

Advocacy Requests Postponement of the Board of Governors for the Federal Reserve's Proposed Rule on Regulation Z: Truth in Lending Pertaining to Mortgage Disclosures and Other Issues

On December 23, 2010, the U.S. Small Business Administration's Office of Advocacy (Advocacy) submitted comments on the Board of Governors for the Federal Reserve's (Board) proposed regulation on *Regulation Z; Docket No R-1390 Truth in Lending*. A copy of Advocacy's comments can be found at:

<http://www.sba.gov/advocacy/816>.

- The purpose of the proposed rule is to revise the rules for the consumer's right to rescind certain open-end and closed-end loans secured by the consumer's principal dwelling. The proposed regulations would revise and enhance disclosure requirements of Regulation Z for transactions secured by a consumer's principal dwelling and the consumer's right to rescind open- and closed-end loans. The proposal would also revise the rules for determining whether a closed-end mortgage is a higher-priced mortgage loan subject to special consumer protections, to ensure that prime loans are not incorrectly classified as higher-priced loans and mandate reverse mortgage counseling and prohibit reverse mortgage cross-selling.
- In the Regulatory Flexibility Act (RFA) section of the proposal, the Board acknowledged that the proposed rule would have a significant economic impact on a substantial number of small entities and prepared an IRFA. However, the Board stated that the economic impact of the proposal was unknown.
- Advocacy expressed concern about this proposal going forward when so little is known about its potential costs, at a time when other major changes for the industry are on the horizon. The burdensome changes may lead to small entities leaving the mortgage industry which could have a negative impact on the availability of mortgages, competition and the consumer.
- Advocacy encouraged the Board to postpone the rulemaking until the upcoming changes to the Real Estate Settlement Procedures Act (RESPA)-Truth in Lending (TILA) rulemaking are completed. Advocacy asserted that over the past few years, the mortgage industry has been inundated with changes to TILA, RESPA, and other mortgage-related laws. Dodd-Frank requires the new Consumer Financial Protection Bureau to review RESPA-TILA. Postponing this rulemaking until after the upcoming RESPA-TILA proposals would allow an opportunity to fully analyze the impact of this proposal in light of the changes to the industry.

For more information, visit Advocacy's webpage at www.sba.gov/advo or contact Jennifer Smith at 202-205-6943.