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Mon, November 11
Online for 75 minut

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Lenders Bracing as OCC Signs Off on HOEPA Reg Changes

NEW YORK, Feb. 14 (LendingIntelligence.com) — Mortgage lenders across the country are already adapting to a final rule amending Regulation Z of the Home Ownership and Equity Protection Act (HOEPA), though it is not required until October 1, 2002.

Though adopted by the [Federal Reserve Board](#) on December 20, 2001, mandatory compliance of the rule change — addressing abuses in the home equity lending market and requiring additional disclosures regarding mortgages with high rates and fees — does not go into effect until Oct. 1.

"For those making these kinds of high-cost loans, the rule changes represent a serious training issue," said Charlotte Bahin, director of regulatory affairs, [America's Community Bankers](#). "They're looking closely at the provisions in the rule to make sure their processes and training comply, while making sure their employees know what the changes mean."

Among other things, the final rule lowers the APR trigger from 10 percentage points to 8 percentage points above the rate for Treasury securities having a comparable maturity for first-lien loans.

"Lowering the trigger means there are some who will be affected, who previously weren't," said Bahin. "So, even though mandatory compliance is less than 10 months away, some are taking a closer look now and preparing."

In fact, Barbara Mishkin, co-chair of the American Bar Association's Truth in Lending Committee, said the rules may deter some lenders from making high-cost loans.

"These are loans that typically institutional lenders don't make,

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rather mostly finance company type lenders in the subprime market," said Mishkin. "As a matter of policy, many didn't want to be associated with these types of loans, sometimes called Section 32 loans (as in Section 32 of Regulation Z). Lowering the triggers will probably mean some will stop making loans they previously would have made, but only time will tell."

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The [Office of the Comptroller of the Currency \(OCC\)](#), which charters, regulates, and supervises national banks, issued its official notification this morning.

"What we did was notify our banks about the changes," said a spokesman for the OCC. "One size doesn't fit all, so what we had to do, since the rule was passed by the Fed, was to go through our own regulations and make sure they were in accordance with the new changes."

Meanwhile, Bahin said the implementation of the rule changes will be closely watched.

"This is the first in a series of expected rule changes that will be aimed at doing something about predatory lending," said Bahin. "It's going to be interesting if these changes help to mitigate the prevalence of predatory lending."

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