

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, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Federal Reserve Proposes Rule to Revise Escrow Account Requirements for Jumbo Mortgages

The Federal Reserve Board proposed on August 16, 2010 a rule to revise the escrow account requirements for higher-priced, first-lien "jumbo" mortgage loans. The proposed rule, which implements a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, would increase the annual percentage rate (APR) threshold used to determine whether a mortgage lender is required to establish an escrow account for property taxes and insurance for first-lien jumbo mortgage loans. Jumbo loans are loans exceeding the conforming loan-size limit for purchase by Freddie Mac, as specified by the legislation.

In July 2008, the Board issued final rules requiring creditors to establish escrow accounts for first-lien loans if a loan's APR is 1.5 percentage points or more above the applicable prime offer rate. Under the Dodd-Frank Act, which amended the Truth in Lending Act (TILA), the escrow requirement will apply for jumbo loans only if the loan's APR is 2.5 percentage points or more above the applicable prime offer rate. The APR threshold for non-jumbo loans remains unchanged.

The Dodd-Frank Act incorporates into TILA the Board's regulatory requirement for escrow accounts and revises the APR threshold, but the act also includes other provisions, including new disclosure requirements. This proposal would implement only the act's change to the APR threshold. Other provisions of the act concerning escrow accounts will be implemented in a separate rulemaking.

The proposed change would not affect the APR threshold used to determine whether a jumbo loan is subject to the other consumer protections that the Board adopted for higher-priced loans in 2008. Those protections include requirements for determining consumers' repayment abilities and restrictions on prepayment penalties.

The Board is soliciting comment on the proposed rule, including the appropriate implementation date, for 30 days after publication in the *Federal Register*.

The Board's notice is attached.

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

Attachment: [Proposed Rule to Revise Escrow Account Requirements for Jumbo Mortgages](#)