

Press Release

FEDERAL RESERVE press release



Release Date: October 20, 2008

For immediate release

The Federal Reserve Board on Monday approved final amendments to Regulation C that revise the rules for reporting price information on higher-priced mortgage loans. The changes are intended to improve the accuracy and usefulness of data reported under the Home Mortgage Disclosure Act.

Regulation C currently requires lenders to collect and report the spread between the annual percentage rate (APR) on a mortgage loan and the yield on a Treasury security of comparable maturity if the spread is greater than 3.0 percentage points for a first lien loan or greater than 5.0 percentage points for a subordinate lien loan. This difference is known as a rate spread. Under the final rule, a lender will report the spread between the loan's APR and a survey-based estimate of APRs currently offered on prime mortgages of a comparable type ("average prime offer rate") if the spread is equal to or greater than 1.5 percentage points for a first lien loan or equal to or greater than 3.5 percentage points for a subordinate-lien loan. The Board will publish average prime offer rates based on the Primary Mortgage Market Survey® currently published by Freddie Mac. The Board will conduct its own survey if it becomes appropriate or necessary to do so.

In setting the rate spread reporting threshold, the Board sought to cover subprime mortgages and generally avoid covering prime mortgages. Applying the new, market survey-based benchmarks in place of Treasury security yields should better achieve this purpose and ensure more consistent and more useful data.

The changes to Regulation C conform the threshold for rate spread reporting to the definition of higher-priced mortgage loans adopted by the Board under Regulation Z (Truth in Lending) in July of 2008. By implementing the same pricing threshold test under both regulations, the Board is reducing the overall regulatory burden on mortgage lenders.

The final rule is effective October 1, 2009. The Board's *Federal Register* notice is attached.

[Attachment \(86 KB PDF\)](#)