## Truth in Savings Act

### Introduction

The procedures and guidance in this section apply to deposit accounts at banks that are held by or offered to a consumer, including time, demand, savings, and negotiable order of withdrawal accounts. Banks are required to provide consumers with disclosures that assist them in meaningful comparisons between the competing claims of depository institutions with regard to deposit accounts.

### Regulation Overview

Part 230 of the Board of Governors of the Federal Reserve System regulations, Regulation DD, implements the Truth in Savings Act, which requires the disclosure of the terms and conditions of deposit accounts offered by banks. The purpose of the act and regulation is to assist consumers in making informed decisions about accounts at depository institutions.

The major provisions of the regulation deal with the clear and uniform disclosure of the rates of interest, annual percentage yields, fees, and other account terms, the calculation and payment of interest on accounts, and the advertising of accounts.

### Definitions

**"Account"** A deposit account at a depository institution that is held by or offered to a consumer. It includes time, demand, savings, and negotiable order of withdrawal accounts.

*NOTE: For the purposes of the advertising requirements in §230.8, the term also includes an account at a depository institution that is held by or on behalf of a deposit broker, if any interest in the account is held by or offered to a consumer.*

**"Annual Percentage Yield (APY)"** A percentage rate reflecting the total amount of interest paid on an account, based on the interest rate and the frequency of compounding for a 365-day period, calculated in accordance with Appendix A of the regulation.

**"Average Daily Balance Method"** The application of a periodic rate to the average daily balance in the account for that period. The average daily balance is determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period.

**"Bonus"** A premium, gift, award, or other consideration worth more than $10 (whether in the form of cash, credit, merchandise, or any equivalent) given or offered to a consumer during a year in exchange for opening, maintaining, renewing, or increasing an account balance. The term does not include interest, other consideration worth $10 or less given during a year, the waiver or reduction of a fee, or the absorption of expenses.

**"Consumer"** A natural person who holds an account primarily for personal, family, or household purposes, or to whom such an account is offered. The term does not include a natural person who holds an account for another in a professional capacity.

**"Daily Balance Method"** The application of a daily periodic rate to the full amount of principal in the account each day.

**"Periodic Statement"** A statement setting forth information about an account (other than a time account or passbook savings account) that is provided to a consumer on a regular basis four or more times a year.

**"Stepped-Rate Account"** An account that has two or more interest rates that take effect in succeeding periods and are known when the account is opened.

**"Tiered-Rate Account"** An account that has two or more interest rates that are applicable to specified balance levels. There are two acceptable tiering methods. For purposes of examples of these methods discussed below, assume the following:

| *Interest rate (percent)* | *Deposit balance required to earn rate* |
|---|---|
| 5.25% | Up to but not exceeding $2,500. |
| 5.50% | Above $2,500 but not exceeding $15,000. |

Under Tiering Method A, an institution pays on the full balance in the account the stated interest rate that corresponds to the applicable deposit tier. For example, if a consumer has a balance of $8,000, the institution pays the 5.50% interest rate on the entire $8,000.

Under Tiering Method B, an institution pays the stated interest rate only on that portion of the balance within the specified tier. For example, if a consumer has a balance of $8,000, the institution pays 5.25% on $2,500 and 5.50% on $5,500 (the difference between $8,000 and the first tier cut-off of $2,500).

**"Variable-Rate Account"** An account in which the interest rate may change after the account is opened, unless the institution contracts to give at least 30 calendar days advance written notice of rate decreases.

### Examination Objectives

The examination objectives are to:

- Determine whether a bank is effectively managing the compliance risks associated with consumer deposit account products and services.
- Assess compliance with the applicable law and regulation.
- Implement corrective actions to address compliance deficiencies and ensure future compliance.