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Office of Thrift Supervision
Department of the Treasury
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MEMORANDUM FOR: **CHIEF EXECUTIVE OFFICERS**

FROM: Montrice G. Yakimov, Managing Director
Compliance and Consumer Protection

Montrice Godard Yakimov

SUBJECT: Revised TILA Examination Procedures

The Truth in Lending Act (TILA) requires creditors to provide consumers with information about the cost of credit that they can use to make choices in the marketplace. As a result of two recent amendments to the TILA, OTS has updated its examination procedures to address changes in mortgage disclosure requirements.

First, while the TILA had long required creditors to disclose the cost of credit within three days of application for a loan for the purchase or initial construction of a consumer's principal dwelling, the Mortgage Disclosure Improvement Act of 2008 (MDIA) expanded this requirement to include refinance transactions, home equity loans and loans secured with dwellings other than a consumer's principal residence. In addition, the MDIA amended TILA to require that:

- Creditors must wait seven business days after they provide early disclosures before closing a loan; and
- If a change occurs that makes the annual percentage rate (APR) provided in early disclosures inaccurate beyond a specified tolerance, creditors must provide new disclosures with a revised APR and wait an additional three days before closing a loan.

Second, the TILA was amended in May 2009 to require that within 30 days after the date on which a mortgage loan is sold or otherwise transferred or assigned to a third party, the new creditor must notify the borrower in writing of such sale or transfer and include information on how to contact the new creditor. All of these requirements are now in effect.

Under the updated procedures, examiners will consider whether:

- Consumers are provided with TILA disclosures within three business days of application for a refinance loan, a home equity loan, or a loan secured by a dwelling other than the consumer's principal residence, in addition to a purchase money loan.

- Consumers are provided with TILA disclosures at least seven business days before consummation of a covered loan.
- Consumers are provided with any corrected disclosures at least three business days before consummation of the loan.
- Within 30 days after a mortgage loan is sold, transferred or assigned to a third party, the new creditor notifies the borrower in writing of such sale or transfer and includes information on how to contact the new creditor.

These procedures were developed on an interagency basis. They reflect a risk-focused approach to comprehensive examinations. The revised Examination Handbook Section 1305 is available through the link provided below.

For more information, please contact Rhonda L. Daniels, Sr. Compliance Program Analyst, at (202) 906-7158 or Rhonda.daniels@ots.treas.gov.

Link: Examination Handbook Section 1305

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