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

SUBJECT

Final Rule Amending the Staff Commentary to Regulation Z (Truth in Lending)

DETAILS

The Board of Governors has published a final rule amending the staff commentary that interprets the requirements of Regulation Z (Truth in Lending). The Board is required to annually adjust the dollar amount that triggers requirements for certain home mortgage loans bearing fees above a certain amount. The Home Ownership and Equity Protection Act of 1994 (HOEPA) sets forth rules for home-secured loans in which the total points and fees payable by the consumer at or before loan consummation exceed the greater of $400 or 8 percent of the total loan amount.

In keeping with the statute, the Board has annually adjusted the $400 amount based on the annual percentage change reflected in the Consumer Price Index that is in effect on June 1. Effective January 1, 2006, the amount will be adjusted to $528.

ATTACHMENT

A copy of the Board’s notice as it appears on pages 46066–67, Vol. 70, No. 152 of the Federal Register dated August 9, 2005, is attached.

MORE INFORMATION

For more information, please contact Diane van Gelder, Banking Supervision Department, (214) 922-6282. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at www.dallasfed.org/banking/notices/index.html.
SUMMARY: The Board is publishing a final rule amending the staff commentary that interprets the requirements of Regulation Z (Truth in Lending). The Board is required to adjust annually the dollar amount that triggers requirements for certain home mortgage loans bearing fees above a certain amount. The Home Ownership and Equity Protection Act of 1994 (HOEPA) sets forth rules for home-secured loans in which the total points and fees payable by the consumer at or before loan consummation exceed the greater of $400 or 8 percent of the total loan amount. In keeping with the statute, the Board has annually adjusted the $400 amount based on the annual percentage change reflected in the Consumer Price Index that is in effect on June 1. The adjusted dollar amount for 2006 is $528.
The Bureau of Labor Statistics on May 4, 2005, was the CPI–U index “in effect” on June 1, and reflects the percentage increase from April 2004 to April 2005. The adjustment to the $400 figure below reflects a 3.51 percent increase in the CPI–U index for this period and is rounded to whole dollars for ease of compliance.

II. Adjustment and Commentary Revision

Effective January 1, 2006, for purposes of determining whether a home mortgage transaction is covered by 12 CFR 226.32 (based on the total points and fees payable by the consumer at or before loan consummation), a loan is covered if the points and fees exceed the greater of $528 or 8 percent of the total loan amount. Comment 32(a)(1)(ii)–2, which lists the adjustments for each year, is amended to reflect the dollar adjustment for 2006. Because the timing and method of the adjustment is set by statute, the Board finds that notice and public comment on the change are unnecessary.

III. Regulatory Flexibility Analysis

The Board certifies that this amendment will not have a substantial effect on regulated entities because the only change is to raise the threshold for transactions requiring HOEPA disclosures.

List of Subjects

12 CFR Part 226

Advertising, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Truth in lending.

For the reasons set forth in the preamble, the Board amends Regulation Z, 12 CFR PART 226, as set forth below:

Part 226—TRUTH IN LENDING

REGULATION Z

1. The authority citation for part 226 continues to read as follows:


2. In Supplement I to Part 226, under Section 226.32—Requirements for Certain Closed–End Home Mortgages, under Paragraph 32(a)(1)(ii), paragraph 2, xi. is added.

SUPPLEMENT I TO PART 226—OFFICIAL STAFF INTERPRETATIONS

SUBPART E—SPECIAL RULES FOR CERTAIN HOME MORTGAGE TRANSACTIONS

Section 226.32—Requirements for Certain Closed–End Home Mortgages

32(a) Coverage

Paraph 32(a)(1)(ii)

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