



FEDERAL RESERVE BANK *of* KANSAS CITY

June 3, 2009

**AMENDMENTS TO REGULATION Z TO IMPOSE REQUIREMENTS OF THE  
MORTGAGE DISCLOSURE IMPROVEMENT ACT**

**Attention:** Chief Executive Officer of Each Tenth District State Member Bank

**Subject:** New Final Rules that Revise the Disclosure Requirements for Mortgage Loans

**In Brief:** On May 8, 2009, the Federal Reserve Board (Board) announced final rules that amend Regulation Z to implement requirements imposed by the Mortgage Disclosure Improvement Act (MDIA) enacted in July 2008. The MDIA seeks to ensure that consumers receive cost disclosures earlier in the mortgage process. In several respects, the MDIA is substantially similar to final Regulation Z rules issued by the Board in July 2008. However, the MDIA also broadens and adds to those regulatory requirements.

**Highlights:** The Board's July 2008 final Regulation Z rules require that a creditor make good faith estimates (early disclosures) of specific credit-related information, such as the annual percentage rate and monthly payments, within three business days after a consumer has submitted an application for any loan secured by the consumer's principal dwelling. The final rule also requires these early disclosures to be given before the consumer pays any fee other than a bona fide and reasonable fee for obtaining the consumer's credit history. The new rules include these same provisions but also require the early disclosures to be provided to applicants for loans to be secured by a dwelling, even when it is not the consumer's principal dwelling (for example, second homes). The effective date has also been amended from October 1, 2009 to July 30, 2009.

Additional requirements not contained in the July 2008 rules have also been added to Regulation Z. For loans secured by a consumer's dwelling, creditors must mail or deliver the early disclosures at least seven business days before loan consummation. If the annual percentage rate contained in the early disclosures becomes inaccurate, creditors must "redisclose" and provide corrected disclosures that the consumer must receive at least three business days before loan consummation. To expedite consummation of a mortgage transaction, a consumer may modify or waive the timing requirements for the early disclosures when the consumer determines that the credit extension is needed to meet a bona fide personal emergency. However, the consumer must receive the early disclosures at or before the time of the waiver request.

All early disclosures also must inform consumers that they are not obligated to complete the transaction simply because disclosures were provided or because the consumer has applied for a loan. The new rules impose certain requirements for early disclosure in closed-end mortgage transactions that are secured by a consumer's interest in a timeshare plan.



**Effective  
Dates:**

The Board's implementing regulations apply to dwelling-secured consumer loans for which a creditor receives an application on or after **July 30, 2009**.

**Further  
Information:**

Questions regarding the final rule or requests for copies may be directed to the Consumer Affairs Department at one of the numbers below:

Kansas City Office  
(800) 333-1010, ext. 12488

Denver Office  
(800) 333-1020, ext. 22605

**Internet:**

A copy of the final rule is available on the Board's web site at:  
<http://www.federalreserve.gov/newsevents/press/bcreg/20090508a.htm>