

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

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

Recap of Recent Mortgage Rules

Over the past few weeks, the federal agencies have finalized a number of mortgage-related rules. As they were issued through separate press releases, this letter is designed to bring the rules together to facilitate easy access to source documentation. The table below also provides a high level overview of key points from the press releases and the summaries issued in conjunction with the final rules. Please note that the table is not meant to be all inclusive. Consequently, institutions should reference the agency press releases and final rules for detailed information.

Issuer	Mortgage Rule	Date Issued	Effective Date
CFPB	<p>Ability to Repay Mortgage Rule – Final rule:</p> <ul style="list-style-type: none"> • Generally requires creditors make a reasonable, good faith determination of a consumer’s ability to repay any consumer credit transaction secured by a dwelling • Establishes certain protections from liability for “qualified mortgages” • Limits prepayment penalties • Requires creditors retain evidence of compliance for three years after loan consummation • Accompanied by a proposal to seek comment on whether to adjust rules for certain community-based lenders, housing stabilization programs, certain refinancing programs of Fannie Mae or Freddie Mac and Federal agencies, and small portfolio creditors <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Ability to Repay and Qualified Mortgage Final Rule • Ability to Repay Concurrent Proposal • CFPB’s “Summary of the Ability-to-Repay and Qualified Mortgage Rule and the Concurrent Proposal” 	1/10/2013	1/10/2014 Concurrent Proposal Comments Due 2/25/2013
CFPB	<p>Escrow Requirements – Final rule:</p> <ul style="list-style-type: none"> • Lengthens the time for which mandatory escrow accounts for higher-priced mortgage loans must be maintained • Exempts certain transactions from the statute’s escrow requirement • Creates an exemption for small creditors in predominately rural/underserved area <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Escrow Requirements Final Rule • CFPB’s “Summary of the Escrow Requirements Under the Truth in Lending Act (Regulation Z)” 	1/10/2013	6/1/2013

Issuer	Mortgage Rule	Date Issued	Effective Date
CFPB	<p>High-Cost Mortgage and Homeownership Counseling Amendments – The final rule:</p> <ul style="list-style-type: none"> • Expands HOEPA to cover home purchase loans and home equity lines of credit • Revises the HOEPA coverage tests • For high-cost mortgages: <ul style="list-style-type: none"> ○ Prohibits certain types of potentially higher risk features ○ Prohibits and limits certain types of fees and practices ○ Requires consumers receive housing counseling • Implements additional homeownership counseling-related provisions that are not amendments to HOEPA <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • High-Cost Mortgage and Homeownership Counseling Final Rule • CFPB's "Summary of the Final Rule to Strengthen Consumer Protections for High-Cost Mortgages" 	1/10/2013	1/10/2014
CFPB	<p>Mortgage Loan Servicing Amendments – Final rules address:</p> <ul style="list-style-type: none"> • Periodic billing statements • Interest-rate adjustment notices for ARMs • Prompt payment crediting and payoff statements • Force-placed insurance • Error resolution and information requests • General servicing policies, procedures, and requirements • Early intervention with delinquent borrowers • Continuity of contact with delinquent borrowers • Loss mitigation procedures <p>Note: The rule exempts small servicers from some of the new rules. These exemptions include many of the procedural rules, including most of the requirements regarding the handling of loss mitigation applications.</p> <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Final Mortgage Servicing Rules under Regulation X • Final Mortgage Servicing Rules under Regulation Z • CFPB's "Summary of the Final Mortgage Servicing Rules" 	1/17/2013	1/10/2014
<p>Interagency including:</p> <p>CFPB, Federal Reserve Board, FDIC, FHFA, NCUA, and OCC</p>	<p>Appraisals for Higher-Priced Mortgages – For higher-priced mortgage loans, the final rule requires:</p> <ul style="list-style-type: none"> • Creditors use a licensed or certified appraiser • A written appraisal report based on a physical inspection of the interior of the property • Creditors disclose to applicants information about the purpose of the appraisal • Consumers be provided a free copy of any appraisal report <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Final Rules on Appraisals for Higher-Priced Mortgages • CFPB's "Summary of Final TILA Rule on Appraisals" 	1/18/2013	1/18/2014

Issuer	Mortgage Rule	Date Issued	Effective Date
CFPB	<p>Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations – In general, the final rule:</p> <ul style="list-style-type: none"> • Requires mortgage lenders provide applicants with free copies of all appraisals and other home-value estimates • Requires creditors inform consumers within three days of application their right to receive a copy of all appraisals • Requires creditors provide copies of appraisal reports and other written home-value estimates to consumers promptly, or three days before closing, whichever is earlier <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act (Regulation B) Final Rule • CFPB's "Summary of Final ECOA Rule on Providing Appraisals and Valuations" 	1/18/2013	1/18/2014
CFPB	<p>Loan Originator Qualification and Compensation Requirements</p> <p>– The final rule:</p> <ul style="list-style-type: none"> • Prohibits steering incentives • Prohibits “dual compensation” • Clarifies existing regulations and commentary on loan originator compensation • Sets qualification and screening standards • Generally prohibits mandatory arbitration of disputes and the practice of financing single-premium credit insurance <p>Note: The CFPB is using its exemption authority to postpone finalizing the Dodd-Frank Act provisions that would restrict upfront points and fees.</p> <p>Resources:</p> <ul style="list-style-type: none"> • CFPB Press Release • Loan Originator Compensation Requirements under the Truth in Lending Act (Regulation Z) Final Rule • CFPB's "Summary of Final Rule on Mortgage Loan Originator Qualification and Compensation Practices" 	1/20/2013	<p>Amendments to §1026.36 (h) and (i) Effective 6/1/2013</p> <p>All other provisions 1/10/2014</p>

Resources

Additional information on CFPB rules and related guidance can be found on their website at <http://www.consumerfinance.gov/>. Questions concerning these rules may also be submitted to the CFPB by e-mail (CFPB_reinquiries@cfpb.gov) or by telephone (202-435-7700).

The Federal Reserve Bank of St. Louis has also established a regulatory reform rules website that tracks the progress of more than 200 proposals and rules that will be written by the various Federal agencies to implement the Dodd-Frank Act. The site is located at: <http://www.stlouisfed.org/regreformrules/>.

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 regarding supervisory expectations, please contact:
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