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CORRECTED COPY

§ 226.903 Refinancing and Increasing--Disclosures and effects on the right of rescission

(a) In some cases the creditor of an obligation will refinance that obligation at the request of a customer by permitting the customer to execute a new note, contract, or other document evidencing the transaction under the terms of which one or more of the original credit terms, including the maturity date of the obligation, is changed. Although such refinancing constitutes a new transaction, and all disclosures required under § 226.8 must be made, the question arises as to whether that transaction is subject to the right of rescission under § 226.9 where the obligation is already secured by a lien on real property which is used or expected to be used as the principal residence of that customer.

(b) If the amount of such new transaction does not exceed the amount of the unpaid balance plus any accrued and unpaid finance charge on the existing obligation, § 226.9 does not apply to the transaction.

(c) If, however, the amount of such new transaction is for an increased amount, that is for an amount in excess of the amount of the unpaid balance plus any accrued and unpaid finance charge on the existing obligation, § 226.9 applies to the transaction. However, such right of rescission applies only to such excess and does not affect the existing obligation (or related security interest) for the unpaid balance plus accrued and unpaid finance charge.

(d) The provisions of paragraph (b) and the second sentence of paragraph (c) above do not apply in the event that the obligation is refinanced by a creditor other than the creditor of the existing obligation.

(This corrected copy includes the words "and the second sentence of paragraph (c)" which were inadvertently dropped from paragraph (d) in the copy of the interpretation released on June 23, 1969.)