



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS
75265-5906

July 24, 1997

Notice 97-64

TO: The Chief Executive Officer or Branch Manager
of each financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**Public Forum Concerning the Streamlining
and Reform of the Truth in Lending Act and the
Real Estate Settlement Procedures Act**

DETAILS

The Board of Governors of the Federal Reserve System and the Department of Housing and Urban Development will hold a public forum to give interested parties an opportunity to present their views concerning the streamlining and reform of the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).

The public forum will be held on Wednesday, July 30, from 8:15 a.m. until 4:30 p.m. in Dining Room E on the Terrace level of the Federal Reserve Board's Martin Building, located on C Street Northwest between 20th and 21st Streets. Interested parties unable to attend the forum or wishing to provide written views on the issues raised in the attached notice must submit comments by August 15, 1997. Please address comments to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. All comments should refer to Docket No. R-0979.

ATTACHMENT

A copy of the Board's notice as it appears on pages 38489-91, Vol. 62, No. 138, of the *Federal Register* dated July 18, 1997, is attached.

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

MORE INFORMATION

For more information, please contact Eugene Coy at (214) 922-6201. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.

FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Regulation Z; Docket No. R-0979]

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

24 CFR Part 3500

[Regulation X; Docket No. FR-4257-N-01]

**Truth in Lending Act and Real Estate
Settlement Procedures Act;
Simplification and Improvement of
Consumer Disclosures**

AGENCIES: Office of the Assistant
Secretary for Housing-Federal Housing
Commissioner (HUD); Board of

Governors of the Federal Reserve System (the Board) (collectively, the Agencies).

ACTION: Advance notice of proposed rulemaking; public forum.

SUMMARY: The Board and HUD will hold a public forum concerning the streamlining and reform of the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). The Economic Growth and Regulatory Paperwork Reduction Act of 1996 directs the Agencies to submit legislative recommendations to the Congress on how to simplify and improve consumer disclosures under RESPA and TILA if the disclosures cannot be simplified through regulatory change. The Agencies have concluded that meaningful simplification of the disclosures can only come about through statutory revisions. In addition, some have suggested that more effective protection of consumers from adverse steering and unnecessary costs, as well as greater certainty about permitted and prohibited behavior, might be achieved through reform of other provisions of RESPA. The public forum is intended to give interested parties an opportunity to discuss their views on statutory reform with the Agencies.

DATES: *Public Forum.* Wednesday, July 30, 1997, 8:15 a.m. to 4:30 p.m.

Comments: Persons unable to attend the forum or wishing to provide written views on the issues raised in this notice may submit comments by August 15, 1997.

ADDRESSES: *Public Forum.* Terrace Level, Room E of the Federal Reserve Board's Martin Building, C Street Northwest, between 20th and 21st Streets, Washington, DC

Comments: Comments may be submitted to either agency.

Board: Comments submitted to the Board should refer to Docket No. R-0979, and may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551. Comments also may be delivered to Room B-2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles building courtyard on 20th Street, NW (between Constitution Avenue and C Street) at any time. When possible, comment letters should use a standard courier typeface with a type size of 10 or 12 characters per inch. This will enable the Board to convert the text into machine-readable form through electronic scanning, and will facilitate automated retrieval of comments for review. Also,

if accompanied by an original document in paper form, comments may be submitted on 3½ inch or 5¼ inch computer diskettes in any IBM-compatible DOS-based format.

Comments may be inspected in Room MP-500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in 12 CFR 261.8 of the Board's Rules Regarding Availability of Information.

HUD: Comments to HUD should be addressed to the Rules Docket Clerk, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-0500. Communications should refer to the above docket number and title. Facsimile (FAX) comments are not acceptable. Comments received will be available for public inspection and copying between 7:30 a.m. and 5:30 p.m. weekdays at the above address.

FOR FURTHER INFORMATION CONTACT:

Board: Sheilah A. Goodman or Kyung Cho-Miller, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667 or (202) 452-2412; for the hearing impaired *only*, Diane Jenkins, Telecommunications Device for the Deaf (TDD), at (202) 452-3544.

HUD: David R. Williamson, Director, Officer of Consumer and Regulatory Affairs, Room 9146, (202) 708-4560; or for legal questions, Kenneth A. Markison, Assistant General Counsel for GSE/RESPA, Grant E. Mitchell, Senior Attorney for RESPA, or Rodrigo J. Alba, Attorney, Office of General Counsel, Room 9262, (202) 708-1550. For hearing- and speech-impaired persons, these numbers may be accessed via TTY (text telephone) by calling the Federal Information Relay Service at 1-800-877-8339. The address for the above-listed persons is: Department of Housing and Urban Development, 451 Seventh Street, SW Washington, D.C. 20410. The telephone numbers for the Agencies are not toll-free.

SUPPLEMENTARY INFORMATION:

I. Background

On September 30, 1996, the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (Pub. L. 104-208, 110 Stat. 3009) became law. Section 2101 of that act directs the Board and HUD to simplify and improve the disclosures given in a home mortgage transaction subject to TILA and RESPA, and to create a single disclosure that will satisfy the requirements of both statutes, if possible. If legislation is

necessary to accomplish this objective, the Agencies are directed to submit legislative recommendations to the Congress.

TILA is a comprehensive statute that covers all types of consumer credit transactions. The act's goal is to help consumers understand credit terms and shop for credit by requiring creditors to provide uniform credit disclosures. TILA is primarily a disclosure statute, though it contains some substantive provisions. TILA disclosures focus primarily on the costs imposed by a creditor and the terms of a credit obligation. The law requires the disclosure of two terms thought to be key in aiding consumers in comparison shopping for credit—the finance charge and the annual percentage rate (APR). The finance charge is intended to reflect the dollar amount of the cost of credit; the APR is the cost of the credit expressed as a yearly rate. TILA also requires, among other things, the disclosure of a payment schedule, whether a creditor will impose a penalty if a loan is prepaid, whether a loan may be assumed, and the fee for a late payment. Finally, TILA provides substantive protections for certain home-secured loans such as prohibitions on certain contract terms, and the right to cancel the transaction.

RESPA was enacted in large measure to ensure that the home-buying public is afforded timely and effective information about the costs of settlement in mortgage transactions, and to eliminate kickbacks and referral fees that tend to increase unnecessarily the cost of settlement services. To achieve these goals, RESPA mandates disclosures at various points in the home financing process for transactions involving "federally related mortgage loans," which include most financial transactions creating a lien on owner-occupied residential structures. RESPA disclosures focus on the fees for services required in home mortgage transactions and require an itemization of all costs associated with settlement. RESPA also imposes certain restrictions on payments among settlement service providers (such as lenders, appraisers, and title companies). Section 8(a) of RESPA prohibits compensation for the referral of settlement service business; section 8(b) prohibits unearned fees and fee splitting arrangements. Section 8(c)(2) of RESPA, however, provides that payment may be made for " * * * goods or facilities actually furnished or for services actually performed * * *."

In December 1996, the Board and HUD jointly published for comment an advance notice of proposed rulemaking on the issue of simplifying and

combining the disclosure requirements of RESPA and TILA (61 FR 69055, Dec. 31, 1996). The notice requested comment on both regulatory and statutory changes to improve the current disclosure scheme. The comments that were received covered a wide range of issues. Nearly all of the recommendations for reconciling the two regulations require legislative action (e.g. changes to the timing of disclosures under the two statutes). The remainder of the recommendations generally involved small changes that could produce only minor improvements that likely would not be worth the corresponding compliance costs for creditors associated with reprinting forms or retraining personnel. HUD is separately considering whether to propose minor simplification amendments to various RESPA-required forms. HUD will also weigh the merits of proposing such changes in light of the associated costs.

On April 2, 1997, the Board published a second notice summarizing the comments and reopening the comment period to allow interested parties more time to comment on potential legislative action. (62 FR 15624) The Board determined, in consultation with HUD, that beyond the revisions that have been made over the past several years, without legislative action any additional regulatory changes would be inadequate to achieve the goal of harmonizing TILA and RESPA to any significant degree. The notice stated that the Agencies would consider holding public meetings, as was suggested by many of the commenters, to help in developing legislative recommendations.

II. Public Forum

Although TILA and RESPA both regulate mortgage transactions, they differ in fundamental ways. In crafting legislative recommendations, the Board and HUD believe that it is important to examine the goals of RESPA and TILA, and what problems this dual—but not identical—statutory scheme presents. Therefore, the Board and HUD will hold a joint public forum on July 30, 1997, to help the Agencies in their consideration of issues to be addressed in the legislative recommendations. The forum will be held at the Board's offices in Washington, D.C. The Agencies have invited speakers representing industry and consumer interests to participate in the discussion, which will be followed by an open session for other members of the public to express their views.

At the forum, the Board's staff will present preliminary findings of a survey on consumer credit shopping that was commissioned by the Board. Each

invited speaker will be given an opportunity to make a brief introductory statement. The invitees will be asked to discuss a number of topics, including (1) consumer credit shopping behavior, (2) the goals of TILA and RESPA, and whether the current statutory and regulatory scheme for home mortgage lending satisfies those goals, and (3) whether significant improvement can be made to the existing provisions of TILA and RESPA, or whether there is a need for more comprehensive reform.

There will be an opportunity during the open session for other attendees to offer the Agencies their views on these issues. Oral statements in this open session should be brief to allow as many speakers as possible to offer their views. Written statements of any length may be submitted for the record, and are due by August 15, 1997.

Dated: July 14, 1997.

Nicolas P. Retsinas,

Assistant Secretary for Housing-Federal Housing Commissioner.

By order of the Board of Governors of the Federal Reserve System, July 14, 1997.

William W. Wiles,

Secretary of the Board.

[FR Doc. 97-18940 Filed 7-17-97; 8:45 am]

BILLING CODE 6210-01-P (1/2)

BILLING CODE 4210-27-P (1/2)