is as follows:

Type		APR trial calculation basis	
		Loan period	Loan amount
Installment loan	Home loan	20 years	\$2,000,000
	Home equity loan	7 years	\$500,000
	Auto loan	5 years	\$400,000
	Credit loan	5 years	\$300,000
Revolving line of credit	Home equity line of credit or revolving line of credit	Use lending rate in place of annual percentage rate	
	Cash card		
	Credit card	Use revolving interest rate in place of annual percentage rate	

<u>Credit card cash advance (*)</u>	<u>Cash advance through revolving linen of credit</u>	<u>Use revolving interest rate in place of annual percentage rate</u>	
	<u>Cash advance through installment loan (including installment payment of card charges)</u>	<u>1 year</u>	<u>\$100,000</u>

*: Credit card cash advance products are classified into two types - “cash advance through revolving linen of credit” and “cash advance through installment loan” as described below:

A. Cash advance through revolving line of credit:

1. Cardholder is only required to pay the monthly minimum payment or higher for the amount actually drawn on.
2. After making a cash advance, the cardholder may repay part of or the entire cash advance at any time without being subject to prepayment penalty.
3. Cardholder may make cash advance on separate occasions up to the cash advance line granted. If the amount of cash advance already drawn is not up to the limit or the cardholder has repaid part principal, the cardholder may draw the undrawn portion of cash advance line or up to the restored limit after repayment.

B. Cash advance through installment loan:

1. When cash advance is repaid on installment basis, the amount of repayment for each installment is identical. Cardholder may not change the amount of repayment for each

installment, unless the cardholder elects to pay it off in one lump sum.

2. There might be prepayment penalty, depending on the bank rules.

II. Disclosed items for dynamic advertisement and print advertisement:

Type of loan	Installment loan				Revolving line of credit			<u>Credit card cash advance</u>	
	Home loan	Home equity loan	Auto loan	Credit loan	Home equity line of credit or revolving line of credit	Cash card	Credit card	<u>Cash advance through revolving line of credit</u>	<u>Cash advance through installment loan</u>
Dynamic advertisement	Annual percentage rate of total finance charges				Lending rate, related fee standards	Lending rate, all fee items and rates (*)	Revolving interest rate, Cash advance interest rate, cash advance fees	<u>Annual percentage rate of finance charges</u>	
Print advertisement	Loan amount, term, interest rate, total				Lending rate,	Lending rate,	Revolving interest rate,	<u>Amount of cash</u>	

Type of loan	Installment loan				Revolving line of credit			<u>Credit card cash advance</u>	
	Home loan	Home equity loan	Auto loan	Credit loan	Home equity line of credit or revolving line of credit	Cash card	Credit card	<u>Cash advance through revolving line of credit</u>	<u>Cash advance through installment loan</u>
Type of advertisement	fees, annual percentage rate of total finance charges				related fee standards	all fee items and rates (*)	cash advance interest rate, cash advance fees	<u>advance, term, interest rate, total fees, annual percentage rate of total finance charges</u>	

*: Follow the provisions in Paragraph 1, Article 11 of Directions for Financial Institutions Engaging in Cash Card Business.

III. Dynamic advertisement and print advertisement respectively cover the following:

A. Dynamic advertisement:

1. Dynamic imaging: Television, computer, Internet, and electronic video (dynamic images or films played on ATM, outdoor, or at bus or train station, mass rapid transit terminal or airport).
2. Sound advertisement: Radio, telephone, and electronic voice.

B. Print advertisement:

1. Static imaging:

- (1) Slides.
- (2) Static images or films played on computer, Internet or ATM.
- (3) Static light box or signboard placed outdoor, at bus or train station, mass rapid transit terminal or airport.

2. Paper advertisement: Advertisements in newspaper, magazine, flyer (including tissue paper pack), poster, signboard, placard (including back board at temporary booth), fax, and advertisement mail.

IV. If an advertisement is on a number of credit products, indicate the annual percentage rate for each product. For example, in an advertisement on a composite loan that offers both “Installment loan” and “revolving credit”, the advertisement should disclose the annual percentage rate for both “Installment loan” and “revolving line of credit” as described in Section II herein.

V. If the same credit product charges different interest rates or different fees for different segments of customers, or offers consumers different repayment options, indicate the interest rate, total fees, and annual percentage rate for each segment or each option.

VI. When disclosing annual percentage rate in the advertisement on various

credit products, add the following statements:

A. Installment loan

1. The annual percentage rate disclosed in this advertisement is calculated based on the standard calculation examples on file with the competent authority. The actual terms and conditions of the loan will depend on the product offered by the bank. The annual percentage rate for each customer may vary, depending on the loan product and terms and conditions of the loan.
2. The annual percentage rate of total finance charges does not equate the lending rate.

3. The base date for the calculation of annual percentage rate is
 (yr) (mo) (dy)

B. Home equity line of credit, revolving line of credit, or cash card

The base date for the calculation of loan interest rate is (yr)
 (mo) (dy)

C. Credit card (including cash advance through revolving line of credit)

The base date for the calculation of revolving interest rate is
 (yr) (mo) (dy)

D. Cash advance through installment loan (including installment payment of card charges)

1. The annual percentage rate disclosed in this advertisement is calculated based on the standard calculation examples on file with the competent authority. The actual terms and conditions of the loan will depend on the product offered by the bank. The annual percentage rate for each customer may vary, depending on the product and terms and conditions of the loan.
2. The annual percentage rate of total finance charges does not equate the interest rate for cash advance.

3. The base date for the calculation of annual percentage rate is

(yr) (mo) (dy)

For installment loans **and cash advance through installment payment**, the statement in item 2 of Sections A and D of the preceding paragraph on **“The annual percentage rate of total finance charges does not equate the lending rate/interest rate for cash advance”** needs not be provided if there are no charges (e. g. account management fees or credit insurance fees) other than interest.

VII. Produce examples as attached based on the trial calculation basis and principle of disclosure for advertising specimens specified above.