

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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FEDERAL RESERVE PULLS THREE REGULATIONS

There is some good news or at least a postponement of some pain.

On February 1st the Federal Reserve Board (“FRB”) announced that it does not expect to finalize 3 pending rules under Reg. Z. These rules were to implement provisions of the Truth in Lending Act prior to the transfer of authority for such Rule Making to the Consumer Financial Protection Bureau.

As indicated in the Press Release, the proposals were published as part of the FRB’s comprehensive review of mortgage lending regulations. The first two rules proposed were issued in August of 2009 to reform the consumer disclosures under TILA for closed end mortgages and home equity lines of credit. The last proposal was issued in September of last year. This regulation proposed changes to a number of issues. These included:

- Changes to the disclosures that consumers receive to explain their right to rescind certain loans,
- Clarification of a creditor’s responsibilities in the event that a consumer exercised the rescission right, and

- **Changes to reverse mortgage disclosures, new disclosures for loan modifications and restrictions on certain advertising practices for reverse mortgages.**

The Board indicated that it received almost 5000 comments on these regulations.

However, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Rule Making authority for TILA will transfer to the new Consumer Finance Protection Bureau in July of this year. The new Bureau will be required to issue a proposal within 18 months after that date for the mortgage disclosures required by the changes in Dodd-Frank to TILA and RESPA. The Federal Reserve Board found that because of the upcoming date of the transfer of authority and because of the new regulations that the Bureau would be issuing, the public benefit in proceeding with the Present FRB Rule Making referenced above, would be none existent or at best, minimal.

So, for the time being these rules are on the shelf.

The Consumer Financial Protection Bureau will be issuing substantial regulations soon enough.

L/O COMPENSATION COMPLIANCE GUIDE

On January 26, 2011, the Federal Reserve Board issued a Compliance Guide to Small Entities. The Guide summarizes the rules adopted for Loan Originator Compensation and Steering. The summary is brief but does provide some help in understanding the new rules to take effect on April 1, 2011.

It can be found at www.federalreserve.gov/bankinforeg/regzcg.htm .

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