§ 1041.2 Definitions.

(a) *Definitions.* For the purposes of this part, the following definitions apply:

(1) *Account* has the same meaning as in Regulation E, 12 CFR 1005.2(b).

(2) *Affiliate* has the same meaning as in 12 U.S.C. 5481(1).

(3) *Closed-end credit* means an extension of credit to a consumer that is not open-end credit under paragraph (a)(16) of this section.

(4) *Consumer* has the same meaning as in 12 U.S.C. 5481(4).

(5) *Consummation* means the time that a consumer becomes contractually obligated on a new loan or a modification that increases the amount of an existing loan.

(6) *Cost of credit* means the cost of consumer credit as expressed as a per annum rate and is determined as follows:

(i) *Charges included in the cost of credit.* The cost of credit includes all finance charges as set forth by Regulation Z, 12 CFR 1026.4, but without regard to whether the credit is consumer credit, as that term is defined in 12 CFR 1026.2(a)(12), or is extended to a consumer, as that term is defined in 12 CFR 1026.2(a)(11).

(ii) *Calculation of the cost of credit*—(A) *Closed-end credit.* For closed-end credit, the cost of credit must be calculated according to the requirements of Regulation Z, 12 CFR 1026.22.

(B) *Open-end credit.* For open-end credit, the cost of credit must be calculated according to the rules for calculating the effective annual percentage rate for a billing cycle as set forth in Regulation Z, 12 CFR 1026.14(c) and (d).

(7) *Covered longer-term balloon-payment loan* means a loan described in § 1041.3(b)(2).

(8) *Covered longer-term loan* means a loan described in § 1041.3(b)(3).

(9) [Reserved]

(10) *Covered short-term loan* means a loan described in § 1041.3(b)(1).

(11) *Credit* has the same meaning as in Regulation Z, 12 CFR 1026.2(a)(14).

(12) *Electronic fund transfer* has the same meaning as in Regulation E, 12 CFR 1005.3(b).

(13) *Lender* means a person who regularly extends credit to a consumer primarily for personal, family, or household purposes.

(14) *Loan sequence* or *sequence* means a series of consecutive or concurrent covered short-term loans or covered longer-term balloon-payment loans, or a combination thereof, in which each of the loans (other than the first loan) is made during the period in which the consumer has a covered short-term loan or covered longer-term balloon-payment loan outstanding and for 30 days thereafter. For the purpose of determining where a loan is located within a loan sequence:

(i) A covered short-term loan or covered longer-term balloon-payment loan is the first loan in a sequence if the loan is extended to a consumer who had no covered short-term loan or covered longer-term balloon-payment loan outstanding within the immediately preceding 30 days;

(ii) A covered short-term or covered longer-term balloon-payment loan is the second loan in the sequence if the consumer has a currently outstanding covered short-term loan or covered longer-term balloon-payment loan that is the first loan in a sequence, or if the consummation date of the second loan is within 30 days following the last day on which the consumer's first loan in the sequence was outstanding;

(iii) A covered short-term or covered longer-term balloon-payment loan is the third loan in the sequence if the consumer has a currently outstanding covered short-term loan or covered longer-term balloon-payment loan that is the second loan in the sequence, or if the consummation date of the third loan is within 30 days following the last day on which the consumer's second loan in the sequence was outstanding; and

(iv) A covered short-term or covered longer-term balloon-payment loan would be the fourth loan in the sequence if the consumer has a currently outstanding covered short-term loan or covered longer-term balloon-payment loan that is the third loan in the sequence, or if the consummation date of the fourth loan would be within 30 days following the last day on which the consumer's third loan in the sequence was outstanding.

(15) *Motor vehicle* means any self-propelled vehicle primarily used for on-road transportation. The term does not include motor homes, recreational vehicles, golf carts, and motor scooters.

(16) *Open-end credit* means an extension of credit to a consumer that is an open-end credit plan as defined in Regulation Z, 12 CFR 1026.2(a)(20), but without regard to whether the credit is consumer credit, as defined in 12 CFR 1026.2(a)(12), is extended by a creditor, as defined in 12 CFR 1026.2(a)(17), is extended to a consumer, as defined in 12 CFR 1026.2(a)(11), or permits a finance charge to be imposed from time to time on an outstanding balance as defined in 12 CFR 1026.4.

(17) *Outstanding loan* means a loan that the consumer is legally obligated to repay, regardless of whether the loan is delinquent or is subject to a repayment plan or other workout arrangement, except that a loan ceases to be an outstanding loan if the consumer has not made at least one payment on the loan within the previous 180 days.

(18) *Service provider* has the same meaning as in the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5481(26).

(19) *Vehicle security* means an interest in a consumer's motor vehicle obtained by the lender or service provider as a condition of the credit, regardless of how the transaction is characterized by State law, including:

(i) Any security interest in the motor vehicle, motor vehicle title, or motor vehicle registration whether or not the security interest is perfected or recorded; or

(ii) A pawn transaction in which the consumer's motor vehicle is the pledged good and the consumer retains use of the motor vehicle during the period of the pawn agreement.

(b) *Rule of construction.* For purposes of this part, where definitions are incorporated from other statutes or regulations, the terms have the meaning and incorporate the embedded definitions, appendices, and commentary from those other laws except to the extent that this part provides a different definition for a parallel term.

[82 FR 54871, Nov. 17, 2017, as amended at 84 FR 27929, June 17, 2019]

§ 1041.3 Scope of coverage; exclusions; exemptions.

(a) *General.* This part applies to a lender that extends credit by making covered loans.

(b) *Covered loan.* Covered loan means closed-end or open-end credit that is extended to a consumer primarily for personal, family, or household purposes that is not excluded under paragraph (d) of this section or conditionally exempted under paragraph (e) or (f) of this section; and:

(1) For closed-end credit that does not provide for multiple advances to consumers, the consumer is required to repay substantially the entire amount of the loan within 45 days of consummation, or for all other loans, the consumer is required to repay substantially the entire amount of any advance within 45 days of the advance;

(2) For loans not otherwise covered by paragraph (b)(1) of this section:

(i) For closed-end credit that does not provide for multiple advances to consumers, the consumer is required to repay substantially the entire balance of the loan in a single payment more than 45 days after consummation or to repay such loan through at least one payment that is more than twice as large as any other payment(s).

(ii) For all other loans, either:

(A) The consumer is required to repay substantially the entire amount of an advance in a single payment more than 45 days after the advance is made or is required to make at least one payment on the advance that is more than twice as large as any other payment(s); or

(B) A loan with multiple advances is structured such that paying the required minimum payments may not fully amortize the outstanding balance by a specified date or time, and the amount of the final payment to repay the outstanding balance at such time could be more than twice the amount of other minimum payments under the plan; or

(3) For loans not otherwise covered by paragraph (b)(1) or (2) of this section, if both of the following conditions are satisfied:

(i) The cost of credit for the loan exceeds 36 percent per annum, as measured: