

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

May 29, 2009

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

Federal Reserve Board Approves Final Rules Revising Regulation Z (Truth in Lending)

The Federal Reserve Board on May 7, 2009 approved final rules that revise the disclosure requirements for mortgage loans under Regulation Z (Truth in Lending). The revisions implement the Mortgage Disclosure Improvement Act (MDIA), which was enacted in July 2008 as an amendment to the Truth in Lending Act (TILA).

The MDIA seeks to ensure that consumers receive cost disclosures earlier in the mortgage process. In several respects, the MDIA is substantially similar to final rules issued by the Board in July 2008. However, the MDIA also broadens and adds to those regulatory requirements. The final rule largely follows a proposal issued by the Board in December 2008. Under the MDIA, creditors must comply with the new provisions beginning July 30, 2009. The Board's implementing regulations apply to dwelling-secured consumer loans for which a creditor receives an application on or after July 30, 2009.

The MDIA requires creditors to give good faith estimates of mortgage loan costs ("early disclosures") within three business days after receiving a consumer's application for a mortgage loan and before any fees are collected from the consumer, other than a reasonable fee for obtaining the consumer's credit history. These requirements are consistent with the Board's July 2008 final rule, which applied to loans secured by a consumer's principal dwelling. The MDIA broadens this requirement by also requiring early disclosures for loans secured by dwellings other than the consumer's principal dwelling, such as a second home.

In addition, the rules would implement the MDIA's requirements that:

- Creditors wait seven business days after they provide the early disclosures before closing the loan; and
- Creditors provide new disclosures with a revised annual percentage rate (APR), and wait an additional three business days before closing the loan, if a change occurs that makes the APR in the early disclosures inaccurate beyond a specified tolerance.

The rules would permit a consumer to expedite the closing to address a personal financial emergency, such as a foreclosure.

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:

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