

Press Release

FEDERAL RESERVE press release



Release Date: August 16, 2010

For immediate release

The Federal Reserve Board on Monday issued an interim rule that revises the disclosure requirements for closed-end mortgage loans under Regulation Z (Truth in Lending). The interim rule implements provisions of the Mortgage Disclosure Improvement Act (MDIA) that require lenders to disclose how borrowers' regular mortgage payments can change over time.

The MDIA, which amended the Truth in Lending Act, seeks to ensure that mortgage borrowers are alerted to the risks of payment increases before they take out mortgage loans with variable rates or payments. Accordingly, under the interim rule, lenders' cost disclosures must include a payment summary in the form of a table, stating the following:

- The initial interest rate together with the corresponding monthly payment;
- For adjustable-rate or step-rate loans, the maximum interest rate and payment that can occur during the first five years and a "worst case" example showing the maximum rate and payment possible over the life of the loan; and
- The fact that consumers might not be able to avoid increased payments by refinancing their loans.

The interim rule also requires lenders to disclose certain features, such as balloon payments, or options to make only minimum payments that will cause loan amounts to increase. All of the disclosures required in the interim rule were developed through several rounds of qualitative consumer testing, including one-on-one interviews with consumers around the country.

Lenders must comply with the interim rule for applications they receive on or after January 30, 2011, as specified in the MDIA. Lenders have the option, however, of providing disclosures that comply with the interim rule before that date. The Board is also soliciting comment on the interim rule for 60 days after publication in the *Federal Register* before considering the adoption of a permanent rule. The Board's notice is attached.

[Attachment \(458 KB PDF\)](#)