

***PeirsonPatterson – COMPLIANCE***

***TIB CONFERENCE***

***OCTOBER 7, 2010***

## CONTENTS

<b>FHA MIP CHART.....,,,</b>	<b>Page 1</b>
<b>A-6 Non qualifying spouse signature requirements</b>	<b>Page 3</b>
<b>Change circumstances form.....</b>	<b>Page 4</b>
<b>Billing Rights Open-end Credit.....</b>	<b>Page 5</b>
<b>Risk based pricing Appendix H FACT ACT.....</b>	<b>Page 6</b>
<b>Mortgage transfer Reg Z 226.39.....</b>	<b>Page 12</b>
<b>Reg Z 226.18 new TIL forms &amp; suggested examples</b>	<b>Page 17</b>
<b>Dodd-Frank time table.....</b>	<b>Page 28</b>
<b>Combined GFE &amp; TIL being discussed.....</b>	<b>Page 31</b>
<b>Reg Z Proposed changes recap.....</b>	<b>Page 35</b>
<b>Helpful list of websites.....</b>	<b>Page 37</b>
<b>P&amp;P Website tools page.....</b>	<b>Page 38</b>

# FHA MIP CHART

## Mortgagee Letter 2010-38

### Programs Not Affected by the Premium Changes

The upfront and annual premiums and the requirements described in this Mortgagee Letter apply to all mortgages insured under FHA's Single Family Insurance Programs except those listed below:

- Title I
- HOPE for Homeowners (H4H)
- Section 247 (Hawaiian Homelands)
- Section 248 (Indian Reservations)
- Section 223(e) (declining neighborhoods)
- Section 238(c) (Military Impact areas in Georgia and New York)

### Upfront Premiums

Effective for FHA loans for which the case number is assigned on or after October 4, 2010, for FHA traditional purchase and refinance products, the upfront premium, shown in basis points below, will be charged for all amortization terms.

Mortgage Type	Upfront Premium Requirement
Purchase Money Mortgages and Full-Credit Qualifying Refinances	100 BPS
Streamline Refinances (all types)	100 BPS

### Annual Premiums

Effective for FHA loans for which the case number is assigned on or after October 4, 2010, FHA will increase the annual premiums collected on a monthly basis. For FHA traditional purchase and refinance products, the annual premium, shown in basis points below, is to be remitted on a monthly basis, and will be charged based on the initial loan-to-value ratio and length of the mortgage according to the following schedule:

LTV	Annual Premiums for Loans > 15 Years
= or < 95 percent	85 BPS
>95 percent	90 BPS

The annual premium for amortization terms equal to or less than 15 years remains unchanged and is collected according to the following schedule.

LTV	Annual Premiums for Loans = or < 15 Years
= or < 90 percent	-None-
>90 percent	25 BPS

### Cancellation of FHA's Annual Mortgage Insurance Premiums

The cancellation policies defined in Mortgagee Letters 2000-38 and 2000-46 remain unchanged.

**First-Time Homebuyer with HUD-Approved Pre-Purchase Counseling**

The National Housing Act, as amended by the Housing and Economic Recovery Act in 2008, authorizes upfront premiums of up to 3.00 except these premiums cannot exceed 2.75 percent for first-time homebuyers who complete HUD-approved pre-purchase counseling. Since the upfront premium rate of 1.00 percent remains below the statutory cap, no variable rate is provided for under this Mortgage Letter for first-time homebuyers who receive HUD-approved counseling.

**Home Equity Conversion Mortgage (HECM) Loans**

Effective for all HECM loans for which the case number is assigned on or after October 4, 2010, FHA will increase the annual premium which is collected on a monthly basis. This policy change will not affect the upfront premiums collected.

The annual premium, shown in basis points below is to be remitted on a monthly basis, and will be charged according to the following schedule:

Premium Type	Basis Points
<b>Upfront</b>	<b>200 BPS</b>
<b>Annual</b>	<b>125 BPS</b>

If you should have any questions concerning this Mortgage Letter, please call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens  
Assistant Secretary for Housing-  
Federal Housing Commissioner

**TEXAS HOME EQUITY DOCUMENTS REQUIRING ON**  
**NON QUALIFYING SPOUSE SIGNATURE**

1. Truth in Lending Disclosure and Itemization
2. Texas Home Equity Security Instrument with all applicable riders and exhibits  
(including Renewal and Extension Exhibit)
3. Right to Cancel (Federal and State)
4. Acknowledgement of Receipt of Disclosures
5. HE Ln Subsequent Refi Limitations Notice
6. Name Affidavits
7. Appraisal Receipt
8. Appraisal Report Disclosure
9. Municipal Letter – Rural/Urban (if applicable)
10. TX HE Ack. Of Advance Copy of Loan Appl & Final Item of Fees & Charges
11. Ack. Re Fair Mkt Value (with or without appraisal)
12. Cert.-Originating lender-Compliance (if applicable)
13. Cert.-Originating Lender's Attorney-Compliance (if applicable)
14. Texas Home Equity Rural Homestead Affidavit and Agreement (if applicable)
15. Receipt of HUD-1 or HUD-1A Settlement Statement Addendum
16. Owner's Affidavit of Compliance
17. TX HE Designation of Homestead Affidavit (w or w/o TC) whichever applicable
18. Consent of Owner to Waive Advance Discl of HE Fees (if applicable)
19. Consent of Owner to Waive Advance Discl of HE Fees (De Minimum Good Cause)(if app)
20. Receipt of Copies
21. Ack. Re: Voluntary Repayment of Debt (if applicable)
22. Ack. Re: Voluntary Repayment of Credit Life (if applicable)
23. Affidavit of Milk Production (if applicable)
24. Borrower's Ack. Of Appraisal Delivery (BOA only)
25. Discount Point Ack. (if applicable)
26. Addendum to Closing Instruction from Lender (Flagstar only)

Any generic form described above will be replaced with an investors own form when applicable.

Requirement for Closing Instructions:

Non Qualifying Spouse to sign the TIL, TX HE Security Instrument, all applicable Riders or Exhibits, Right to Cancel(s) and all applicable Texas Home Equity forms.

CHANGED CIRCUMSTANCE OR  
BORROWER REQUESTED CHANGE LETTER

Date

Borrower Name  
Borrower Address  
Borrower City, State ZIP

Dear Borrower:

Attached is a revised Good Faith Estimate. The revision is a result of the item(s) checked below.

1. You have elected to lock-in your interest rate, which revises one or more of the Interest rate dependent charges and terms:  
Description: \_\_\_\_\_
2. Your rate lock expired and you have re-locked your interest rate, which revises one or more of the interest rate dependent charges and terms.  
Description: \_\_\_\_\_
3. The loan request involves a new home purchase (ie., a home to be constructed or under construction) where settlement is anticipated to occur more than 60 days from when the original GFE was provided.  
Description: \_\_\_\_\_
4. There has been a "changed circumstance" affecting the settlement costs.  
Description: \_\_\_\_\_
5. There has been a "changed circumstance" affecting the requested loan.  
Description: \_\_\_\_\_
6. You requested changes to the loan identified in the GFE that either change the settlement charges or the terms of the loan.  
Description: \_\_\_\_\_

Please sign below acknowledging these changes.

## Your Billing Rights Regarding Your Open Line of Credit (Home Equity Loan)

### KEEP THIS NOTICE FOR FUTURE USE

This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act and Truth-in-Lending (Truth-in-Lending).

#### Notify Us In Case of Errors or Questions About Your Bill

If you think your bill is wrong, or if you need more information about a transaction on your bill, write us [on a separate sheet] at the address listed on your bill. Write to us as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, described the item you are not sure about.

If you have authorized us to pay your credit card bill automatically from your savings or checking account, you can stop the payment on any amount you think is wrong. To stop the payment your letter must reach us three business days before the automatic payment is scheduled to occur.

#### Your Rights and Our Responsibilities After We Receive Your Written Notice

We must acknowledge your letter within 30 days, unless we have corrected the error by then. Within 90 days, we must either correct the error or explain why we believe the bill was correct.

After we receive your letter, we cannot try to collect any amount you question, or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your bill that are not in question.

If we find that we made a mistake on your bill, you will not have to pay any finance charges related to any questioned amount. If we didn't make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the questioned amount. In either case, we will send you a statement of the amount you owe and the date that it is due.

If you fail to pay the amount that we think you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write to us within ten days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your bill. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is.

If we don't follow these rules, we can't collect the first \$50 of the questioned amount, even if your bill was correct.

«7» «13»

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«FooterTitle»	11	«Initials» «FormNumber» «VendorDocID» «CopyrightInfo» «DocID»
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## **APPENDIX H – Model Forms for Risk-Based Pricing and Credit Score Disclosure Exception Notices**

1. This appendix contains two model forms for risk-based pricing notices and three model forms for use in connection with the credit score disclosure exceptions. Each of the model forms is designated for use in a particular set of circumstances as indicated by the title of that model form.

149

2. Model form H-1 is for use in complying with the general risk-based pricing notice requirements in § 222.72. Model form H-2 is for risk-based pricing notices given in connection with account review. Model form H-3 is for use in connection with the credit score disclosure exception for loans secured by residential real property. Model form H-4 is for use in connection with the credit score disclosure exception for loans that are not secured by residential real property. Model form H-5 is for use in connection with the credit score disclosure exception when no credit score is available for a consumer. All forms contained in this appendix are models; their use is optional.

3. A person may change the forms by rearranging the format or by making technical modifications to the language of the forms, in each case without modifying the substance of the disclosures. Any such rearrangement or modification of the language of the model forms may not be so extensive as to materially affect the substance, clarity, comprehensibility, or meaningful sequence of the forms. Persons making revisions with that effect will lose the benefit of the safe harbor for appropriate use of Appendix H model forms. A person is not required to conduct consumer testing when rearranging the format of the model forms.

a. Acceptable changes include, for example:

- i. Corrections or updates to telephone numbers, mailing addresses, or web site addresses that may change over time.
- ii. The addition of graphics or icons, such as the person's corporate logo.
- iii. Alteration of the shading or color contained in the model forms.
- iv. Use of a different form of graphical presentation to depict the distribution of credit scores.

150

v. Substitution of the words "credit" and "creditor" or "finance" and "finance company" for the terms "loan" and "lender."

vi. Including pre-printed lists of the sources of consumer reports or consumer reporting agencies in a "check-the-box" format.

vii. Including the name of the consumer, transaction identification numbers, a date, and other information that will assist in identifying the transaction to which the form pertains.

viii. Including the name of an agent, such as an auto dealer or other party, when providing the "Name of the Entity Providing the Notice."

b. Unacceptable changes include, for example:

i. Providing model forms on register receipts or interspersed with other disclosures.

ii. Eliminating empty lines and extra spaces between sentences within the same section.

4. If a person uses an appropriate Appendix H model form, or modifies a form in

accordance with the above instructions, that person shall be deemed to be acting in compliance with the provisions of § 222.73 or § 222.74, as applicable, of this regulation. It is intended that appropriate use of Model Form H-3 also will comply with the disclosure that may be required under section 609(g) of the FCRA.

H-1 Model form for risk-based pricing notice

H-2 Model form for account review risk-based pricing notice

H-3 Model form for credit score disclosure exception for credit secured by one to four units of residential real property

**H-3. Model form for credit score disclosure exception for loans secured by one to four units of residential real property**

[Name of Entity Providing the Notice]  
**Your Credit Score and the Price You Pay for Credit**

<b>Your Credit Score</b>	
Your credit score	[Insert credit score]
	Source: [Insert source]      Date: [Insert date score was created]

**Understanding Your Credit Score**

<b>What you should know about credit scores</b>	<p>Your credit score is a number that reflects the information in your credit report.</p> <p>Your credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors.</p> <p>Your credit score can change, depending on how your credit history changes.</p>
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<b>How we use your credit score</b>	Your credit score can affect whether you can get a loan and how much you will have to pay for that loan.
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<b>The range of scores</b>	<p>Scores range from a low of [Insert bottom number in the range] to a high of [Insert top number in the range].</p> <p>Generally, the higher your score, the more likely you are to be offered better credit terms.</p>
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<b>How your score compares to the scores of other consumers</b>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small; margin-right: 10px;">% of Consumers with Scores in a Particular Range</div> <table border="1" style="margin-left: 20px; font-size: x-small;"> <caption>Score Range vs. % of Consumers</caption> <thead> <tr> <th>Score Range</th> <th>% of Consumers</th> </tr> </thead> <tbody> <tr> <td>[0-100]</td> <td>10%</td> </tr> <tr> <td>[101-200]</td> <td>15%</td> </tr> <tr> <td>[201-300]</td> <td>20%</td> </tr> <tr> <td>[301-400]</td> <td>30%</td> </tr> <tr> <td>[401-500]</td> <td>15%</td> </tr> <tr> <td>[501-600]</td> <td>10%</td> </tr> </tbody> </table> </div> <p>[or] [Your credit score ranks higher than [X] percent of U.S. consumers.]</p>	Score Range	% of Consumers	[0-100]	10%	[101-200]	15%	[201-300]	20%	[301-400]	30%	[401-500]	15%	[501-600]	10%
Score Range	% of Consumers														
[0-100]	10%														
[101-200]	15%														
[201-300]	20%														
[301-400]	30%														
[401-500]	15%														
[501-600]	10%														

**Understanding Your Credit Score (continued)**

<b>Key factors that adversely affected your credit score</b>	[Insert first factor] [Insert second factor] [Insert third factor] [Insert fourth factor] [Insert fifth factor, if applicable]
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**Checking Your Credit Report**

<b>What if there are mistakes in your credit report?</b>	You have a right to dispute any inaccurate information in your credit report. If you find mistakes on your credit report, contact the consumer reporting agency.  It is a good idea to check your credit report to make sure the information it contains is accurate.
<b>How can you obtain a copy of your credit report?</b>	Under federal law, you have the right to obtain a free copy of your credit report from each of the nationwide consumer reporting agencies once a year.  To order your free annual credit report—  <i>By telephone:</i> Call toll-free: 1-877-322-8228  <i>On the web:</i> Visit <a href="http://www.annualcreditreport.com">www.annualcreditreport.com</a>  <i>By mail:</i> Mail your completed Annual Credit Report Request Form (which you can obtain from the Federal Trade Commission's web site at <a href="http://www.ftc.gov/bcp/online/include/requestformfinal.pdf">http://www.ftc.gov/bcp/online/include/requestformfinal.pdf</a> ) to:  Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281
<b>How can you get more information?</b>	For more information about credit reports and your rights under federal law, visit the Federal Reserve Board's web site at <a href="http://www.federalreserve.gov">www.federalreserve.gov</a> , or the Federal Trade Commission's web site at <a href="http://www.ftc.gov">www.ftc.gov</a> .

### Notice to the Home Loan Applicant

In connection with your application for a home loan, the lender must disclose to you the score that a consumer reporting agency distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores.

The credit score is a computer generated summary calculated at the time of the request and based on information that a consumer reporting agency or lender has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.

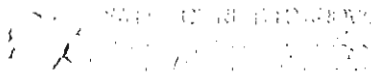
Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to you, contact the consumer reporting agency at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The consumer reporting agency plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms of the loan, contact the lender.

# Board of Governors of the Federal Reserve System

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- Economic Research & Data
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- Community Development
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New Federal Reserve rules help mortgage borrowers by notifying them when their loans get transferred to another company.

## Background

Before the new rules, if your loan was sold or transferred from your current lender to a new lender, the new lender did not have to tell you that it acquired your loan. The new rules will ensure you know who owns your loan.

## Why the new rules are important

The Federal Reserve's new rules ensure that you know who owns your loan and who can handle certain issues, including payment disputes and loan modifications.

## How the new rules work

The new rules require the company that acquires your loan to send you a notice within thirty days of acquiring it. Among other things, the notice must disclose:

- the new owner's identity, address, and telephone number;
- the date the loan was transferred; and
- contact information that you can use to reach an agent or other party, if any, authorized to act on behalf of the owner.

New loan owners are required to send you these notices for:

- any loan you have taken out on your principal dwelling (so loans on a vacation or business properties would not be covered), including loans to purchase or refinance your home; and
- home equity loans, also known as second mortgage loans, and home equity lines of credit (HELOCs).

Even with a new loan owner, the company that "services" or handles your loan might not change and you might continue to send your mortgage payments to the same address. If that loan servicer changes, you will receive a separate notice. For more information about servicing companies, read the Federal Trade Commission's publication [Mortgage Servicing: Making Sure Your Money is Counted](#).

**home equity line of credit (HELOC)**  
A loan that uses your property as collateral to guarantee repayment and is structured as a revolving line of credit, similar to a credit card: the lender agrees to lend a maximum amount of money within an agreed period of time, and the borrower can use the entire credit line, or borrow specific amounts from time to time. The interest rate on a HELOC is generally variable, although some lenders offer fixed rate HELOCs.

**home equity (or second mortgage) loan**  
A loan that uses your property as collateral to guarantee repayment and allows you to receive the full amount at once and to repay it over a fixed period of time.

**mortgage loan**  
A loan that uses your property as collateral to guarantee repayment.

[Download the PDF.](#)

For more information about the new rules, visit [www.frb.org/consumers](#).

For more information about the new rules, visit [www.frb.org/consumers](#).

Last Update: August 20, 2010  
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PDF Reader

**PART 226—TRUTH IN LENDING (REGULATION Z)**

1. The authority citation for part 226 continues to read as follows:

**Authority:** 12 U.S.C. 3806; 15 U.S.C. 1604, 1637(c)(5), and 1639(l); Pub. L. 111-24 § 2, 123 Stat. 1734.

**Subpart E—Special Rules for Certain Home Mortgage Transactions**

2. Under Subpart E—Special Rules for Certain Home Mortgage Transactions, a new Section 226.39 is added to read as follows:

**§ 226.39 Mortgage transfer disclosures.**

(a) Scope. The disclosure requirements of this section apply to any covered person except as otherwise provided in this section. For purposes of this section:

(1) A “covered person” means any person, as defined in § 226.2(a)(22), that becomes the owner of an existing mortgage loan by acquiring legal title to the debt obligation, whether through a purchase, assignment, or other transfer, and who acquires more than one mortgage loan in any twelve-month period. For purposes of this section, a servicer of a mortgage loan shall not be treated as the owner of the obligation if the servicer holds title to the loan or it is assigned to the servicer solely for the administrative convenience of the servicer in servicing the obligation.

(2) A “mortgage loan” means any consumer credit transaction that is secured by the principal dwelling of a consumer.

(b) Disclosure required. Except as provided in paragraph (c) of this section, any person that becomes a covered person as defined in this section shall mail or deliver the disclosures required by this section to the consumer on or before the 30th calendar day following the acquisition date. If there is more than one covered person, only one disclosure shall be given and the covered persons shall agree among themselves which covered person shall comply with the requirements that this section imposes on any or all of them.

(1) Acquisition date. For purposes of this section, the date that the covered person acquired the mortgage loan shall be the date of acquisition recognized in the books and records of the acquiring party.

(2) Multiple consumers. If there is more than one consumer liable on the obligation, a covered person may mail or deliver the disclosures to any consumer who is primarily liable.

(c) Exceptions. Notwithstanding paragraph (b) of this section, a covered person is not subject to the requirements of this section with respect to a particular mortgage loan if:

(1) The covered person sells or otherwise transfers or assigns legal title to the mortgage loan on or before the 30th calendar day following the date that the covered person acquired the mortgage loan; or

(2) The mortgage loan is transferred to the covered person in connection with a repurchase agreement and the transferor that is obligated to repurchase the loan continues to recognize the loan as an asset on its own books and records. However, if the transferor does not repurchase the mortgage loan, the acquiring party must make the disclosures required by § 226.39 within 30 days after the date that the transaction is recognized as an acquisition in its books and records.

(d) Content of required disclosures. The disclosures required by this section shall

identify the loan that was acquired or transferred and state the following:

(1) The identity, address, and telephone number of the covered person who owns the mortgage loan. If there is more than one covered person, the information required by this paragraph shall be provided for each of them.

(2) The acquisition date recognized by the covered person.

(3) How to reach an agent or party having authority to act on behalf of the covered person (or persons), which shall identify a person (or persons) authorized to receive legal notices on behalf of the covered person and resolve issues concerning the consumer's payments on the loan. However, no information is required to be provided under this paragraph if the consumer can use the information provided under paragraph (d)(1) of this section for these purposes. If multiple persons are identified under this paragraph, the disclosure shall provide contact information for each and indicate the extent to which the authority of each agent differs. For purposes of this paragraph (d)(3), it is sufficient if the covered person provides only a telephone number provided that the consumer can use the telephone number to obtain the address for the agent or other person identified.

(4) The location where transfer of ownership of the debt to the covered person is recorded. However, if the transfer of ownership has not been recorded in public records at the time the disclosure is provided, the covered person complies with this paragraph by stating this fact.

(e) Optional disclosures. In addition to the information required to be disclosed under paragraph (d) of this section, a covered person may, at its option, provide any other information regarding the transaction.

3. In Supplement I to Part 226, under Subpart E, a new Section 226.39—Mortgage

Transfer Disclosures is added to read as follows:

### **Supplement I to Part 226—Official Staff Interpretations**

\* \* \* \* \*

### **Subpart E—Special Rules for Certain Home Mortgage Transactions**

\* \* \* \* \*

#### **Section 226.39—Mortgage transfer disclosures**

##### **39(a) Scope.**

##### **Paragraph 39(a)(1).**

1. Covered persons. The disclosure requirements of § 226.39 apply to any “covered person” that becomes the legal owner of an existing mortgage loan, whether through a purchase, assignment, or other transfer, regardless of whether the person also meets the definition of a “creditor” in Regulation Z. The fact that a person purchases or acquires mortgage loans and provides disclosures under § 226.39 does not by itself make that person a “creditor” as defined in the regulation.

2. Acquisition of legal title. To become a “covered person” subject to § 226.39, a person must become the owner of an existing mortgage loan by acquiring legal title to the debt obligation. The transfer of ownership of a mortgage loan is subject to the disclosure requirements of this section when the acquiring party is a separate legal entity from the transferor, even if the parties are affiliated entities. Section 226.39 does not apply to persons who acquire only a beneficial interest in the loan or a security interest in the loan.

Section 226.39 also does not apply to a party that assumes the credit risk without acquiring legal title to the loan. Thus, an investor that acquires mortgage-backed securities, pass-through certificates, or participation interests and does not directly acquire legal title in the underlying mortgage loans is not covered by this section.

3. **Loan servicers.** Pursuant to TILA Section 131(f)(2), the servicer of a mortgage loan is not treated as the owner of the obligation for purposes of § 226.39 if the servicer holds title to the loan as a result of the assignment of the obligation to the servicer solely for the administrative convenience of the servicer in servicing the obligation.

4. **Mergers, corporate acquisitions, or reorganizations.** Disclosures are required under § 226.39 when, as a result of a merger, corporate acquisition, or reorganization the ownership of a mortgage loan is transferred to a different legal entity.

**Paragraph 39(a)(2).**

1. **Mortgage transactions covered.** Section 226.39 applies to any consumer credit transaction secured by the principal dwelling of a consumer, which includes closed-end mortgage loans as well as home equity lines of credit.

**39(b) Disclosure required.**

1. **Generally.** A covered person must mail or deliver the disclosures required by § 226.39 on or before the 30th calendar day following the date that the covered person acquired the loan, unless the exception in § 226.39(c) applies. For example, if a covered person acquires a mortgage loan on March 1, the required disclosure must be mailed or delivered on or before March 31. For purposes of this requirement, the date that the covered person acquires the loan is the acquisition date recognized in its books and records.

2. **Disclosure provided on behalf of multiple entities.** A mortgage loan may be acquired by a covered person and subsequently transferred to an affiliate or other entity that is also a covered person required to provide disclosures under § 226.39. In such cases, a single disclosure may be provided on behalf of both entities instead of providing two separate disclosures, as long as the disclosure satisfies the timing and content requirements applicable to both entities. For example, if a covered person acquires a loan on August 31 with the knowledge that it will assign the loan to another entity on October 15, the covered person could mail a single disclosure on or before September 30 which provides the required information for both entities and indicates when the subsequent transfer is expected to occur. Even though one person delegates responsibility for the disclosures to another covered person, each has a duty to ensure that disclosures related to its acquisition are accurate and provided in a timely manner.

**39(c) Exceptions.**

**Paragraph 39(c)(1)**

1. **Example.** If a mortgage loan is originated on February 22nd and the original creditor sells the loan on March 1 to a covered person, under the exception in § 226.39(c) the covered person would not be required to provide disclosures under § 226.39 if the loan is sold or otherwise transferred or assigned to another party on or before March 31.

**Paragraph 39(c)(2)**

1. **Repurchase agreements.** The original creditor or owner of the mortgage loan might sell or transfer legal title to the loan to secure short-term business financing under an agreement where the original creditor or owner is also obligated to repurchase the loan within a brief period, typically a month or less. If the original creditor or owner does not recognize such transactions as a sale of the loan on its own books and records for accounting purposes, the transfer of the loan in connection with such a repurchase agreement is not covered by § 226.39 and the acquiring party is not required to provide disclosures. However, if the transferor does not repurchase the mortgage loan, the acquiring party must make the disclosures required by § 226.39 within 30 days after the date that the transaction is recognized as an acquisition in its books and records.

**39(d) Content of required disclosures.**

1. **Identifying the loan.** The disclosures required by this section should identify the loan that was acquired or transferred. The covered person has flexibility in determining what information to provide for this purpose. For example, the covered person may identify the loan by stating the address of the mortgaged property along with the account number or other identification number previously known to the consumer, which may appear in a truncated format. Alternatively, the covered person might identify the loan by specifying the date on which the credit was extended and the original amount of the loan or credit line.

**Paragraph 39(d)(1).**

1. **Identification of covered person.** Section 226.39(d)(1) requires acquiring parties to provide their name, address, and telephone number. The party identified must be the covered person who owns the mortgage loan, regardless of whether another party has been appointed to service the loan or otherwise serve as the covered person's agent. In addition to providing a postal address and a telephone number, the covered person may, at its option, provide an address for receiving electronic mail or an internet web site address but is not required to do so.

**Paragraph 39(d)(3).**

1. **Identifying agents.** Under § 226.39(d)(3), the covered person must provide contact information for the agent or other party having authority to act on behalf of the covered person and who is authorized to receive legal notices on behalf of the covered person and resolve issues concerning the consumer's payments on the loan. Section 226.39(d)(3) does not require that a covered person designate an agent or other party, but if the consumer cannot use the covered person's contact information for these purposes the disclosure must provide contact information for an agent or other party that can address these matters. If multiple agents are listed on the disclosure, the disclosure shall state the extent to which the authority of each agent differs by indicating if only one of the agents is authorized to receive legal notices, or only one of the agents is authorized to resolve issues concerning payments. For purposes of § 226.39(d)(3), it is sufficient to provide a telephone number as the contact information provided that consumers can use

the telephone number to obtain the mailing address for the agent or other person identified.

2. Other contact information. The covered person may also provide an agent's electronic mail address or internet web site address but is not required to do so.

**Paragraph 39(d)(4).**

1. Recording location. Section 226.39(d)(4) requires disclosure of the location where transfer of ownership of the debt to the covered person is recorded. If the transfer of ownership has not been recorded in public records at the time the disclosure is provided, the covered person complies with § 226.39(d)(4) by stating this fact.

Whether or not the transfer has been recorded at the time the disclosure is made, the disclosure may state that the transfer "is or may be recorded" at the specified location.

2. Postal address not required. In disclosing the location where the transfer of ownership is recorded, the covered person is not required to provide a postal address for the governmental office where the covered person's ownership interest is recorded. The covered person also is not required to provide the name of the county or jurisdiction where the property is located. For example, it would be sufficient to disclose that the transaction is or may be recorded in the office of public land records or the recorder of deeds office "for the county or local jurisdiction where the property is located."

**39(e) Optional disclosures.**

1. Generally. Section 226.39(e) provides that covered persons may, at their option, include additional information about the mortgage transaction that they consider relevant or helpful to consumers. For example, the covered person may choose to inform consumers that the location where they should send mortgage payments has not changed.

By order of the Board of Governors of the Federal Reserve System, November 13, 2009.

Jennifer J. Johnson (signed)

Jennifer J. Johnson

Secretary of the Board.

proposal, including the requirements implemented by this interim rule, to small businesses. See 74 FR 43232, 43320, Aug. 26, 2009. As noted above, some commenters objected to the interest rate and payment summary being burdensome, but they gave no specific cost information.

C. Description and Estimate of Entities to Which the Interim Rule Applies

The interim rule will apply to institutions and entities that originate or acquire closed-end lending secured by real property or a dwelling. Regulation Z has broad applicability to individuals and businesses that originate even small secured loans. See § 226.18 discussed in the IR from Reports of C (Call Reports) of and certain sub bank holding c reported under Disclosure A estimate the small depositor subject to HMDA deposi: inform

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REG Z 226.18 CHANGES  
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Further, 1,507 non-depository institutions (independent mortgage companies, subsidiaries of a depository institution, or affiliates of a bank holding company) filed HMDA reports in 2009 for 2008 lending activities. Based on the small volume of lending activity reported by these institutions, most are likely to be small entities.

er PART 226—TRUTH IN LENDING  
(Regulation Z)

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■ 1. The authority citation for part 226 continues to read as follows:

Authority: 12 U.S.C. 3806; 15 U.S.C. 1604, 1637(c)(5), and 1639(l); Pub. L. 111–24 § 2, 123 Stat. 1734.

Subpart C—Closed-End Credit

■ 2. Section 226.18 is amended by revising paragraph (g) introductory text and adding new paragraphs (s) and (t) to read as follows:

§ 226.18 Content of disclosures.

(g) *Payment schedule.* Other than for a transaction that is subject to paragraph (s) of this section, the number, amounts, and timing of payments scheduled to repay the obligation.

(s) *Interest rate and payment summary for mortgage transactions.* For a closed-end transaction secured by real property or a dwelling, other than a transaction secured by a consumer's interest in a timeshare plan described in 11 U.S.C. 101(53D), the creditor shall disclose the following information about the interest rate and payments:

(1) *Form of disclosures.* The information in paragraphs (s)(2)–(4) of this section shall be in the form of a table, with no more than five columns, with headings and format substantially similar to Model Clause H–4(E), H–4(F), H–4(G), or H–4(H) in Appendix H to this part. The table shall contain only the information required in paragraphs (s)(2)–(4) of this section, shall be placed in a prominent location, and shall be in a minimum 10-point font.

(2) *Interest rates—(i) Amortizing loans.* (A) For a fixed-rate mortgage, the interest rate at consummation.

(B) For an adjustable-rate or step-rate mortgage—

(1) The interest rate at consummation and the period of time until the first interest rate adjustment may occur, labeled as the “introductory rate and monthly payment”;

(2) The maximum interest rate that may apply during the first five years after consummation and the earliest date on which that rate may apply, labeled as “maximum during first five years”; and

(3) The maximum interest rate that may apply during the life of the loan and the earliest date on which that rate may apply, labeled as “maximum ever.”

(C) If the loan provides for payment increases as described in paragraph (s)(3)(i)(B) of this section, the interest rate in effect at the time the first such

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To Minimize the Impact on Small Entities

1 generally prescribes model clauses to facilitate compliance with its disclosure requirements under Regulation Z. In this interim rule, the Board is adopting model clauses to illustrate the interest rate and payment summary for fixed-rate mortgages, adjustable- or step-rate mortgages, mortgages with negative amortization, and mortgages with interest-only payments, as well as model clauses to illustrate the introductory rate disclosure, the balloon payment disclosure, and the no-guarantee to refinance statement. In addition, as noted above, the Board is affording small creditors and other creditors the maximum possible time to implement this interim rule's requirements by making compliance optional until the statutory effective date. This regulatory flexibility analysis does not discuss alternatives to the interim rule because the Board is revising Regulation Z for the narrow purpose of carrying out its mandate to implement statutory amendments to TILA.

List of Subjects in 12 CFR Part 226

Advertising, Consumer protection, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Truth in lending.

Authority and Issuance

■ For the reasons set forth in the preamble, the Board amends Regulation Z, 12 CFR Part 226, as set forth below:

payment increase is scheduled to occur and the date on which the increase will occur, labeled as "first adjustment" if the loan is an adjustable-rate mortgage or, otherwise, labeled as "first increase."

(ii) *Negative amortization loans.* For a negative amortization loan—

(A) The interest rate at consummation and, if it will adjust after consummation, the length of time until it will adjust, and the label "introductory" or "intro";

(B) The maximum interest rate that could apply when the consumer must begin making fully amortizing payments under the terms of the legal obligation;

(C) If the minimum required payment will increase before the consumer must begin making fully amortizing payments, the maximum interest rate that could apply at the time of the first payment increase and the date the increase is scheduled to occur; and

(D) If a second increase in the minimum required payment may occur before the consumer must begin making fully amortizing payments, the maximum interest rate that could apply at the time of the second payment increase and the date the increase is scheduled to occur.

(iii) *Introductory rate disclosure for amortizing adjustable-rate mortgages.* For an amortizing adjustable-rate mortgage, if the interest rate at consummation is less than the fully-indexed rate, placed in a box directly beneath the table required by paragraph (s)(1) of this section, in a format substantially similar to Model Clause H-4(I) in Appendix H to this part—

(A) The interest rate that applies at consummation and the period of time for which it applies;

(B) A statement that, even if market rates do not change, the interest rate will increase at the first adjustment and a designation of the place in sequence of the month or year, as applicable, of such rate adjustment; and

(C) The fully-indexed rate.

(3) *Payments for amortizing loans—(i) Principal and interest payments.* If all periodic payments will be applied to accrued interest and principal, for each interest rate disclosed under paragraph (s)(2)(i) of this section—

(A) The corresponding periodic principal and interest payment, labeled as "principal and interest;"

(B) If the periodic payment may increase without regard to an interest rate adjustment, the payment that corresponds to the first such increase and the earliest date on which the increase could occur;

(C) That an escrow account is required, if applicable, and an estimate

of the amount of taxes and insurance, including any mortgage insurance; and

(D) The sum of the amounts disclosed under paragraphs (s)(3)(i)(A) and (C) of this section or (s)(3)(i)(B) and (C) of this section, as applicable, labeled as "total estimated monthly payment."

(ii) *Interest-only payments.* If the loan is an interest-only loan, for each interest rate disclosed under paragraph (s)(2)(i) of this section, the corresponding periodic payment and—

(A) If the payment will be applied to only accrued interest, the amount applied to interest, labeled as "interest payment," and a statement that none of the payment is being applied to principal;

(B) If the payment will be applied to accrued interest and principal, the earliest date that such payments will be required and an itemization of the amount applied to accrued interest and the amount applied to principal, labeled as "interest payment" and "principal payment," respectively;

(C) The escrow information described in paragraph (s)(3)(i)(C) of this section; and

(D) The sum of all amounts required to be disclosed under paragraphs (s)(3)(ii)(A) and (C) of this section or (s)(3)(ii)(B) and (C) of this section, as applicable, labeled as "total estimated monthly payment."

(4) *Payments for negative amortization loans.* For negative amortization loans:

(i)(A) The minimum periodic payment required until the first payment increase or interest rate increase, corresponding to the interest rate disclosed under paragraph (s)(2)(ii)(A) of this section;

(B) The minimum periodic payment that would be due at the first payment increase and the second, if any, corresponding to the interest rates described in paragraphs (s)(2)(ii)(C) and (D) of this section; and

(C) A statement that the minimum payment pays only some interest, does not repay any principal, and will cause the loan amount to increase;

(ii) The fully amortizing periodic payment amount at the earliest time when such a payment must be made, corresponding to the interest rate disclosed under paragraph (s)(2)(ii)(B) of this section; and

(iii) If applicable, in addition to the payments in paragraphs (s)(4)(i) and (ii) of this section, for each interest rate disclosed under paragraph (s)(2)(ii) of this section, the amount of the fully amortizing periodic payment, labeled as the "full payment option," and a statement that these payments pay all principal and all accrued interest.

(5) *Balloon payments.* (i) Except as provided in paragraph (s)(5)(ii) of this section, if the transaction will require a balloon payment, defined as a payment that is more than two times a regular periodic payment, the balloon payment shall be disclosed separately from other periodic payments disclosed in the table under this paragraph (s), outside the table and in a manner substantially similar to Model Clause H-4(J) in Appendix H to this part.

(ii) If the balloon payment is scheduled to occur at the same time as another payment required to be disclosed in the table pursuant to paragraph (s)(3) or (s)(4) of this section, then the balloon payment must be disclosed in the table.

(6) *Special disclosures for loans with negative amortization.* For a negative amortization loan, the following information, in close proximity to the table required in paragraph (s)(1) of this section, with headings, content, and format substantially similar to Model Clause H-4(G) in Appendix H to this part:

(i) The maximum interest rate, the shortest period of time in which such interest rate could be reached, the amount of estimated taxes and insurance included in each payment disclosed, and a statement that the loan offers payment options, two of which are shown.

(ii) The dollar amount of the increase in the loan's principal balance if the consumer makes only the minimum required payments for the maximum possible time and the earliest date on which the consumer must begin making fully amortizing payments, assuming that the maximum interest rate is reached at the earliest possible time.

(7) *Definitions.* For purposes of this § 226.18(s):

(i) The term "adjustable-rate mortgage" means a transaction secured by real property or a dwelling for which the annual percentage rate may increase after consummation.

(ii) The term "step-rate mortgage" means a transaction secured by real property or a dwelling for which the interest rate will change after consummation, and the rates that will apply and the periods for which they will apply are known at consummation.

(iii) The term "fixed-rate mortgage" means a transaction secured by real property or a dwelling that is not an adjustable-rate mortgage or a step-rate mortgage.

(iv) The term "interest-only" means that, under the terms of the legal obligation, one or more of the periodic payments may be applied solely to accrued interest and not to loan

principal; an "interest-only loan" is a loan that permits interest-only payments.

(v) The term "amortizing loan" means a loan in which payment of the periodic payments does not result in an increase in the principal balance under the terms of the legal obligation; the term "negative amortization" means payment of periodic payments that will result in an increase in the principal balance under the terms of the legal obligation; the term "negative amortization loan" means a loan that permits payments resulting in negative amortization, other than a reverse mortgage subject to § 226.33.

(vi) The term "fully-indexed rate" means the interest rate calculated using the index value and margin at the time of consummation.

(t) "No-guarantee-to-refinance" statement. (1) Disclosure. For a closed-

end transaction secured by real property or a dwelling, other than a transaction secured by a consumer's interest in a timeshare plan described in 11 U.S.C. 101(53D), the creditor shall disclose a statement that there is no guarantee the consumer can refinance the transaction to lower the interest rate or periodic payments.

(2) *Format.* The statement required by paragraph (t)(1) of this section must be in a form substantially similar to Model Clause H-4(K) in Appendix H to this part.

■ 3. Appendix H to Part 226 is amended by:

■ A. Adding entries for H-4(E) through H-4(K) to the table of contents at the beginning of the appendix; and

■ B. Adding new Model Clauses H-4(E) through H-4(K) in numerical order.

**Appendix H to Part 226—Closed-End Model Forms and Clauses**

- \* \* \* \* \*
- H-4(E)—Fixed-Rate Mortgage Interest Rate and Payment Summary Model Clause (§ 226.18(s))
  - H-4(F)—Adjustable-Rate Mortgage or Step-Rate Mortgage Interest Rate and Payment Summary Model Clause (§ 226.18(s))
  - H-4(G)—Mortgage with Negative Amortization Interest Rate and Payment Summary Model Clause (§ 226.18(s))
  - H-4(H)—Fixed-Rate Mortgage with Interest-Only Interest Rate and Payment Summary Model Clause (§ 226.18(s))
  - H-4(I)—Adjustable-Rate Mortgage Introductory Rate Disclosure Model Clause (§ 226.18(s)(2)(iii))
  - H-4(J)—Balloon Payment Disclosure Model Clause (§ 226.18(s)(5))
  - H-4(K)—No Guarantee to Refinance Statement Model Clause (§ 226.18(t))

\* \* \* \* \*  
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H-4(E) Fixed Rate Mortgage Interest Rate and Payment Summary Model Clause

**INTEREST RATE AND PAYMENT SUMMARY**

	Rate & Monthly Payment
Interest Rate	_____ %
Principal + Interest Payment	\$ _____
EsL Taxes + Insurance (Escrow) • (Includes [Private] Mortgage Insurance)	\$ _____
<b>Total Est. Monthly Payment</b>	<b>\$ _____</b>

**H-4(F) Adjustable-Rate Mortgage or Step-Rate Mortgage Interest Rate and Payment Summary Model Clause**

**INTEREST RATE AND PAYMENT SUMMARY**

	INTRODUCTORY Rate & Monthly Payment (for first (period))	[MAXIMUM during FIRST FIVE YEARS (date)]	MAXIMUM EVER (as early as (date))
Interest Rate	___%	[ ___% ]	___%
Principal + Interest Payment	\$ _____	[ \$ _____ ]	\$ _____
Est. Taxes + Insurance [(Escrow)] • [Includes [Private] Mortgage Insurance]	[ \$ _____ ]	[ \$ _____ ]	[ \$ _____ ]
<b>Total Est. Monthly Payment</b>	<b>\$ _____</b>	<b>[ \$ _____ ]</b>	<b>\$ _____</b>

**H-4(G) Mortgage with Negative Amortization Interest Rate and Payment Summary Model Clause**

**INTEREST RATE AND PAYMENT SUMMARY**

[This loan offers you several monthly payment options. The table below shows you what your payments would be under two of these options if the interest rate reached its maximum of \_\_\_% in the (period) of this loan.]

[All payments shown in the table include \$ \_\_\_\_\_ for estimated taxes and insurance [(escrow)].

	(Date) [(period) [intro]]	[(Date) (1st adjustment)]	[(Date) (2nd adjustment)]	(Date) every (period) after
Maximum Interest Rate	___% [(intro rate)]	[ ___% ]	[ ___% ]	___% (max. ever)
Full Payment Option <i>Monthly payments cover all principal and interest.</i>	\$ _____	[ \$ _____ ]	[ \$ _____ ]	\$ _____
Minimum Payment Option <i>Initial monthly payments cover no principal and only some interest and increase your loan amount.</i>	\$ _____	[ \$ _____ ]	[ \$ _____ ]	\$ _____

You will borrow an additional \$ \_\_\_\_\_ by (date)  
if you make only minimum payments on this loan.

**H-4(H) Fixed Rate Mortgage with Interest Only Interest Rate and Payment Summary Model Clause**

**INTEREST RATE AND PAYMENT SUMMARY**

	INTRODUCTORY Rate & Monthly Payment (for first _____ years)	MAXIMUM EVER (as early as _____)
Interest Rate	_____ %	_____ %
Principal Payment	- none -	\$ _____
Interest Payment	\$ _____	\$ _____
Est. Taxes + Insurance (Escrow)	\$ _____	\$ _____
Total Est. Monthly Payment	\$ _____	\$ _____

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**H-4(I)—Introductory Rate Model Clause**

(Introductory Rate Notice)  
You have a discounted introductory rate of \_\_\_\_\_ % that ends after (period) \_\_\_\_\_ in the (period in sequence), even if market rates do not change, this rate will increase to \_\_\_\_\_ %.)

**H-4(J)—Balloon Payment Model Clause**

(Final Balloon Payment due (date):  
\$ \_\_\_\_\_)

**H-4(K)—“No-Guarantee-to-Refinance” Statement Model Clause**

There is no guarantee that you will be able to refinance to lower your rate and payments.

**■ 4. In Supplement I to Part 226:**

■ A. Under Section 226.17—General Disclosure Requirements, 17(a) Form of disclosures, Paragraph 17(a)(1), paragraph 1 is revised.

■ B. Under Section 226.18—Content of Disclosures, 18(g) Payment schedule, paragraph 6 is added, and an entry for 18(s) Interest rate and payment summary for mortgage transactions is added.

■ C. Under Appendixes G and H—Open-End and Closed-End Model Forms and Clauses, paragraph 1 is revised.

■ D. Under Appendix H—Closed-End Model Forms and Clauses, paragraph 7 is revised.

The additions and revisions read as follows:

**Supplement I to Part 226—Official Staff Interpretations**

**Subpart C—Closed-End Credit**

**Section 226.17—General Disclosure Requirements**

17(a) Form of disclosures.  
Paragraph 17(a)(1).

1. *Clear and conspicuous.* This standard requires that disclosures be in a reasonably understandable form. For example, while the regulation requires no mathematical progression or format, the disclosures must be presented in a way that does not obscure the relationship of the terms to each other. In addition, although no minimum type size is mandated (except for the interest rate and payment summary for mortgage transactions required by § 226.18(s)), the disclosures must be legible, whether typewritten, handwritten, or printed by computer.

\* \* \* \* \*

**Section 226.18—Content of Disclosures**

18(g) Payment schedule.  
\* \* \* \* \*

6. *Mortgage transactions.* Section 226.18(g) applies only to closed-end transactions other than transactions that are subject to § 226.18(s). Section 226.18(s) applies to closed-end transactions secured by real property or a dwelling. Thus, if a closed-end consumer credit transaction is secured by real property or a dwelling, the creditor discloses an interest rate and payment summary table in accordance with § 226.18(s) and does not observe the requirements of § 226.18(g). On the other hand, if a closed-end consumer credit transaction is not secured by real property or a dwelling, the creditor discloses a payment schedule in accordance with § 226.18(g) and does not observe the requirements of § 226.18(s).

\* \* \* \* \*

18(s) Interest rate and payment summary for mortgage transactions.

1. *In general.* Section 226.18(s) proscribes format and content for disclosure of interest rates and monthly (or other periodic) payments for mortgage loans. The information in § 226.18(s)(2)–(4) is required to be in the form of a table, except as otherwise provided, with headings and format substantially similar to Model Clause H-4(E), H-4(F), H-4(G), or H-4(H) in Appendix H to this part. A disclosure that does not include the shading shown in a model clause but otherwise follows the model clause’s headings and format is

substantially similar to that model clause. In all cases, the table should have no more than five vertical columns corresponding to applicable interest rates at various times during the loan’s term; corresponding payments would be shown in horizontal rows. Certain loan types and terms are defined for purposes of § 226.18(s) in § 226.18(s)(7).

2. *Amortizing loans.* Loans described as amortizing in §§ 226.18(s)(2)(i) and 226.18(s)(3) include interest-only loans if they do not also permit negative amortization. (For rules relating to loans with balloon payments, see § 226.18(s)(5)). If an amortizing loan is an adjustable-rate mortgage with an introductory rate (less than the fully-indexed rate), creditors must provide a special explanation of introductory rates. See § 226.18(s)(2)(iii).

3. *Negative amortization.* For negative amortization loans, creditors must follow the rules in §§ 226.18(s)(2)(ii) and 226.18(s)(4) in disclosing interest rates and monthly payments. Loans with negative amortization also require special explanatory disclosures about rates and payments. See § 226.18(s)(6). Loans with negative amortization include “payment option” loans, in which the consumer is permitted to make minimum payments that will cover only some of the interest accruing each month. See also comment 17(c)(1)–12, regarding graduated-payment adjustable-rate mortgages.

18(s)(2) Interest rates.  
18(s)(2)(i) Amortizing loans.  
Paragraph 18(s)(2)(i)(A).

1. *Fixed rate loans—payment increases.* Although the interest rate will not change after consummation for a fixed-rate loan, some fixed-rate loans may have periodic payments that increase after consummation. For example, the terms of the legal obligation may permit the consumer to make interest-only payments for a specified period such as the first five years after consummation. In such cases, the creditor must include the increased payment under § 226.18(s)(3)(ii)(B) in the payment row, and must show the interest rate in the column for that payment, even though the rate has not changed since consummation. See also comment 17(c)(1)–13, regarding growth equity mortgages.

**Paragraph 18(s)(2)(i)(B).**

1. *Adjustable-rate mortgages and step-rate mortgages.* Creditors must disclose more than one interest rate for adjustable-rate mortgages and step-rate mortgages, in accordance with § 226.18(s)(2)(i)(B). Creditors must assume that an adjustable-rate mortgage's interest rate will increase after consummation as rapidly as possible, taking into account the terms of the legal obligation.

2. *Maximum interest rate during first five years—adjustable-rate mortgages and step-rate mortgages.* The creditor must disclose the maximum rate that could apply during the first five years after consummation. If there are no interest rate caps other than the maximum rate required under § 226.30, then the creditor should disclose only the rate at consummation and the maximum rate. Such a table would have only two columns.

i. For an adjustable-rate mortgage, the creditor must take into account any interest rate caps when disclosing the maximum interest rate during the first five years. The creditor must also disclose the earliest date on which that adjustment may occur.

ii. If the transaction is a step-rate mortgage, the creditor should disclose the rate that will apply after consummation. For example, the legal obligation may provide that the rate is 6 percent for the first two years following consummation, and then increases to 7 percent for at least the next three years. The creditor should disclose the maximum rate during the first five years as 7 percent and the date on which the rate is scheduled to increase to 7 percent.

3. *Maximum interest rate at any time.* The creditor must disclose the maximum rate that could apply at any time during the term of the loan and the earliest date on which the maximum rate could apply.

i. For an adjustable-rate mortgage, the creditor must take into account any interest rate caps in disclosing the maximum interest rate. For example, if the legal obligation provides that at each annual adjustment the rate may increase by no more than 2 percentage points, the creditor must take this limit into account in determining the earliest date on which the maximum possible rate may be reached.

ii. For a step-rate mortgage, the creditor should disclose the highest rate that could apply under the terms of the legal obligation and the date on which that rate will first apply.

**Paragraph 18(s)(2)(i)(C).**

1. *Payment increases.* For some loans, the payment may increase following consummation for reasons unrelated to an interest rate adjustment. For example, an adjustable-rate mortgage may have an introductory fixed-rate for the first five years following consummation and permit the borrower to make interest-only payments for the first three years. Under § 226.18(s)(3)(ii)(B), the creditor must disclose the first payment that will be applied to both principal and interest. In such a case, § 226.18(s)(2)(i)(C) requires that the creditor also disclose the interest rate that corresponds to the first payment of principal and interest, even though the interest rate will not adjust at that time. The table would show, from left to right: The interest rate and

payment at consummation with the payment itemized to show that the payment is being applied to interest only; the interest rate and payment when the interest-only option ends; the maximum interest rate and payment during the first five years; and the maximum possible interest rate and payment.

**18(s)(2)(ii) Negative amortization loans.**

1. *Rate at consummation.* In all cases the interest rate in effect at consummation must be disclosed, even if it will apply only for a short period such as one month.

2. *Roles for adjustable-rate mortgages.* The creditor must assume that interest rates rise as quickly as possible after consummation, in accordance with any interest rate caps under the legal obligation. For adjustable-rate mortgages with no rate caps except a life-time maximum, creditors must assume that the interest rate reaches the maximum at the first adjustment. For example, assume that the legal obligation provides for an interest rate at consummation of 1.5 percent. One month after consummation, the interest rate adjusts and will adjust monthly thereafter, according to changes in the index. The consumer may make payments that cover only part of the interest accrued each month, until the date the principal balance reaches 115 percent of its original balance, or until the end of the fifth year after consummation, whichever comes first. The maximum possible rate is 10.5 percent. No other limits on interest rates apply. The minimum required payment adjusts each year, and may increase by no more than 7.5 percent over the previous year's payment. The creditor should disclose the following rates and the dates when they are scheduled to occur: A rate of 1.5 percent for the first month following consummation and the minimum payment; a rate of 10.5 percent, and the corresponding minimum payment taking into account the 7.5 percent limit on payment increases, at the beginning of the second year; and a rate of 10.5 percent and the corresponding minimum payment taking into account the 7.5 percent payment increase limit, at the beginning of the third year. The creditor also must disclose the rate of 10.5 percent, the fully amortizing payment, and the date on which the consumer must first make such a payment under the terms of the legal obligation.

**18(s)(2)(iii) Introductory rate disclosure for amortizing adjustable-rate mortgage.**

1. *Introductory rate.* In some adjustable-rate mortgages, creditors may set an initial interest rate that is lower than the fully-indexed rate at consummation. For amortizing loans with an introductory rate, creditors must disclose the information required in § 226.18(s)(2)(iii) directly below the table.

**Paragraph 18(s)(2)(iii)(B).**

1. *Place in sequence.* "Designation of the place in sequence" refers to identifying the month or year, as applicable, of the change in the rate resulting from the expiration of an introductory rate by its place in the sequence of months or years, as applicable, of the transaction's term. For example, if a transaction has a discounted rate for the first three years, § 226.18(s)(2)(iii)(B) requires a statement such as, "In the fourth year, even if market rates do not change, this rate will increase to \_\_\_%."

**Paragraph 18(s)(2)(iii)(C).**

1. *Fully-indexed rate.* The fully-indexed rate is defined in § 226.18(s)(7) as the index plus the margin at consummation. For purposes of § 226.18(s)(2)(iii)(C), "at consummation" refers to disclosures delivered at consummation, or three business days before consummation pursuant to § 226.19(a)(2)(ii); for early disclosures delivered within three business days after receipt of a consumer's application pursuant to § 226.19(a)(1), the fully-indexed rate disclosed under § 226.18(s)(2)(iii)(C) may be based on the index in effect at the time the disclosures are provided. The index in effect at consummation (or at the time of early disclosures) need not be used if a contract provides for a delay in the implementation of changes in an index value. For example, if the contract specifies that rate changes are based on the index value in effect 45 days before the change date, creditors may use any index value in effect during the 45 days before consummation (or any earlier date of disclosure) in calculating the fully-indexed rate to be disclosed.

**18(s)(3) Payments for amortizing loans.**

1. *Payments corresponding to interest rates.* Creditors must disclose the periodic payment that corresponds to each interest rate disclosed under § 226.18(s)(2)(i)(A)–(C). The corresponding periodic payment is the regular payment for each such interest rate, without regard to any final payment that differs from others because of the rounding of periodic payments to account for payment amounts including fractions of cents. Balloon payments, however, must be disclosed as provided in § 226.18(s)(5).

**2. Principal and interest payment amounts: examples.**

i. For fixed-rate interest-only transactions, § 226.18(s)(3)(ii)(B) requires scheduled increases in the regular periodic payment amounts to be disclosed along with the date of the increase. For example, in a fixed-rate interest-only loan, a scheduled increase in the payment amount from an interest-only payment to a fully amortizing payment must be disclosed. Similarly, in a fixed-rate balloon loan, the balloon payment must be disclosed in accordance with § 226.18(s)(5).

ii. For adjustable-rate mortgage transactions, § 226.18(s)(3)(i)(A) requires that for each interest rate required to be disclosed under § 226.18(s)(2)(i) (the interest rate at consummation, the maximum rate during the first five years, and the maximum possible rate) a corresponding payment amount must be disclosed.

iii. The format of the payment disclosure varies depending on whether all regular periodic payment amounts will include principal and interest, and whether there will be an escrow account for taxes and insurance.

**Paragraph 18(s)(3)(i)(C).**

1. *Taxes and insurance.* An estimated payment amount for taxes and insurance must be disclosed if the creditor will establish an escrow account for such amounts. The payment amount must include estimated amounts for property taxes and premiums for mortgage-related insurance required by the creditor, such as insurance against loss of or damage to property, or

against liability arising out of the ownership or use of the property, or insurance protecting the creditor against the consumer's default or other credit loss. Premiums for credit insurance, debt suspension and debt cancellation agreements, however, should not be included. Except for periodic mortgage insurance premiums included in the escrow payment under § 226.18(s)(3)(i)(C), amounts included in the escrow payment disclosure such as property taxes and homeowner's insurance generally are not finance charges under § 226.4 and, therefore, do not effect other disclosures, including the finance charge and annual percentage rate.

**2. Mortgage insurance.** Payment amounts under § 226.18(s)(3)(i) should reflect the consumer's mortgage insurance payments until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. The payment amount must reflect the terms of the legal obligation, as determined by applicable state or other law. For example, assume that under applicable law, mortgage insurance must terminate after the 130th scheduled monthly payment, and the creditor collects at closing and places in escrow two months of premiums. If, under the legal obligation, the creditor will include mortgage insurance premiums in 130 payments and refund the escrowed payments when the insurance is terminated, payment amounts disclosed through the 130th payment should reflect premium payments. If, under the legal obligation, the creditor will apply the amount escrowed to the two final insurance payments, payments disclosed through the 128th payment should reflect premium payments. The escrow amount reflected on the disclosure should include mortgage insurance premiums even if they are not escrowed and even if there is no escrow account established for the transaction.

**Paragraph 18(s)(3)(i)(D).**

**1. Total monthly payment.** For amortizing loans, each column should add up to a total estimated payment. The total estimated payment amount should be labeled. If periodic payments are not due monthly, the creditor should use the appropriate term such as "quarterly" or "annually."

**18(s)(3)(ii) Interest-only payments.**

**1. Interest-only loans that are also negative amortization loans.** The rules in § 226.18(s)(3)(ii) for disclosing payments on interest-only loans apply only if the loan is not also a negative amortization loan. If the loan is a negative amortization loan, even if it also has an interest-only feature, payments are disclosed under the rules in § 226.18(s)(4).

**Paragraph 18(s)(3)(ii)(C).**

**1. Escrows.** See the commentary under § 226.18(s)(3)(i)(C) for guidance on escrows for purposes of § 226.18(s)(3)(i)(C).

**18(s)(4) Payments for negative amortization loans.**

**1. Table.** Section 226.18(s)(1) provides that tables shall include only the information required in § 226.18(s)(2)–(4). Thus, a table for a negative amortization loan must contain no more than two horizontal rows of payments and no more than five vertical columns of interest rates.

**2. Payment amounts.** The payment amounts disclosed under § 226.18(s)(4) are the minimum or fully amortizing periodic payments, as applicable, corresponding to the interest rates disclosed under § 226.18(s)(2)(ii). The corresponding periodic payment is the regular payment for each such interest rate, without regard to any final payment that differs from the rest because of the rounding of periodic payments to account for payment amounts including fractions of cents.

**Paragraph 18(s)(4)(i).**

**1. Minimum required payments.** In one row of the table, the creditor must disclose the minimum required payment in each column of the table, corresponding to each interest rate or adjustment required in § 226.18(s)(2)(ii). The payments in this row must be calculated based on an assumption that the consumer makes the minimum required payment for as long as possible under the terms of the legal obligation. This row should be identified as the minimum payment option, and the statement required by § 226.18(s)(4)(i)(C) should be included in the heading for the row.

**Paragraph 18(s)(4)(iii).**

**1. Fully amortizing payments.** In one row of the table, the creditor must disclose the fully amortizing payment in each column of the table, corresponding to each interest rate required in § 226.18(s)(2)(ii). The creditor must assume, for purposes of calculating the amounts in this row that the consumer makes only fully amortizing payments starting with the first scheduled payment.

**18(s)(5) Balloon payments.**

**1. General.** A balloon payment is one that is more than two times the regular periodic payment. In a reverse mortgage transaction, the single payment is not considered a balloon payment. A balloon payment must be disclosed outside and below the table, unless the balloon payment coincides with an interest rate adjustment or a scheduled payment increase. In those cases, the balloon payment must be disclosed in the table.

**18(s)(6) Special disclosures for loans with negative amortization.**

**1. Escrows.** See the commentary under § 226.18(s)(3)(i)(C) for guidance on escrows for purposes of § 226.18(s)(6). Under that guidance, because mortgage insurance payments decline over a loan's term, the payment amounts shown in the table should reflect the mortgage insurance payment that will be applicable at the time each disclosed periodic payment will be in effect.

Accordingly, the disclosed mortgage insurance payment will be zero if it corresponds to a periodic payment that will occur after the creditor will be legally required to terminate mortgage insurance. On the other hand, because only one escrow amount is disclosed under § 226.18(s)(6) for negative amortization loans and escrows are not itemized in the payment amounts, the single escrow amount disclosed should reflect the mortgage insurance amount that will be collected at the outset of the loan's term, even though that amount will decline in the future and ultimately will be discontinued pursuant to the terms of the mortgage insurance policy.

\* \* \* \* \*

**Appendix G and H—Open-End and Closed-End Model Forms and Clauses**

**1. Permissible changes.** Although use of the model forms and clauses is not required, creditors using them properly will be deemed to be in compliance with the regulation with regard to those disclosures. Creditors may make certain changes in the format or content of the forms and clauses and may delete any disclosures that are inapplicable to a transaction or a plan without losing the act's protection from liability, except formatting changes may not be made to model forms and samples in H-18, H-19, H-20, H-21, H-22, H-23, G-2(A), G-3(A), G-4(A), G-10(A)–(E), G-17(A)–(D), G-18(A) (except as permitted pursuant to § 226.7(b)(2)), G-18(B)–(C), G-19, G-20, and G-21, or to the model clauses in H-4(E), H-4(F), H-4(G), and H-4(H). The rearrangement of the model forms and clauses may not be so extensive as to affect the substance, clarity, or meaningful sequence of the forms and clauses. Creditors making revisions with that effect will lose their protection from civil liability. Except as otherwise specifically required, acceptable changes include, for example:

- i. Using the first person, instead of the second person, in referring to the borrower.
- ii. Using "borrower" and "creditor" instead of pronouns.
- iii. Rearranging the sequences of the disclosures.
- iv. Not using bold type for headings.
- v. Incorporating certain state "plain English" requirements.
- vi. Deleting inapplicable disclosures by whitening out, blocking out, filling in "N/A" (not applicable) or "0," crossing out, leaving blanks, checking a box for applicable items, or circling applicable items. (This should permit use of multipurpose standard forms.)
- vii. Using a vertical, rather than a horizontal, format for the boxes in the closed-end disclosures.

\* \* \* \* \*

**Appendix H—Closed-End Model Forms and Clauses**

\* \* \* \* \*

**7. Models H-4(D) through H-4(H).** These model clauses illustrate certain notices, statements, and other disclosures required as follows:

- i. Model H-4(D) illustrates the adjustment notice required under § 226.20(c), and provides examples of payment change notices and annual notices of interest rate changes.
- ii. Model H-4(E) illustrates the interest rate and payment summary table required under § 226.18(s) for a fixed-rate mortgage transaction.
- iii. Model H-4(F) illustrates the interest rate and payment summary table required under § 226.18(s) for an adjustable-rate or a step-rate mortgage transaction.
- iv. Model H-4(G) illustrates the interest rate and payment summary table required under § 226.18(s) for a mortgage transaction with negative amortization.
- v. Model H-4(H) illustrates the interest rate and payment summary table required under § 226.18(s) for a fixed-rate, interest-only mortgage transaction.

vi. Model H-4(I) illustrates the introductory rate disclosure required by § 226.18(s)(2)(iii) for an adjustable-rate mortgage transaction with an introductory rate.

vii. Model H-4(J) illustrates the balloon payment disclosure required by § 226.18(s)(5) for a mortgage transaction with a balloon payment term.

viii. Model H-4(K) illustrates the no-guarantee-to-refinance statement required by § 226.18(t) for a mortgage transaction.

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, August 13, 2010.

Robert deV. Frierson,  
Deputy Secretary of the Board.

[FR Doc. 2010-20663 Filed 9-23-10; 8:45 am]

BILLING CODE P

**FEDERAL RESERVE SYSTEM**

12 CFR Part 226

[Docket No. R-1378]

**Regulation Z; Truth in Lending**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule; official staff commentary.

**SUMMARY:** The Board is publishing final rules amending Regulation Z (Truth in Lending). The final rule implements Section 131(g) of the Truth in Lending Act (TILA), which was enacted on May 20, 2009, as Section 404(a) of the Helping Families Save Their Homes Act. TILA Section 131(g) became effective immediately upon enactment and established a new requirement for notifying consumers of the sale or transfer of their mortgage loans.

Consistent with the statute, the final rule requires a purchaser or assignee that acquires a loan to provide the disclosures in writing no later than 30 days after the date on which the loan was sold, transferred or assigned. Certain exceptions may apply if the covered person transfers or assigns the loan to another party on or before the 30th day.

**DATES: Effective Date.** This final rule is effective on January 1, 2011.

**Mandatory Compliance Date.** The mandatory compliance date is January 1, 2011. Covered persons may immediately comply with this amendment or continue to comply with 12 CFR 226.39 until the mandatory compliance date.

**FOR FURTHER INFORMATION CONTACT:** Jelena McWilliams, Attorney, or Paul Mondor, Senior Attorney; Division of Consumer and Community Affairs, Board of Governors of the Federal

Reserve System, Washington, DC 20551, at (202) 452-2412 or (202) 452-3667. For users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

The Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq.*, seeks to promote the informed use of consumer credit by requiring disclosures about its costs and terms. TILA requires additional disclosures for loans secured by consumers' homes and permits consumers to rescind certain transactions that involve their principal dwelling. TILA directs the Board to prescribe regulations to carry out its purposes. TILA specifically authorizes the Board, among other things, to issue regulations that contain such classifications, differentiations, or other provisions, or that provide for such adjustments and exceptions for any class of transactions, that in the Board's judgment are necessary or proper to effectuate the purposes of TILA, facilitate compliance with TILA, or prevent circumvention or evasion of TILA. 15 U.S.C. 1604(a). TILA is implemented by the Board's Regulation Z. 12 CFR part 226. An Official Staff Commentary interprets the requirements of the regulation and provides guidance to creditors in applying the rules to specific transactions. See 12 CFR part 226, Supp. I.

On May 20, 2009, the Helping Families Save Their Homes Act of 2009 (the "2009 Act") was signed into law. Public Law 111-22, 123 Stat. 1632. Section 404(a) of the 2009 Act amended TILA to establish a new requirement for notifying consumers of the sale or transfer of their mortgage loans. The purchaser or assignee that acquires the loan must provide the required disclosures no later than 30 days after the date on which it acquired the loan. This provision is contained in TILA Section 131(g), 15 U.S.C. 1641(g), which applies to any consumer credit transaction secured by the principal dwelling of a consumer. Consequently, the disclosure requirements in Section 131(g) apply to both closed-end mortgage loans and open-end home equity lines of credit.

Section 131(g) became effective immediately upon enactment on May 20, 2009, and did not require the issuance of implementing regulations. Mortgage loans sold, or otherwise transferred on or after that date became subject to the requirements of Section 131(g), and failure to comply can result in civil liability under TILA Section 130(a). See 15 U.S.C. 1640(a). In

November 2009, the Board issued an interim rule that was effective immediately upon publication, so that parties subject to the rule would have guidance on how to interpret and comply with the statutory requirements. 74 FR 60143, Nov. 20, 2009.

Under the Real Estate Settlement Procedures Act (RESPA), consumers must be notified when the servicer of their mortgage loan has changed.<sup>1</sup> The 2009 Act's legislative history reflects that, in addition to the information provided under RESPA, the Congress intended to provide consumers with information about the identity of the owner of their mortgage loan. In some cases, consumers that have an extended right to rescind the loan under TILA Section 125, 15 U.S.C. 1635, can assert that right against the purchaser or assignee. See TILA Section 131(c), 15 U.S.C. 1641(c). Among other things, the 2009 Act seeks to ensure that consumers attempting to exercise this right know the identity of the assignee and how to contact the assignee or its agent for that purpose. See 155 Cong. Rec. S5098-99 (daily ed. May 5, 2009); 155 Cong. Rec. S5173-74 (daily ed. May 6, 2009). The legislative history indicates, however, that TILA Section 131(g) was not intended to require notice when a transaction "does not involve a change in the ownership of the physical note," such as when the note holder issues mortgage-backed securities but does not transfer legal title to the loan. 155 Cong. Rec. S5099.

**II. Summary of the Final Rule**

The final rule requires an acquiring party to provide the disclosures in writing no later than 30 days after the date on which the loan was sold, transferred or assigned. Under the final rule, the disclosures must state (1) The name, address, and telephone number of the new owner; (2) the transfer date; (3) the name, address, and telephone number of an agent or other party authorized to receive the consumer's rescission notice and resolves issues concerning the consumer's payments on the loan (if other than owner); and (4) where the transfer of ownership is recorded.

Consistent with the statute and legislative intent, the final rule implements Section 404(a) of the 2009 Act by applying the new disclosure requirements to any person or entity that acquires ownership of an existing consumer mortgage loan, whether the acquisition occurs as a result of a

<sup>1</sup> RESPA is implemented by Regulation X, 24 CFR part 3500, which is issued by the Department of Housing and Urban Development (HUD).

**FIXED RATE 226.18(S) H-4-E**

**TRUTH-IN-LENDING DISCLOSURE STATEMENT  
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)**

This document was drafted by PeirsonPatterson, LLP  
Arlington, Texas | www.ppdocs.com  
This document is for review purposes only and should NOT be executed as a final and approved legal document.

LENDER OR LENDER'S AGENT:

Closing: 05/21/2010  
Type of Loan: Conv

BORROWER(S):

MAILING ADDRESS:

PROPERTY ADDRESS:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate 4.7532%	The dollar amount the credit will cost you. \$69,721.71	The amount of credit provided to you on your behalf. \$173,268.08	The amount you will have paid after you have made all payments as scheduled. \$242,989.79	The total price of your purchase on credit, including your downpayment of

ITEMIZATION: You have the right to receive at this time an itemization of the Amount Financed.  
 I do not want an itemization. \_\_\_\_\_ (Initials)       I want an itemization. \_\_\_\_\_ (Initials)  
 An Itemization of Amount Financed or Good Faith Estimate of Settlement Costs is attached.

**PAYMENT SCHEDULE:**

179 monthly payments of \$1,349.95 beginning July 1, 2010  
1 monthly payment of \$1,348.74 due on June 1, 2025

**INTEREST RATE AND PAYMENT SUMMARY**

	Rate & Monthly Payment
Interest Rate	____%
Principal + Interest Payment	\$____
Est. Taxes + Insurance (Escrow)	\$____
• [Includes [Private] Mortgage Insurance]	
<b>Total Est. Monthly Payment</b>	<b>\$____</b>

DEMAND FEATURE: This loan has a demand feature.  
 REQUIRED DEPOSIT: The Annual Percentage Rate does not take into account your required deposit.  
**VARIABLE RATE FEATURE:**  
 Your loan does not have a variable rate feature.

SECURITY: You are giving a security interest in the property located at:

**POSSIBLE EXAMPLE**

**FIXED RATE INTEREST ONLY 226.18(S) H-4-H**

**TRUTH-IN-LENDING DISCLOSURE STATEMENT  
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)**

LENDER OR LENDER'S AGENT:

This document was drafted by PeirsonPatterson, LLP  
Arlington, Texas | www.ppdocs.com  
This document is for review purposes ONLY and should NOT be executed as a final and approved legal document.

Closing: 09/15/2010  
Type of Loan: Other

BORROWER(S):

MAILING ADDRESS:  
PROPERTY ADDRESS:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate	The dollar amount the credit will cost you.	The amount of credit provided to you on your behalf.	The amount you will have paid after you have made all payments as scheduled.	The total price of your purchase on credit, including your downpayment of
10.6854%	\$3,175.50	\$59,056.00	\$62,231.50	

ITEMIZATION: You have the right to receive at this time an itemization of the Amount Financed.  
 I do not want an itemization. \_\_\_\_\_ (Initials)       I want an itemization. \_\_\_\_\_ (Initials)  
 An Itemization of Amount Financed or Good Faith Estimate of Settlement Costs is attached.

**PAYMENT SCHEDULE:**

- 1 monthly payment of \$369.86 due on October 20, 2010
- 1 monthly payment of \$382.19 due on November 20, 2010
- 1 monthly payment of \$369.86 due on December 20, 2010
- 2 monthly payments of \$382.19 beginning January 20, 2011
- 1 monthly payment of \$60,345.21 due on March 20, 2011

**INTEREST RATE AND PAYMENT SUMMARY**

	INTRODUCTORY Rate & Monthly Payment (for first ___ years)	MAXIMUM EVER (as early as ___)
Interest Rate	___%	___%
Principal Payment	- none -	\$ ___
Interest Payment	\$ ___	\$ ___
Est. Taxes + Insurance (Escrow)	\$ ___	\$ ___
Total Est. Monthly Payment	\$ ___	\$ ___

**POSSIBLE EXAMPLE**

Truth in Lending Disclosure Statement



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1424140910 [Doc Id 7022 Rev. 09.10.10]

BALLOON 226.18(S) H-4-J & K

**TRUTH-IN-LENDING DISCLOSURE STATEMENT**  
 (THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

This document was drafted by  
 peirsonpatterson.llp  
 Peirson Patterson, LLP  
 Arlington, Texas | www.ppdocs.com

This document is for review purposes ONLY and should NOT be executed as a final and approved legal document.

LENDER OR LENDER'S AGENT:

BORROWER(S):

MAILING ADDRESS:

PROPERTY ADDRESS:

Closing: 09/15/2010  
 Type of Loan: Other

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate	The dollar amount the credit will cost you.	The amount of credit provided to you on your behalf.	The amount you will have paid after you have made all payments as scheduled.	The total price of your purchase on credit, including your downpayment of
10.6854%	\$3,175.50	\$59,056.00	\$62,231.50	

ITEMIZATION: You have the right to receive at this time an itemization of the Amount Financed.

I do not want an itemization. \_\_\_\_\_ (Initials)  I want an itemization. \_\_\_\_\_ (Initials)

An Itemization of Amount Financed or Good Faith Estimate of Settlement Costs is attached.

PAYMENT SCHEDULE:

- 1 monthly payment of \$369.86 due on October 20, 2010
- 1 monthly payment of \$382.19 due on November 20, 2010
- 1 monthly payment of \$369.86 due on December 20, 2010
- 2 monthly payments of \$382.19 beginning January 20, 2011
- 1 monthly payment of \$60,345.21 due on March 20, 2011

Final balloon payment due \_\_\_\_\_ \$ \_\_\_\_\_

DEMAND FEATURE: This loan has a demand feature.

REQUIRED DEPOSIT: The Annual Percentage Rate does not take into account your required deposit.

VARIABLE RATE FEATURE:

Your loan does not have a variable rate feature.

SECURITY: You are giving a security interest in the property located at:

No guarantee that you will be able to refinance to lower your rate and payments (add only if there is no guarantee to refinance)

**POSSIBLE EXAMPLE**

Truth in Lending Disclosure Statement



Issue Date: RESPA News Monthly  
 September 2010, Posted On: 9/7/2010  
 Dodd-Frank Update

## Treasury reveals timeline for upcoming regulatory changes

The U.S. Treasury released a comprehensive timeline showing members of the financial services industry and others what they can expect first regarding regulatory changes under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The timeline is based on deadlines created by the statute and is set up in increments of three months for the first year and six months thereafter.

### Effective immediately:

- o **Resolution authority:** The resolution authority will provide an emergency tool to ensure the orderly liquidation of a failed or failing large, interconnected financial company when the stability of the financial system is threatened. As soon as practicable after enactment, the Federal Deposit Insurance Corp. (FDIC) (with the concurrence of Treasury) is required to establish certain policies and procedures with respect to the operation of an FDIC receivership under the new resolution authority.
- o **Federal Office of Insurance (FIO):** The FIO will gather information about the insurance industry, including access to affordable insurance products by underserved communities, and monitor the insurance industry for systemic risk purposes. FIO will be established in Treasury, and its director will be appointed by the Treasury secretary. Its first annual report to Congress on the insurance industry must be submitted by Sept. 30, 2011.
- o **Proxy access rulemaking:** The Securities and Exchange Commission's (SEC) authority to issue rules that grant shareholders proxy access to nominate directors is affirmed. A new rule was announced Aug. 25.



**Three months:** Within three months of the Dodd-Frank Act becoming law (signed July 21), the following must take place:

- o **Financial Stability Oversight Council (FSOC):** Made up of nine federal financial agencies and an independent insurance member, and five nonvoting members, the FSOC will begin identifying and responding to emerging risks throughout the financial system, including the designation of systemically significant firms. The FSOC will be chaired by the Treasury secretary. Its first quarterly meeting will be conducted in October 2010.
- o **Ability to break up firms that pose a grave threat:** Upon enactment, the FSOC is authorized to approve a Federal Reserve decision to require a large, complex company to divest some of its holdings if it poses a grave threat to the financial stability of the United States.

**Six months:** Within six months, shareholders will be granted a say on pay with the right to a non-binding

vote on executive pay and golden parachutes. At a public company's first shareholder meeting following the end of the six-month period after enactment of the Dodd-Frank Act, management must give shareholders the opportunity to vote on how frequently shareholders will have a "say on pay" (i.e., annually, every two years or every three years).

**Nine months:** Within nine months, the following will be required:

- o **"Skin in the game" risk retention:** Companies that sell mortgage-backed securities will be required to retain at least 5 percent of the credit risk, unless the underlying loans meet standards determined by regulators that reduce riskiness. The federal banking agencies, the SEC, the Department of Housing and Urban Development and the Federal Housing and Finance Administration must prescribe final rules for credit risk retention no later than 270 days after enactment.
- o **Protect small businesses from unreasonable interchange fees:** The Federal Reserve Board must have rules written that will limit the fees that debit issuers can charge merchants and other card acceptors for debit transactions to levels that are reasonable and related to the issuers' actual costs. Rules may become effective 12 months after enactment.

**12 months:** Within 12 months, the following will be enacted:

- o **Consumer Financial Protection Bureau:** A new independent consumer "watchdog" will be created with the intent to ensure consumers get clear and accurate information for mortgages, credit cards and other financial products, and protect them from hidden fees, abusive terms and deceptive practices. Functions currently handled by existing agencies are expected to be transferred to the bureau and the bureau is expected to assume full authority for consumer financial protection.
- o **Closure of the Office of Thrift Supervision (OTS):** The OTS will be shut down and its authorities transferred mainly to the Office of the Comptroller of the Currency (OCC). But the thrift charter will be preserved. Within 180 days following enactment of the Dodd-Frank Act, the FDIC, Federal Reserve Board, OCC and OTS must submit to Congress a plan for transferring most of the authorities of the OTS to the OCC and its other authorities to the FDIC and Federal Reserve. The transfer date will be one year after enactment.
- o **Derivative clearing and swap dealer regulation:** Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared. Clearing and exchange trading requirements are expected to become effective 360 days following enactment. The Commodity Futures Trading Commission (CFTC) and SEC (for non-bank entities) and the prudential regulators (for banking entities) must adopt rules to impose minimum capital and margin requirements on all non-cleared swaps for swap dealers and major swap participants. Rules prescribed by the CFTC or the SEC must be promulgated no later than 360 days after enactment.
- o **Mandatory registration of investment advisers:** Advisers to hedge funds and large private equity funds will be required to register with the SEC as investment advisers and provide information about the funds they advise including the amount of assets under management, leverage, risk exposure and other information that may be necessary to assess systemic risk of the fund. This data will be shared by the SEC with the FSOC, and the SEC will report to Congress annually on how it uses this data to protect investors and market integrity.
- o **Independent compensation committees requirement:** The SEC will write rules that will prohibit any public company from being listed on an exchange unless the compensation committee of such company includes only independent directors and has authority to hire compensation consultants in order to strengthen its independence from the executives it is rewarding or punishing. Final rules required not later than 360 days after enactment.
- o **Office of Financial Research (OFR):** The new OFR to analyze data on systemic risk is targeted to be established and fully operational.
- o **Office of the Investor Advocate (OIA):** The SEC's new OIA will act as an ombudsman and assist investors in resolving significant problems dealing with the SEC and SROs and will identify problems that investors have with financial service providers and investment products. The OIA must submit its first annual report to Congress no later than June 30, 2011.

**18 months:** Within 18 months, the following will be implemented:

- o **Volcker Rule:** Regulators will implement regulations intended to prohibit banks from engaging in

impermissible proprietary trading and investment in and sponsorship of hedge funds and private equity funds, except, for example, de minimis investments in funds — up to 3 percent of tier 1 capital in the aggregate. FSOC recommendations must be issued no later than six months after enactment, with final rulemaking no later than nine months after the council's recommendations.

- o **Liabilities cap on large financial firms:** Subject to rulemaking by the Federal Reserve, upon the recommendations of the FSOC, a financial company may not merge or consolidate with, acquire all or substantially all of the assets of, or otherwise acquire control of, another company, if the total consolidated liabilities of the acquiring financial company upon consummation of the transaction would exceed 10 percent of the aggregate consolidated liabilities of all financial companies at the end of the calendar year preceding the transaction. FSOC recommendations required no later than six months after enactment, with final rulemaking no later than nine months after the FSOC's recommendations.
- o **Heighten standards/minimum leverage and risk-based capital requirements:** The Federal Reserve must issue final rules that impose heightened risk-based capital requirements, leverage limits, liquidity requirements and overall risk management standards on the large, interconnected firms it supervises.
- o **Living wills:** Large, complex financial companies must periodically submit plans for their rapid and orderly shutdown. Significant costs for failing to produce a credible plan create incentives for firms to rationalize structures or operations that cannot be unwound easily. The Federal Reserve and FDIC must issue final rules implementing the resolution plan requirement.
- o **Remittance error resolution standards:** Recordkeeping and other requirements will aim to protect consumers from errors in the electronic transfer of funds abroad. Final rules are required.

**24 months:** Within 24 months, the FSOC must conduct a study on the feasibility, benefits, costs and structure of a contingent capital requirement for large, interconnected financial companies supervised by the Federal Reserve. After the findings of the study are reported to Congress, the FSOC may recommend that the Federal Reserve require the firms it supervises to maintain a minimum amount of contingent capital. The FSOC must submit a report of its findings. Also within 24 months, new forms will be created to combine overlapping disclosures for mortgage loans currently required under RESPA and the Truth in Lending Act. Rules will be proposed within the one-year period after the bureau assumes full authority for consumer financial protection.

Comments or questions? Contact **Kelly McCarell**: [kmccarell@octoberresearch.com](mailto:kmccarell@octoberresearch.com).

Affordable reprints of this article are available. [Click here for more information.](#)

*Comment Box - October Research Corporation is not responsible for the comments posted on its web sites by readers. We will do our best to remove comments that include profanity, personal attacks or other inappropriate remarks.*

**CAVEAT: THIS FORM IS NOT BEING PROPOSED BY ANY FEDERAL AGENCY**  
 This form was developed in discussions between staff from the Federal Reserve Board and HUD in 2010. No federal agency has proposed or is proposing that this form be adopted. It is intended merely to facilitate a broader discussion about consumer testing of a variety of forms.

# Loan Quote

Property: 456 Avenue A  
 Anytown, ST 12345

Loan Officer: Joseph P. Gonzalez  
 No. 123-123-123445

## Loan Summary

**?**  
 Is this the loan you requested?  
 Does the monthly payment include taxes + insurance?  
 Do you understand this loan's risks?

### Loan Type & Amount

Initial loan amount: **\$200,000.00**  
 Loan term: **30 years**  
 Loan type: **Adjustable Rate Mortgage (ARM)**

### Interest Rates & Payments *see page 3 for details*

Interest rate	4.75% to start	Can go up to 10.75%
Monthly principal + interest	\$1,043.29 to start	Can go up to \$1,741.13
Monthly taxes + Insurance	\$ 270.83 to start	Can change at any time
<b>Total monthly payment</b>	<b>\$1,314.12 to start</b>	<b>Can go up to \$2,011.96</b>

### Risk Factors

Can my interest rate increase? **Yes.** Your interest rate can go up after 5 years (March 2015) and yearly after that.

Can my monthly payment increase? **Yes.** Your payment can go up after 5 years (March 2015) and yearly after that.

Could I owe a prepayment penalty? **Yes.** If you pay off your loan, refinance, or sell your home within 2 years, you could pay a penalty of up to \$3,800.

### Estimated Settlement Charges *see page 2 for details*

Total estimated settlement charges: **\$6,916.51**

### Overall Lifetime Cost

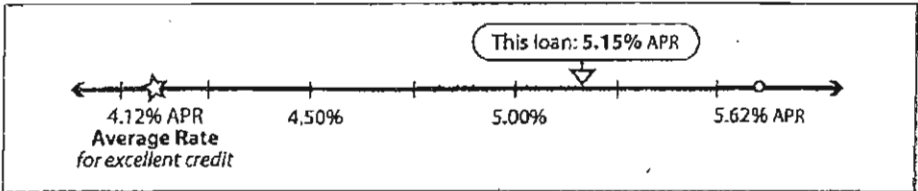
The Annual Percentage Rate (APR) tells you more about the total cost of a loan than the interest rate alone, because it includes settlement charges in addition to all interest payments.

**5.15% APR**

## Market Comparison

How does this loan compare to loans recently offered to other borrowers?  
 During the week of January 18, 2010, applicants with excellent credit received loan offers with an average APR of 4.12%. Applicants with poor credit received loan offers with APRs of 5.62% or higher.

**?**  
 Is this APR fair considering your credit rating?



OMB Approval No. 2502-0265 Form E-1 04/11/10

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**Interest Rates and Payments**

With an adjustable rate mortgage, your interest rate and monthly payment can change. No one can predict what your actual payments will be after the introductory period ends, but the table below shows two possible scenarios for what could happen to your payments in the future.

When could your payments increase?  
Can you afford the maximum payment?

	SCENARIO A: If market rates stayed the SAME as today		SCENARIO B: If market rates increased to the loan MAXIMUMS	
	Interest Rates	Monthly Payments*	Interest Rates	Monthly Payments*
Introductory Period (years 1 - 5)	4.75%	\$1,314.12	4.75%	\$1,314.12
First Adjustment (year 6)	5.00%	\$1,340.61	6.75%	\$1,535.18
Maximum Ever (as early as year 8)	5.00%	\$1,340.61	10.75%	\$2,011.96

\* Payments include \$270.83 for estimated taxes and insurance (escrow). This amount can change at any time.

**Other ABC Bank Loans You May Qualify For**

The chart below shows other options for this loan; you could pay a higher interest rate for lower settlement charges; or pay higher settlement charges for a lower interest rate.

Lenders have the option to complete this table. Ask for additional information if the table is not completed.

Do you want to change your settlement costs, interest rate, or monthly payment?

	This Loan	The same loan with lower settlement charges	The same loan with a lower interest rate
Initial loan amount	\$200,000.00	\$200,000.00	\$200,000.00
Initial interest rate <sup>1</sup>	4.75%	5.375%	4.125%
Initial monthly payment	\$1,314.12	\$1,390.77 (\$76.65 more)	\$1,240.13 (\$73.99 less)
Total estimated settlement charges	\$6,916.51	\$4,916.51 (\$2,000 less)	\$8,916.51 (\$2,000 more)

<sup>1</sup> For an adjustable rate loan, the comparisons above are for the initial interest rate before any adjustments.

Pre-decisional FOR DISCUSSION ONLY

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**Technical Details**

**Rate Caps**

When the 5-year introductory period ends, your interest rate can increase by up to 2% per year, up to the maximum ever rate of 10.75%.

**Rate Calculation**

When the 5-year introductory period ends, your rate will be determined annually based on the market rate (59th District Cost of Funds) plus 2.00%.

**Total Payments**

If the market rate did not change and you made all payments as scheduled, you would make 360 payments totaling \$481,032.00, including estimated escrow. Interest and settlement charges of \$189,001.65 plus your amount financed of \$194,530.35 are used to calculate your APR.

**Deadlines**

- This loan's interest rate of 4.75% is available for 1 day (through January 20, 2010). After this, the interest rate, the payment for your interest rate, and the monthly payments can change until you lock your interest rate.
- This estimate for all other settlement charges is available for 30 days (through February 28, 2010).
- After you lock your interest rate, you must go to settlement within 30 days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least 3 days before settlement.

**Reminders**

- Get quotes from at least three lenders and compare them to find the best deal.
- Ask questions about anything you don't understand.
- If you are unable to make the payments on this loan, you could lose your home.
- There is no guarantee that you will be able to refinance this loan to lower your rate or payments.
- For more information, go to [www.loanhelp.gov](http://www.loanhelp.gov).

**Acknowledgement of Receipt**

By signing below, you are only confirming that you have received this form. You are not agreeing to accept this or any other loan from us.

Your Signature

Date

Form E-1 04/11/10

**FEDERAL RESERVE SYSTEM****12 CFR Part 226**

[Docket No. R-1390]

**Regulation Z; Truth in Lending****AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Proposed rule; request for public comment.

**SUMMARY:** The Board proposes to amend Regulation Z, which implements the Truth in Lending Act (TILA), and the staff commentary to the regulation, as part of a comprehensive review of TILA's rules for home-secured credit. This proposal would revise the rules for the consumer's right to rescind certain open-end and closed-end loan secured by the consumer's principal dwelling. In addition, the proposal contains revisions to the rules for determining when a modification of an existing closed-end mortgage loan secured by real property or a dwelling is a new transaction requiring new disclosures. The proposal would amend the rules for determining whether a closed-end loan secured by the consumer's principal dwelling is a "higher-priced" mortgage loan subject to the special protections in § 226.35. The proposal would provide consumers with a right to a refund of fees imposed during the three business days following the consumer's receipt of early disclosures for closed-end loans secured by real property or a dwelling.

The proposal also would amend the disclosure rules for open- and closed-end reverse mortgages. In addition, the proposal would prohibit certain unfair acts or practices for reverse mortgages. A creditor would be prohibited from conditioning a reverse mortgage on the consumer's purchase of another financial or insurance product such as an annuity, and a creditor could not extend a reverse mortgage unless the consumer has obtained counseling. The proposal also would amend the rules for reverse mortgage advertising.

**DATES:** Comments must be received on or before December 23, 2010.

**ADDRESSES:** You may submit comments, identified by Docket No. R-1390, by any of the following methods:

- *Agency Web Site:* <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *E-mail:* [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov).

Include the docket number in the subject line of the message.

- *FAX:* (202) 452-3819 or (202) 452-3102.

- *Mail:* Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's Web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW.) between 9 a.m. and 5 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** For home-equity lines of credit: Jennifer S. Benson or Jelena McWilliams, Attorneys; Krista P. Ayoub or John C. Wood, Counsels. For closed-end mortgages: Jamie Z. Goodson, Catherine Henderson, Nikita M. Pastor, Samantha J. Pelosi, or Maureen C. Yap, Attorneys; Paul Mondor, Senior Attorney. For reverse mortgages, Brent Lattin or Lorna M. Neill, Senior Attorneys. Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667 or 452-2412; for users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

**SUPPLEMENTARY INFORMATION:****I. Background on TILA and Regulation Z**

Congress enacted the Truth in Lending Act (TILA) based on findings that economic stability would be enhanced and competition among consumer credit providers would be strengthened by the informed use of credit resulting from consumers' awareness of the cost of credit. One of the purposes of TILA is to provide meaningful disclosure of credit terms to enable consumers to compare credit terms available in the marketplace more readily and avoid the uninformed use of credit.

TILA's disclosures differ depending on whether credit is an open-end (revolving) plan or a closed-end (installment) loan. TILA also contains procedural and substantive protections for consumers. TILA is implemented by the Board's Regulation Z. An Official Staff Commentary interprets the requirements of Regulation Z. By statute, creditors that follow in good faith Board or official staff

interpretations are insulated from civil liability, criminal penalties, or administrative sanction.

**II. Summary of Major Proposed Changes**

The goal of the proposed amendments to Regulation Z is to update and make clarifying changes to the rules regarding the consumer's right to rescind certain open- and closed-end loans secured by the consumer's principal dwelling. The amendments would also ensure that consumers receive TILA disclosures for modifications to key loan terms, by revising the rules regarding when a modification to an existing closed-end mortgage loan results in a new transaction. The amendments would ensure that prime loans are not incorrectly classified as "higher-priced mortgage loans" subject to special protections for subprime loans in the Board's 2008 HOEPA Final Rule in § 226.35, or as HOEPA loans under § 226.32. The proposal would provide consumers a right to a refund of fees for three business days after the consumer receives early disclosures for closed-end mortgages, ensuring that consumers do not feel financially committed to a transaction before they have had a chance to review the disclosures and consider other options.

The amendments also would improve the clarity and usefulness of disclosures for open- and closed-end reverse mortgages. They would protect consumers from unfair practices in connection with reverse mortgages, including conditioning a reverse mortgage on the consumer's purchase of a financial or insurance product such as an annuity, and originating a reverse mortgage before the consumer has received independent counseling. A consumer could not be required to pay a nonrefundable fee until three business days after the consumer has received counseling. Finally, the amendments would ensure that advertisements for reverse mortgages contain balanced information and are not misleading. Many of the proposed changes to disclosures are based on consumer testing, which is discussed in more detail below.

*The Consumer's Right to Rescind.* The proposed revisions to Regulation Z would:

- Simplify and improve the notice of the right to rescind provided to consumers at closing;
- Revise the list of "material disclosures" that can trigger the extended right to rescind, to focus on disclosures that testing shows are most important to consumers; and

- Clarify the parties' obligations when the extended right to rescind is asserted, to reduce uncertainty and litigation costs.

**Loan Modifications That Require New TILA Disclosure.** The proposal would provide that new TILA disclosures are required when the parties to an existing closed-end loan secured by real property or a dwelling agree to modify key loan terms, without reference to State contract law.

- New disclosures would be required when, for example, the parties agree to change the interest rate or monthly payment, advance new money, or add an adjustable rate or other risky feature such as a prepayment penalty.

- Consistent with current rules, no new disclosures would be required for modifications reached in a court proceeding, and modifications for borrowers in default or delinquency, unless the loan amount or interest rate is increased, or a fee is imposed on the consumer.

- Certain beneficial modifications, such as "no cost" rate and payment decreases, would also be exempt from the requirement for new TILA disclosures.

**Coverage Test for 2008 HOEPA Final Rule and HOEPA.** The Board proposes to revise how a creditor determines whether a closed-end loan secured by a consumer's principal dwelling is a "higher-priced mortgage loan" subject to the Board's 2008 HOEPA Final Rule in § 226.35, and how points and fees are calculated for coverage under the HOEPA rules in §§ 226.32 and 226.34.

- The proposal would replace the APR as the metric a creditor compares to the average prime offer rate to determine whether the transaction is a higher-priced mortgage loan.

- Creditors instead would use a "coverage rate" that would be closely comparable to the average prime offer rate, and would not be disclosed to consumers.

- The proposal would clarify that most third party fees would not be counted towards "points and fees" that trigger HOEPA coverage.

**Consumer's Right to a Refund of Fees.** For closed-end loans secured by real property or a dwelling, the proposal would require a creditor to:

- Refund any appraisal or other fees paid by the consumer (other than a credit report fee), if the consumer decides not to proceed with a closed-end mortgage transaction within three business days of receiving the early disclosures (fees imposed after this three-day period would not be refundable); and

- Disclose the right to a refund of fees to consumers before they apply for a closed-end mortgage loan.

**Reverse Mortgage Disclosures.** The proposal would require a creditor to provide a consumer with new and revised reverse mortgage disclosures.

- Before the consumer applies for a mortgage, the creditor must provide a new two-page notice summarizing basic information and risks regarding reverse mortgages, entitled "Key Questions To Ask about Reverse Mortgage Loans;"

- Within three business days of application, and again before the reverse mortgage loan is consummated (or the account is opened, for an open-end reverse mortgage):

- Loan cost information specific to reverse mortgages that is integrated with information required to be disclosed for all home-equity lines of credit (HELOCs) or closed-end mortgages, as applicable; and

- A table expressing total costs as dollar amounts, in place of the table of reverse mortgage "total annual loan cost rates."

**Required Counseling for Reverse Mortgages.** The proposal would prohibit a creditor or other person from:

- Originating a reverse mortgage before the consumer has obtained independent counseling from a counselor that meets the qualification standards established by HUD, or substantially similar standards;

- Imposing a nonrefundable fee on a consumer (except a fee for the counseling itself) until three business days after the consumer has received counseling from a qualified counselor; and

- Steering consumers to specific counselors or compensating counselors or counseling agencies.

**Prohibition on Cross-Selling for Reverse Mortgages.** The proposal would:

- Prohibit a creditor or broker from requiring a consumer to purchase another financial or insurance product (such as an annuity) as a condition of obtaining a reverse mortgage; and

- Provide a "safe harbor" for compliance if, among other things, the reverse mortgage transaction is consummated (or the account is opened) at least ten calendar days before the consumer purchases another financial or insurance product.

Reverse mortgage advertising. The proposal would amend Regulation Z to revise the advertising rules for reverse mortgages so that consumers receive accurate and balanced information. For example, the proposal would require advertisements that state that a reverse mortgage "requires no payments" to

clearly disclose the fact that borrowers must pay taxes and required insurance.

**Other Proposed Revisions.** The proposal would contain several changes to the rules for HELOCs and closed-end mortgage loans. These changes include:

- Conforming advertising rules for HELOCs to rules for closed-end mortgage loans adopted as part of the Board's 2008 HOEPA Final Rule;

- Clarifying how creditors may comply with the 2008 HOEPA Final Rule's ability to repay requirement when making short-term balloon loans;

- Clarifying that certain practices regarding prepayment of FHA loans constitute prepayment penalties for purposes of TILA disclosures and the Board's 2008 HOEPA Final Rule;

- Requiring servicers to provide consumers with the name and address of the holder or master servicer of the consumer's loan obligation, upon the consumer's written request; and

- Revising the disclosure rules related to credit insurance and debt cancellation and suspension products.

### III. The Board's Review of Home-Secured Credit Rules

#### A. Background

The Board has amended Regulation Z numerous times since TILA simplification in 1980. In 1987, the Board revised Regulation Z to require special disclosures for closed-end ARMs secured by the borrower's principal dwelling. 52 FR 48665, Dec. 24, 1987. In 1995, the Board revised Regulation Z to implement changes to TILA by the Home Ownership and Equity Protection Act (HOEPA). 60 FR 15463, Mar. 24, 1995. HOEPA requires special disclosures and substantive protections for home-equity loans and refinancings with APRs or points and fees above certain statutory thresholds. Numerous other amendments have been made over the years to address new mortgage products and other matters, such as abusive lending practices in the mortgage and home-equity markets.

The Board's current review of Regulation Z was initiated in December 2004 with an advance notice of proposed rulemaking.<sup>1</sup> 69 FR 70925, Dec. 8, 2004. At that time, the Board announced its intent to conduct its

<sup>1</sup> The review was initiated pursuant to requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, section 610(c) of the Regulatory Flexibility Act of 1980, and section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. An advance notice of proposed rulemaking is published to obtain preliminary information prior to issuing a proposed rule or, in some cases, deciding whether to issue a proposed rule.

*List of Helpful Websites – page 38 of handouts*

**PeirsonPatterson**  
<http://ppdocs.com/>

**Section 35 – check to see if your loan falls under this rule**  
**FFIEC rate spread calculator**  
<http://www.ffiec.gov/ratespread/newcalc.aspx>

**HUD RESPA**  
[http://www.hud.gov/offices/hsg/rmra/res/respa\\_hm.cfm](http://www.hud.gov/offices/hsg/rmra/res/respa_hm.cfm)  
There you will find the following

- ▶ [RESPA Roundup July 2010](#)
- ▶ [Home Warranty Interpretative Rule \(6/25/2010\)](#)
- ▶ [HUD's new settlement cost booklet](#)
- ▶ [New RESPA Rule FAQs \(updated 4/2/2010\)](#)
- ▶ [RESPA Final Rule \(text and pdf version\)](#)
- ▶ [RESPA Final Rule \(Electronic Code of Federal Regulation version\)](#)
- ▶ [Good Faith Estimate](#)
- ▶ [Good Faith Estimate Instructions](#)
- ▶ [Fillable Good Faith Estimate](#)
- ▶ [HUD-1](#)
- ▶ [HUD-1 Instructions](#)
- ▶ [Fillable Hud-1](#)
- ▶ [HUD1-A](#)
- ▶ [Regulatory Impact Analysis](#)
- ▶ [RESPA ANPR on "Required Use" Prohibition \(6/3/2010\)](#)

**HUD FORMS**  
[http://portal.hud.gov/portal/page/portal/HUD/program\\_offices/administration/hudclips/forms](http://portal.hud.gov/portal/page/portal/HUD/program_offices/administration/hudclips/forms)

→ **New VA website Circular 26-10-12**  
[www.benefits.va.gov/homeloans](http://www.benefits.va.gov/homeloans)

## Helpful Tools

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### Terms of Use:

These resources are provided as tools and may not be suitable for the purposes intended. Information obtained from the use of these resources should be discussed with a qualified professional as these tools can only illustrate trends and may not be accurate with regard to your particular circumstances.

No tax, legal, financial, investment or similar advice is provided herein. PPDocs and its affiliates make no representation or warranty as to suitability of use or accuracy of content. Further, PPDocs disclaims any other warranties, express or implied, including but not limited to the warranties of merchantability or fitness for the intended purpose or use.

When you select one of the items, you accept these terms.

- [Mortgage Loan Disclosure Matrix](#)
- [Aggregate Escrow Calculator](#)
- [Financial Calculators](#)
- [Annual Percentage Rate Calculation Program \(APRWIN\)](#)
- [Right of Cancellation Matrix](#)
- [List of Finance Charges](#)
- [List of Federal Holidays \(Right of Rescission\)](#)
- [Estimating Practices](#)
- [Texas Allowable Fees and Charges](#)
- [Texas Home Equity Allowed Fees and Charges](#)
- [Easy Rescission Calendar](#)
- [Federal Reserve Board - Statistics: Releases and Historical Data](#)
- [HMDA/HPML Rate Spread Calculator](#)
- [HMDA FAQs](#)
- [State High Cost Recap](#)
- [Federal Section 226.32 \(HOEPA\) Recap](#)
- [Federal 226.35 High Cost Recap](#)
- [FNMA 5% Fee Limit](#)
- [FHLMC High Cost Rules](#)
- [MDIA Memo](#)

## Resource Links

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### Federal Resources

- The Federal Reserve Board
- Federal Emergency Management Agency
- Freddie Mac
- Freddie Mac - Single Family Uniform Mortgage Instruments
- Fannie Mae
- Fannie Mae - Mortgage Documents
- Federal Deposit Insurance Corporation
- Federal Financial Institutions Examination Council
- Office of the Law Revision Counsel - U.S. Code
- Office of Thrift Supervision
- U.S. Department of Housing and Urban Development
- HUD's Client Information and Policy System
- National Archives and Records Administration - Code of Federal Regulations
- RESPA - Real Estate Settlement Procedures Act
- Putting Your Home on the Loan Line Is Risky Business (English)
- Putting Your Home on the Loan Line Is Risky Business (Spanish)

### State Resources

## WHAT'S NEW ON THE HORIZON

**Dodd-Frank** Page 28

Anything you know about mortgage lending is about to change

**By July 21, 2011 the new Consumer Financial Protection Bureau will assume authority over Reg Z, RESPA, and will have begun restructuring of the forms and attempting to make it all inclusive into one.**

**| The Consumer Financial Protection Bureau**

**Independent Head:** Led by an independent director appointed by the President and confirmed by the Senate.

**| Independent Budget:** Dedicated budget paid by the Federal Reserve system.

**| Independent Rule Writing:** Able to autonomously write rules for consumer protections

governing all financial institutions – banks and non-banks – offering consumer financial services or products.

**| Examination and Enforcement:** Authority to examine and enforce regulations for banks

and credit unions with assets of over \$10 billion and all mortgage-related businesses (lenders, servicers, mortgage brokers, and foreclosure scam operators), payday lenders, and student lenders as well as other non-bank financial companies that are large, such as debt collectors and consumer reporting agencies. Banks and Credit Unions with assets of \$10 billion or less will be examined for consumer complaints by the appropriate regulator.

**| Consumer Protections:** Consolidates and strengthens consumer protection responsibilities currently handled by the Office of the Comptroller of the Currency, Office of

Thrift Supervision, Federal Deposit Insurance Corporation, Federal Reserve, National Credit Union Administration, the Department of Housing and Urban Development, and Federal Trade Commission. Will also oversee the enforcement of federal laws intended to ensure the fair, equitable and nondiscriminatory access to credit for individuals and communities.

**| Able to Act Fast:** With this Bureau on the lookout for bad deals and schemes, consumers

won't have to wait for Congress to pass a law to be protected from bad business practices.

**| Educates:** Creates a new Office of Financial Literacy.

- **Consumer Hotline:** Creates a national consumer complaint hotline so consumers will have, for the first time, a single toll-free number to report problems with financial products and services.

**| Accountability:** Makes one office accountable for consumer protections. With many agencies sharing responsibility, it's hard to know who is responsible for what, and easy for

emerging problems that haven't historically fallen under anyone's purview, to fall through the cracks.

**Works with Bank Regulators:** Coordinates with other regulators when examining banks to prevent undue regulatory burden. Consults with regulators before a proposal is issued and regulators could appeal regulations they believe would put the safety and soundness of the banking system or the stability of the financial system at risk.

**Clearly Defined Oversight:** Protects small business from unintentionally being regulated by the CFPB, excluding businesses that meet certain standards.

**By July 21, 2011 CFPB will take over HUD's role as RESPA overseer and Federal Reserve's overseeing of Reg Z**

**REG Z 226.18 TIL Format**  
Effective January 30, 2011 – see handout page 17

**Reg Z 226.39** – see handout page 12  
Principal dwelling loan sold or transferred must have a notice sent by the purchaser of the mortgage even if the servicing did not transfer. Was effective May 2009 but is required as of January.

**Reg Z 226.35**  
Feds want to amend Section 35 for jumbo loans to be 2.5% over the APOR before requiring escrows. However, all other rules will apply to the jumbo loans

**Reg Z proposal Federal Register /Vol 75 No. 185 September 24 page 58539**  
TIL rules for home-secured credit – commentary open till 12/23/2010 (250 pages)

Page 35  
Consumers right to rescind – changed  
Loan modification disclosures – meet  
Consumers right to refund of fees – Does to request fees back from app/Disc  
Reverse mortgages  
Coverage test for HOEPA loans – change comparison rate  
not include most 3rd party fees

**Fair Credit (FACT)** See handout pages 6 thru 12  
This form should be prepared by your credit bureau Risk based  
Effective January 4, 2011

IC changes to Chapter 1 new part 640