

## **Advocacy Requests Better Analysis of Small Business Impact of Federal Reserve Proposed Rule on Regulation Z: Truth in Lending**

On April 8, 2008, the U.S. Small Business Administration's Office of Advocacy (Advocacy) filed comments with the Federal Reserve on proposed regulations on *Regulation Z: Truth in Lending*. A copy of Advocacy's comments can be found at: [www.sba.gov/advo/laws/comments](http://www.sba.gov/advo/laws/comments).

- The proposed rule implements the Truth in Lending Act and the Home Ownership and Equity Protection Act. The goal of the proposal is to protect consumers in the mortgage market from unfair, abusive, or deceptive lending and servicing practices while preserving responsible lending and sustainable homeownership. The proposed rule also seeks to ensure that advertisements for mortgage loans provide accurate and balanced information and do not contain misleading or deceptive representations and to provide consumers transaction-specific disclosures early enough to use while shopping for a mortgage.
- Advocacy commented that the agency may not have fully considered the economic impact on small businesses as required by the Regulatory Flexibility Act (RFA). The initial regulatory flexibility analysis (IRFA) submitted by the agency did not fully identify the types of small businesses that would be affected by the proposal and failed to provide information about the nature of the impact as required by the RFA.
- The agency also failed to analyze viable alternatives as required by the RFA.
- Recently, the Department of Housing and Urban Development (HUD) published its proposed rules pertaining to the Real Estate Settlement Procedures Act. HUD's proposal will also impact the way that mortgage brokers and lenders conduct business with the public. Advocacy encouraged the Federal Reserve to work with HUD to ensure that the agencies' new rules do not duplicate, overlap, or conflict with each other, or with rules and guidances from other agencies.
- Advocacy encouraged the agency to prepare and publish for public comment a revised IRFA to determine the full economic impact on small entities and consider significant alternatives to meet its objective while minimizing the impact on small entities before going forward with the final rule.

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