



Information Memorandum

May 20, 2009

To: Chief Executive Officer
All Farm Credit System Institutions

From: Thomas G. McKenzie, Director and Chief Examiner
Office of Examination

A handwritten signature in black ink that reads 'Thomas G. McKenzie'.

Subject: Amendments to Home Mortgage Provisions of Regulation Z (Truth in Lending)

The Federal Reserve Board (FRB) recently approved a final rule revising the disclosure requirements for dwelling-secured, closed-end, consumer mortgage loans under Regulation Z (Truth in Lending), 12 CFR Part 226. This rule implements the provisions of the Mortgage Disclosure Improvement Act of 2008 (MDIA), which Congress enacted on July 30, 2008 and amended on October 3, 2008. The effective date of the rule is July 30, 2009.

In several respects, the MDIA is substantially similar to a final rule the FRB published on July 30, 2008. (We informed you about the July 2008 rule by Informational Memorandum dated August 1, 2008.) However, the MDIA broadens and adds to the requirements of the July 2008 rule. Consistent with the MDIA, this new final rule requires creditors to comply with the revised requirements for loans for which applications are received on or after July 30, 2009, notwithstanding that the amendments made by the July 2008 rule were originally to become effective on October 1, 2009.

The MDIA, and this rule, seek to ensure that consumers receive cost disclosures earlier in the mortgage process. The rule requires creditors to give good faith estimates of mortgage loan costs ("early disclosures") within three business days after receiving a consumer's application for a mortgage loan and before any fees are collected from the consumer, other than a reasonable fee for obtaining the consumer's credit history. In addition, the rule implements the MDIA's requirements that creditors wait seven business days after they provide the early disclosures before closing the loan and that they provide new disclosures with a revised annual percentage rate (APR) and wait an additional three business days before closing the loan, if a change occurs that makes the APR in the early disclosures inaccurate beyond a specified tolerance. The rule permits a consumer to expedite the closing to address a personal financial emergency, such as a foreclosure.

The final rule will be published in the *Federal Register* soon and will be codified in Regulation Z, 12 CFR part 226. Additional information about the rule is available on the FRB's Web site, www.federalreserve.gov, under News & Events. The press release can be accessed at <http://www.federalreserve.gov/newsevents/press/bcreg/20090508a.htm>. Be aware that FCA is not responsible for the FRB's Web site.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of the General Counsel, at (703) 883-4020, or by e-mail at cohnj@fca.gov; and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at stephensd@fca.gov.