

INFORMATION OF PROPOSED FEDERAL REFORMS  
From Christopher Cruise of ProClose  
Guest speaker at MBA of Maine breakfast meeting September 9, 2009

The mortgage world is likely going to change dramatically next year as a result of a Federal Reserve proposal to make major changes to the Truth-in-Lending Act.

The Fed's [proposal](#) was released July 23<sup>rd</sup> and the formal printing of the proposal in the Federal Register has just now occurred, triggering the clock on the comment period, which ends December 24, 2009 (see below on how to submit comments as well as for links to the Federal Register pages in which the proposal appears).

The Fed's proposed amendments to TILA apply to both closed-end mortgage loans and HELOCs, and include new disclosures (including one called "[Key Questions to Ask About Your Mortgage](#)" and another called "[Fixed vs. Adjustable Rate Mortgages.](#)")

The Fed is also proposing to include more loan closing costs in the calculation of the APR, and wants lenders to provide prospective borrowers with a chart showing how their proposed APR compares with the APRs offered to borrowers with excellent credit. Of special interest to mortgage brokers, the proposal would make it difficult, if not impossible, to be paid a yield spread premium, although there is some dispute within the industry as to the effect of the proposal on YSPs.

The 194-page, small-print proposed rule for *closed-end mortgage loans* is at: <http://edocket.access.gpo.gov/2009/pdf/E9-18119.pdf> (see pages 43232–43425).

The 186-page, small-print proposed rule for *HELOCs* is at: <http://edocket.access.gpo.gov/2009/pdf/E9-18121.pdf> (see pages 43428–43613)

You can make "comments" on the proposed changes and [submit them online](#) or through the mail. As noted earlier, *the deadline is December 24, 2009*. Keep in mind that the comments *will* be posted and *will* be available for all to see. Public comments on the proposals and, if publicly available, related staff materials, can be viewed online and can be viewed in Room MP-500 of the Board's Martin Building (20th and C Streets, NW, Washington, D.C.) between 9:00 a.m. and 5:00 p.m. weekdays. **All comments are reproduced without alteration except when necessary for technical reasons.**

There are already some comments posted; there are five on HELOCs and about 35 on closed-end mortgages:

HELOCs:

[http://www.federalreserve.gov/generalinfo/FOIA/index.cfm?Doc\\_ID=R%2D1366&doc\\_ver=1&StartRow=1](http://www.federalreserve.gov/generalinfo/FOIA/index.cfm?Doc_ID=R%2D1366&doc_ver=1&StartRow=1)

Closed-end mortgage loans:

[http://www.federalreserve.gov/generalinfo/FOIA/index.cfm?doc\\_id=R%2D1367&doc\\_ver=1](http://www.federalreserve.gov/generalinfo/FOIA/index.cfm?doc_id=R%2D1367&doc_ver=1)

[Howard Lax](#), a well-known mortgage compliance attorney, expects the Fed to spend January, February and March reading the comments and issue a Final Rule April 1, 2010 with an implementation date six months later - October 1, 2010.

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