

## MEMORANDUM

To: Our Valued Customers

From: Sheshunoff Information Services

Subject: *Model Compliance Manual: Policies, Forms, and Examination Procedures*

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Enclosed you will find your 2011 update to *Model Compliance Manual: Policies, Forms, and Examination Procedures*. This update brings your manual up to date by incorporating significant developments that have occurred recently and enhances the manual by including new materials.

Changes made in this update reflect the following:

- **Dodd-Frank Wall Street Reform and Consumer Protection Act.** On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which contains numerous provisions affecting mortgage lending. For your reference, this update includes a special report describing these Dodd-Frank changes.
- **Regulation Z Final Rule Imposing Restrictions on Loan Originator Compensation and Steering.** On August 16, 2010, the Federal Reserve Board announced final rules amending Regulation Z, effective for loan applications received by a creditor on or after April 1, 2011, to prohibit:
  - Payments to loan originators based on the terms or conditions of the transaction other than the amount of credit extended (i.e., a prohibition on yield spread premiums and similar compensation).
  - Any person other than the consumer paying compensation to a loan originator in a transaction for which the consumer pays the loan originator directly.
  - Loan originators steering consumers to consummate a loan not in their interest based on the fact that the loan originator will receive greater compensation for the loan.

See Section 1.1 (Truth in Lending).

- **Regulation Z Final Rule Regarding Payment Schedule Disclosures for Loans Secured by Real Property or a Dwelling.** On August 16, 2010, the Federal Reserve Board adopted final rules to implement a special “Interest Rate and Payment Summary” for consumer credit transactions secured by real property or a dwelling, other than transactions secured by interests in timeshare plans. The rules implement a requirement imposed by the Mortgage Disclosure Improvement Act, which required the Board to adopt a new payment schedule requirement for variable-rate and variable-payment mortgage loans secured by a dwelling. See Section 1.1 (Truth in Lending).
- **Regulation Z Final Rule Regarding Notices of Transfer or Assignment.** On August 16, 2010, the Federal Reserve Board approved final rules amending the interim rule it had adopted in November 2009 to implement TILA § 131(g), as added by the Helping Families Save Their Homes Act, which requires an owner or assignee who acquires a mortgage loan to provide a disclosure not more than 30 days after the date on which the loan is sold or otherwise transferred or assigned. See Section 1.1 (Truth in Lending).

- **Appraisal Rules and Guidelines.** In October, the Federal Reserve Board issued appraiser independence regulations, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. These regulations, as required by Dodd-Frank, terminate the Home Valuation Code of Conduct. Also, in December 2011, the federal agencies issued Interagency Appraisal and Evaluation Guidelines. See Section 1.7 (Appraisals).
- **Federal Agency Rules Governing Registered Loan Originators.** In July 2010, the federal banking agencies adopted rules governing the registration of registered loan originators employed by depository institutions and their affiliates, along with a requirement that each institution develop policies and procedures by October 1, 2010. In January 2011, the federal banking agencies announced that the initial period for federal registration was expected to begin on or around January 29 and on or around July 29, 2011. See Chapter 1.8 (Nationwide Mortgage Licensing System).
- **Federal Banking Guidance on Reverse Mortgages.** In August 2010, the Federal banking agencies issued “Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks.” See Section 6.6 (Safety and Soundness).
- **HOEPA Threshold Adjustment.** In August 2010, the Federal Reserve Board made its annual adjustment to Regulation Z’s total points and fees threshold for Section 32 loans, effective January 1, 2011. The Section 32 requirements apply only if the APR is more than 10 percent (8 percent for first mortgage loans) above the current Treasury yield on securities having the same period to maturity or if the total points and fees payable by the consumer at or before closing exceed the greater of \$592 (formerly \$579) or 8 percent of the loan amount. See Sections 1.1 (Truth in Lending).
- **New Special Information Booklet.** In August 2010, HUD released an updated Special Information Booklet. Any version dated December 2010 or later is acceptable for distribution, but when reprinting, the latest version should be used. See Section 1.3, Exhibit 1.3A (Real Estate Settlement Procedures Act).
- **HMDA Threshold Adjustment.** In December 2009, the Federal Reserve Board left unchanged the minimum asset threshold for coverage by the Home Mortgage Disclosure Act at \$39 million for depository institutions. See Section 1.2 (Home Mortgage Disclosure Act).
- **CRA Threshold Adjustment.** In December 2010, the federal banking agencies lowered the asset-size threshold used to define small banks (less than \$ 1.122 billion) and intermediate small banks (between \$280 million and \$1.122 billion). See Section 3.4 (Community Reinvestment Act).
- **COPPA Procedures.** In August 2009, the Office of the Comptroller of the Currency (OCC) revised its *Comptroller’s Manual* to include Children’s Online Privacy Protection Act (COPPA) procedures that previously had appeared only in banking bulletins. See Sections 4.1 (Advertising) and 5.2 (Privacy).
- **Servicemembers Civil Relief Act.** In January 2011, Public Law 111-346 extended the foreclosure protection contained in the Servicemembers Civil Relief Act. See Section 6.5 (Servicemembers Civil Relief Act).
- **Protecting Tenants at Foreclosure Act.** The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 extended the provisions of the Protecting Tenants at Foreclosure Act. See Section 6.8 (Tenants at Foreclosure).

#### ***Other Information of Interest***

- **Proposed Changes to Regulation Z Affecting Home-Secured Lending.** On August 16, 2010, the Federal Reserve Board announced its approval of an additional proposal to implement its ongoing comprehensive review of the home-secured lending provisions of Regulation Z, following its initial

July 2009 proposals on the subject (one relating to closed-end home mortgage loans and the other regarding home-equity lines of credit (HELOCs)). The August 2010 proposal would add or revise a variety of rules, including rules that apply to rescission, modification of existing closed-end loans, the method for determining whether a loan is a “higher-priced mortgage loan” (HPML), the fee restriction for early disclosures, reverse mortgage disclosures, restrictions on certain acts or practices in connection with reverse mortgages, and advertising practices for reverse mortgages and HELOCs.

## **FILING INSTRUCTIONS**

The materials enclosed are complete replacement pages for your manual. You can remove all existing pages and tabs, and file the new manual pages in your *Model Compliance Manual: Policies, Forms, and Examination Procedures* loose-leaf binder.