

# REGULATION Z

## **Truth in Lending**

Federal Reserve regulation after  
July 30, 2009

# REGULATION Z

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- Consumers with closed-end mortgages and home-equity lines of credit (HELOCs) must receive disclosures from the lender as to the true cost of obtaining credit.
- They must be given the terms of the loan and have potentially risky features such as adjustable rates, prepayment penalties, and negative amortization highlighted.

# NEW REG Z REQUIREMENTS

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- Requirements apply to all mortgages secured by a borrower's home, including primary and second homes as well as refinancings (investor loans are exempt).

# NEW REG Z REQUIREMENTS

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- Lenders must give good faith estimates of mortgage loan costs within 3 business days after the consumer applies.
- The lender may not collect any fees before the disclosure is provided, except a fee for obtaining a credit report.

# NEW REG Z REQUIREMENTS

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- The closing may not take place until expiration of a 7 day waiting period after the consumer receives the early disclosure.
- Consumers may shorten or waive the 3 and/or 7 day waiting period only for a “bona fide personal emergency”. Lenders are not insulated from liability even when a consumer modifies or waives the waiting periods.

# NEW REG Z REQUIREMENTS

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- If the Annual Percentage Rate (APR) changes by more than 0.125%, the lender must provide a corrected disclosure to the borrower and wait an additional 3 business days before closing the loan.
- The APR includes not only the interest rate, but other costs related to settlement, so it is important that any fees be as accurate as possible, as early as possible.