

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 9410

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**BANKING SUPERVISION AND REGULATION:
REVISED CONSUMER HANDBOOK**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Revised Consumer Handbook on Adjustable Rate Mortgages

The Federal Reserve Board and the Office of Thrift Supervision announced the availability of a revised Consumer Handbook on Adjustable-Rate Mortgages (the CHARM booklet), which provides information to consumers about the features and risks of such loans. In response to the growing use of nontraditional mortgage products, which allow borrowers to defer payment of principal and sometimes interest, the agencies have substantially revised the CHARM booklet to include discussions about "interest-only" and "payment option" mortgages.

The revised booklet describes how these loans typically work, showing how much (and how often) monthly payments could increase, and how the loan balance could increase if minimum monthly payments are made. The booklet includes a mortgage shopping worksheet to help consumers compare the features of different products, and a glossary to help them understand some of the terminology.

Under the Board's Regulation Z (which implements the Truth in Lending Act), creditors must provide a copy of the CHARM booklet, or a suitable substitute, to consumers with every application for an adjustable rate mortgage loan. The Board is publishing a notice in the *Federal Register* informing creditors that they may begin immediately using the revised CHARM booklet, but also have the option to continue using their existing stock of CHARM booklets until October 1, 2007, which is the date they must use the revised CHARM booklet (or suitable substitute) to comply with Regulation Z.

The agencies originally published the CHARM booklet in 1987, to help educate consumers about adjustable rate mortgage loans. The booklet, which has been updated periodically, is available on the Internet at http://www.federalreserve.gov/pubs/arms/arms_english.htm. The Spanish version of the revised booklet is forthcoming.

Up to 100 copies of the brochure are available free of charge from the following address:
Publications, Mail Stop 127, Federal Reserve Board, 20th and C Streets, N.W., Washington, DC
20551; 202-452-3245

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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