



TRUTH IN LENDING REVISION PROPOSALS

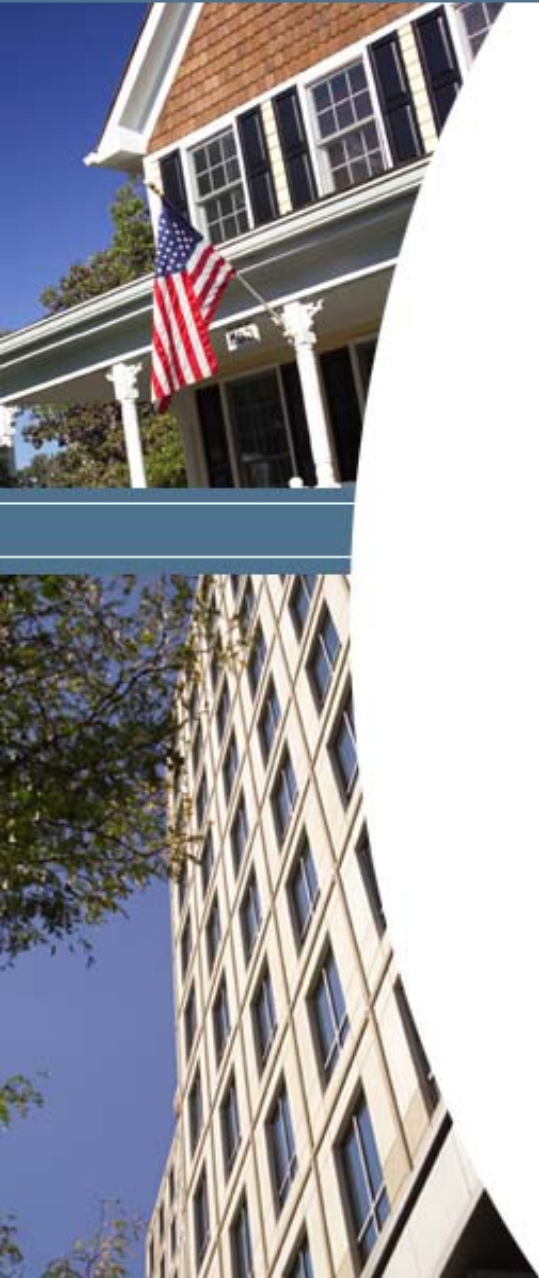
*Or How I Learned to Stop Worrying
And Embrace Federal Regulation*

- *Proposed Rule Published in Fed Register August 26,2009 (321 pages)*
- *Comment Period Expired 12/24/09 (7 days before RESPA Implementation)*
- *Comments Still Being Reviewed with No Realistic Estimate for a Final Rule Release Date At this time.*

HIGHLIGHTS Of the Proposed Rule

- *New Disclosures to Replace Old Tired Standards*
- *Reformatting of the Finance Charge*
- *Final TILA Disclosure Required Prior to Closing*
- *Originator Compensation Restrictions*

Startling Revelations



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- 1. Consumers Do Not Really Understand the difference between the Interest Rate & the APR (Annual Percentage Rate).*

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- 1. Consumers Do Not Really Understand the difference between the Interest Rate & the Annual Percentage Rate.*
- 2. Consumers Do Not Draw a Distinction between the Finance Charge and Interest.*
- 3. Consumers Do Not Consider the TILA Disclosure to be a valuable tool in shopping for a mortgage.*

FINANCE CHARGES

Charges payable by the consumer, and imposed by the creditor during a credit transaction.

The Existing Rule tells us which Transaction Related charges are considered to be Finance Charges; and which are Excluded.

FINANCE CHARGES

The Some In, Some Out approach undermines the purpose of the APR, which is to express in a single figure the total cost of credit.

TRUTH IN LENDING ACT PROPOSALS

FINANCE CHARGES

FED has questioned the Some In – Some Out Theory of Finance Charges for awhile.


Why would it make sense for an Appraisal or Credit Report Fee be exempt from the definition?

Section 226.4 (c) 7 set the rules for what could be excluded from the Finance Charge.



Interest & Settlement Charges

*Give It A New Name to Erase the
Consumer's Confusion.*



*Exclusions from the Finance Charge
(with few exceptions) in 226.4(c) will
no longer apply to closed end
transactions.*

Interest & Settlement Charges

Among the fees that have been exempt from the Finance Charge, but will be included under INTEREST & SETTLEMENT:

Appraisal Fees

Credit Report Fees

Title Insurance & Title Related fees



Interest & Settlement Charges

“This Approach would cause more loans to be subject to the special protections of the 2008 HOEPA Final Rule.....and certain State Anti Predatory Lending Laws.”

Interest & Settlement Charges

CONSEQUENCES of This Change

- *More HOEPA Loans*
- *More HPML Loans*
- *More Reportable HMDA Rate Spreads*
- *More Covered Loans under State High Cost Regs*



Interest & Settlement Charges

OTHER CONSIDERATIONS

- *Compares Apples with Oranges*
- *Consumers Suddenly Wont Qualify*
- *Higher Costs in General (?)*

Unintended Consequences ?

Can the FED reasonably explain away the impact of these changes by claiming that they do not have authority over other (competing) regulations ?

The FINAL TILA Disclosure

TILA has always required a Final TILA Disclosure if the terms of the initial disclosure had changed significantly during the processing of the loan request.

The FINAL TILA Disclosure

The idea of requiring a Final disclosure prior to closing was born in Section 32 for loans with abusive rates and terms, but this proposal would now extended that approach to all loans.

The FINAL TILA Disclosure

- *A Final Accurate TILA Disclosure must be delivered to the consumer at least **three business days prior** to the closing of a mortgage loan.*

The FINAL TILA Disclosure

- *Two Options Proposed*
 - 1) *Any Subsequent Change after this Final Disclosure is made would require another Final Disclosure and the three day clock would start all over again;*
 - 2) *Subsequent Changes would only require another Final Disclosure if the APR became inaccurate as a result of those changes.*

- ***The FINAL TILA Disclosure***

Important Note : TILA never absolutely required a Final TIL at closing, and doesn't care that Industry Practices insist that a final and accurate Disclosure be signed at closing.

- *The FINAL TILA Disclosure*

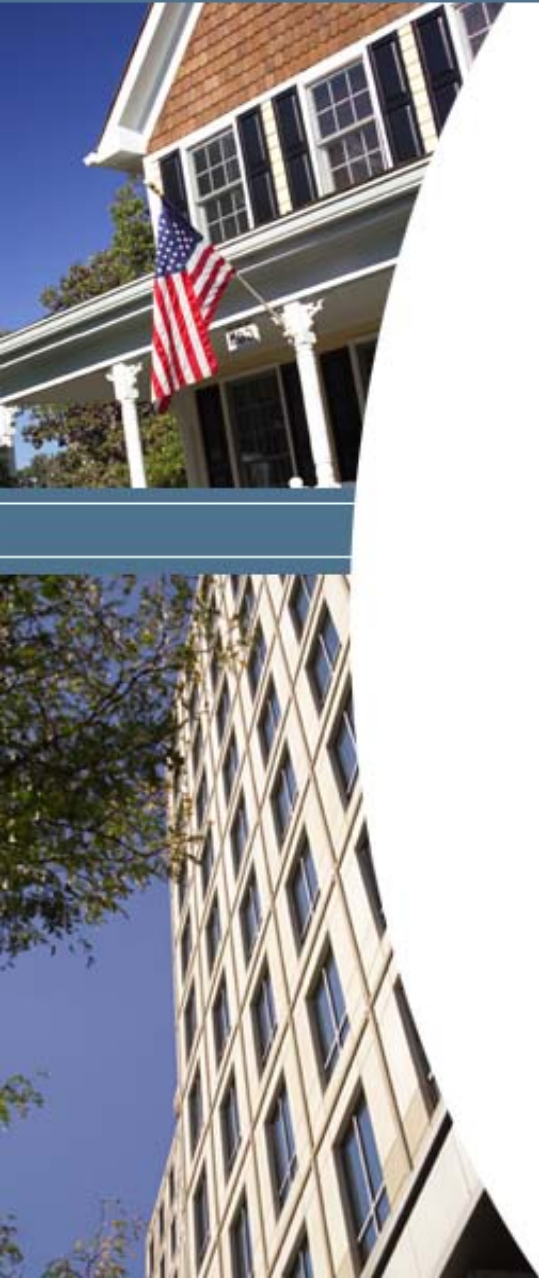
So, if 2nd option becomes the rule, we will have Final TILs at closing that will not agree with the Final TIL prior to closing, defeating the idea of a Final disclosure of terms to the consumer.

Intended / Unintended Consequences

Can the FED realistically insulate itself from the downstream affects of this rule by suggesting it has no authority over the various regulations and issues upon which this proposal will have a very direct impact?

Startling Revelations

(reprise)



Startling Revelations

The Board anticipates working with HUD to ensure that TILA and RESPA disclosures are compatible and complementary, including potentially developing a single disclosure form that creditors could use to satisfy requirements of the two regulations.