

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

October 5, 2012

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 Proposals

Over the past few months, the federal regulatory agencies have issued a number of mortgage loan proposals. As they were issued through separate press releases by the various agencies, this letter is designed to bring the proposals 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 proposed rules. Please note that the table does not include all of the proposed changes. Consequently, institutions should reference the agency press releases and proposals for detailed information regarding the specific rules being proposed.

Issuer	Mortgage Proposal	Date Issued	Final Rules Deadline
CFPB	Mortgage Loan Originator (MLO) Rules – Proposal would: <ul style="list-style-type: none"> - Require no-point, no-fee loan option - Require interest rate reduction with upfront points and fees - Set qualification and screening standards for MLOs - Prohibit payment of steering incentives to MLOs - Place restrictions on arbitration clauses and credit insurance financing Comment Period Deadline: October 16, 2012	8/17/2012	No due date for final rules
CFPB	Improved Consumer Access to Appraisals – Proposal would: <ul style="list-style-type: none"> - Require creditors inform consumers within 3 days of applying for loan to right to receive copy of appraisal reports and home value estimates - Require creditors provide appraisal reports to consumers at least 3 days before closing - Prohibit creditors from charging consumers fees for obtaining the reports (can still charge for conducting appraisals) Comment Period Deadline: October 15, 2012	8/15/2012	Final rules expected in January 2013
Interagency	Appraisals for Higher Risk Mortgages – Proposal would establish new appraisal requirements for “higher-risk mortgage loans” including: <ul style="list-style-type: none"> - Require creditors to use licensed or certified appraisers - Require written appraisal report based on physical inspection of the interior of the property - Require disclosure of information about the purpose of the appraisal - Require lenders provide a free copy of any appraisal report - Require additional appraisal if seller acquired property for lower price in prior six months to address fraudulent property flipping Comment Period Deadline: October 15, 2012	8/15/2012	No due date for final rules

Issuer	Mortgage Proposal	Date Issued	Final Rules Deadline
CFPB	<u>Mortgage Loan Servicing Amendments</u> – Proposal addresses: <ul style="list-style-type: none"> - Monthly mortgage statements - Notice of interest rate adjustments - Force-placed insurance protections - Early outreach for delinquent borrowers - Prompt crediting of payments - Accurate information management - Error resolution and information - Direct and ongoing access to servicing personnel - Evaluation of alternatives to foreclosure Comment Period Deadline: October 9, 2012	8/10/2012	Final rules expected in January 2013
CFPB	<u>Integrated Mortgage Disclosures</u> – Proposal would amend Regulation X and Regulation Z to establish new disclosure requirements and forms in Regulation Z for most closed-end Consumer transactions secured by real property. Comment Period Deadlines: September 7 and November 6, 2012	7/9/2012	No due date for final rules
CFPB	<u>High-Cost Mortgages and Homeownership Counseling Amendments</u> – Proposal would: <ul style="list-style-type: none"> - Expand types of mortgages subject to protections of HOEPA - Prohibit certain types of higher risk features - Prohibit and limit certain types of fees - Add restrictions on HOEPA mortgage loans, including a pre-loan counseling requirement - Impose additional requirements related to homeownership counseling Comment Period Deadline: September 7, 2012	7/9/2012	Final rules expected in January 2013
FRB/CFPB	<u>Ability to Repay Mortgage Rule</u> – Proposal would : <ul style="list-style-type: none"> - Require lenders assess consumers’ ability to repay mortgage loans before extending them credit - Define “Qualified Mortgages,” which are structurally safer and are underwritten according to standards that make it reasonable to expect borrowers have an ability to repay - May establish relationship between ability to repay and underwriting variables Comment Period Deadline: July 9, 2012	Various	Final rules expected by December 2012

Resources

We encourage bankers and consumers to understand the changes being proposed and utilize the comment periods to influence the final rules and help prevent unintended consequences resulting from any new rules.

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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