

REGULATORY ALERT

**NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314**

DATE: December 2008

NO: 08-RA-10

TO: All Federally-Insured Credit Unions

**SUBJ: Amendments to Regulation C and Home Mortgage
Disclosure Act (HMDA) Reporting**

Dear Board of Directors:

The Federal Reserve Board (FRB) published on October 24, 2008 a final rule amending Regulation C (Home Mortgage Disclosure) for reporting price information on higher-priced loans. The rule revises Regulation C to conform to the definition of "higher-priced mortgage loan" adopted by the FRB under Regulation Z (Truth in Lending) in July of 2008 (see NCUA Regulatory Alert #08-CU-06). By applying the same definition of higher-priced mortgage loan under Regulation Z to Regulation C, the FRB believes it will:

- better achieve the objective of setting the rate spread reporting threshold to cover subprime mortgages and generally avoid covering prime mortgages;
- ensure more consistent and useful HMDA data; and
- reduce compliance and regulatory burdens on mortgage lenders.

Since 2004, Regulation C has required lenders to collect and report the spread between the annual percentage rate (APR) on a loan and the yield on Treasury securities of comparable maturity if the spread is equal to or greater than 3.0 percentage points for a first-lien loan or 5.0 percentage points for a subordinate-lien loan. 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 mortgage loans of a comparable type if the spread is equal to or greater than 1.5 percentage points for a first-lien loan or 3.5 percentage points for a subordinate-lien loan.

The FRB will publish average prime offer rates based upon the Primary Mortgage Market Survey® currently published by Freddie Mac. The FRB will conduct its own survey if it becomes appropriate or necessary to do so.

The final rule is effective October 1, 2009. Compliance is mandatory for loan applications taken on and after that date and for loans that close on and after January 1, 2010 (regardless of their application dates).

The FRB's press release regarding the final rule is available from the Federal Reserve at: <http://www.federalreserve.gov/newsevents/press/bcreg/20081020b.htm>. The final rule published in the Federal Register is available at: <http://edocket.access.gpo.gov/2008/pdf/E8-25320.pdf>.

If you have questions regarding this final rule amending Regulation C, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

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Michael E. Fryzel
Chairman