

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

February 10, 2011

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Federal Reserve Does Not Plan to Proceed with Finalizing Three Pending Mortgage Rulemakings under Regulation Z

The Federal Reserve Board announced on February 1, 2011 that it does not expect to finalize three pending rulemakings under Regulation Z, which implements the Truth in Lending Act (TILA), prior to the transfer of authority for such rulemakings to the Consumer Financial Protection Bureau (CFPB).

The proposed rules were published as part of the Board's comprehensive review of its mortgage lending regulations under TILA. The first phase of the review consisted of two proposals issued in August 2009, which would have reformed the consumer disclosures under TILA for closed-end mortgage loans and home equity lines of credit (Docket Nos. R-1366 and R-1367). The third proposal was issued in September 2010 (Docket No. R-1390). Among other things, the September 2010 proposal included changes to the disclosures consumers receive to explain their right to rescind certain loans and would have clarified the responsibilities of the creditor if a consumer exercises this rescission right. The September 2010 proposal also included changes to the disclosures for reverse mortgages, proposed new disclosures for loan modifications, restrictions on certain advertising practices and sales practices for reverse mortgages, and changes to the disclosure obligations of loan servicers. In response to the three proposals, the Board received more than 5,000 comments expressing divergent views on many substantive and technical issues.

General rulemaking authority for TILA is scheduled to transfer to the CFPB in July 2011. The Dodd-Frank Wall Street Reform and Consumer Protection Act also requires that the CFPB issue a proposal within 18 months after the designated transfer date to combine, in a single form, the mortgage disclosures required by TILA and the disclosures required by the Real Estate Settlement Procedures Act (RESPA). In light of that mandate, and the upcoming transfer date, the Board has carefully evaluated whether there would be public benefit in proceeding with the rulemakings initiated with the Board's August 2009 and September 2010 proposals at this time. Because the Board's 2009 and 2010 TILA proposals would substantially revise the disclosures for mortgage transactions, any new disclosures adopted by the Board would be subject to the CFPB's further revision in carrying out its mandate to combine the TILA and RESPA disclosures. In addition, a combined TILA-RESPA disclosure rule could well be proposed by the CFPB before any new disclosure requirements issued by the Board could be fully implemented.

For these reasons, the Board has determined that proceeding with the 2009 and 2010 proposals would not be in the public interest. Although there are specific provisions of these Board proposals that would not be affected by the CFPB's development of joint TILA-RESPA disclosures, adopting those portions of the Board's proposals in a piecemeal fashion would be of limited benefit, and the issuance of multiple rules with different implementation periods would create compliance difficulties. Accordingly, the Board does not expect to finalize the August 2009 and September 2010 proposals prior to the July 2011 date for transfer of rulemaking authority to the CFPB.

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:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853