BURR • FORMAN

DODD-FRANK NEWS

January 2014

The Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted as a measure to promote financial stability and protection for consumers through increased regulation of nearly every aspect of the consumer finance industry. In the two years since its enactment, the Dodd-Frank Act has led to significant industry reforms and the promulgation of numerous new laws and regulations. In an effort to stay apprised of these significant industry changes, Burr & Forman's Dodd-Frank Newsletter will serve as a periodic update of recent case law, news, and developments related to the Dodd-Frank Act.

- - RECENT CASES - -

Dodd-Frank Prohibition on Yield Spread Premiums

CitiMortgage, Inc. v. Coolbeth, --- A.3d ---, 2013 WL 6448883 (Conn. Ct. App. Dec. 17, 2013).

The Connecticut Court of Appeals recently found that the prohibition on yield spread premiums in the Dodd-Frank Act did not establish a per se violation for a fraud claim under the Connecticut Unfair Trade Practices Act ("CUTPA").

CitiMortgage filed a foreclosure action against the defendant mortgagors. The mortgagors filed special defenses and a counterclaim alleging that the mortgage broker falsely represented a higher interest rate, that CitiMortgage paid the mortgage broker a yield spread premium, and that neither CitiMortgage nor the mortgage broker disclosed the purpose of the yield spread premium. Based on these allegations, the mortgagors claimed that CitiMortgage violated the CUTPA. CitiMortgage filed a motion for summary judgment, which the lower court granted. The mortgagors appealed.

On appeal, the mortgagors argued that the mortgage broker acted as CitiMortgage's agent and, thus, a genuine issue of material fact existed as to CitiMortgage's liability for fraud and unconscionability. The court noted that a party can establish a CUTPA violation by showing "an actual deceptive practice" or "a practice amounting to a violation of public policy." However, the court found that CitiMortgage sufficiently demonstrated that the mortgage broker did not act as CitiMortgage's agent. Specifically, CitiMortgage presented evidence that it did not employ the mortgage broker and that the mortgagors independently sought the mortgage broker's services.

The court further determined that the mortgagor's affidavit was insufficient to establish that an agency relationship existed between CitiMortgage and the mortgage broker. The mortgagor's affidavit was based on conjecture and failed to identify how he obtained information in the affidavit. The court also noted that the mortgagors would be unable to testify that CitiMortgage paid the mortgage broker a yield spread premium for selling the mortgagors a higher interest rate. Additionally, the court found that the mortgagors failed to show that CitiMortgage's payment to the mortgage broker, which was referred to as a broker premium on the HUD-1, was a yield spread premium. Significantly, the court rejected the mortgagors' argument that the prohibition of yield spread premiums in the Dodd-Frank Act is per se evidence of fraud. *See* 15 U.S.C. § 1639b(c). The mortgagors asserted that the prohibition in the Dodd-Frank Act supported the proposition that yield spread premiums violated public policy and, therefore, violated the CUTPA. However, the court suggested that the provision in the Dodd-Frank Act did not apply retroactively and said that, in some cases, a yield spread premium can benefit borrowers by allowing them to pay settlement costs over the life of the loan through a higher interest rate rather than at closing. Accordingly, the court found that the mortgagors failed to create a genuine issue of material fact and affirmed the lower court's decision to grant summary judgment in favor of CitiMortgage.

Dodd-Frank Prohibition on Arbitration

Neal v. ASTA Funding, Inc., --- F. Supp. 2d ---, 2013 WL 6326481 (D.N.J. 2013).

Plaintiff David Shaun Neal filed suit against ASTA Funding, Inc. alleging that he was wrongfully terminated for whistleblowing. Neal alleged that ASTA violated the Dodd-Frank Act, the Sarbanes-Oxley Act, and state law. ASTA moved to dismiss Neal's complaint and to compel any remaining claims to arbitration based on the arbitration provision contained in the consulting agreement ASTA had with Neal's company, New World Solutions ("NWS"). Because ASTA was involved in a pending arbitration against NWS, ASTA argued that Neal's claims should be pursued in the pending arbitration.

At the outset, the court acknowledged the Federal Arbitration Act's ("FAA") strong presumption in favor of arbitration. The court also noted that it had the inherent power to control its docket and stay proceedings. Finding that the broad arbitration provision encompassed Neal's claims, the court held that the claims should be referred to the arbitrator. The court also rejected Neal's argument that he was not bound by the arbitration provision since he was not a party to the agreement. The court determined that, as NWS's principal and agent, he was bound by the agreement. Accordingly, the court referred Neal's claims to the arbitrator and stayed the proceedings.

Significantly, the court agreed with the vast majority of courts and found that the Dodd-Frank Act's prohibition on the arbitration of Sarbanes-Oxley claims does not apply retroactively. Because the consulting agreement was executed in 2009, the Dodd-Frank amendments to section 1514(c) of Sarbanes-Oxley would not bar the arbitration of Neal's claims.

Whistleblower Protection Under the Dodd-Frank Act

Banko v. Apple, Inc., No. 13-02977, 2013 WL 6623913 (N.D. Cal. Dec. 16, 2013).

Plaintiff Joshua Banko filed suit against his former employer, Apple, Inc., alleging violations of the Dodd-Frank Act, public policy, the Sarbanes-Oxley Act, and state law stemming from his wrongful discharge. Banko claimed that Apple terminated his employment after he internally reported that another employee embezzled funds by filing inaccurate expense reports. Apple moved to dismiss Banko's first amended complaint.

The court first addressed Banko's claim that Apple violated the Dodd-Frank Act and noted that the Dodd-Frank Act prohibits employers from terminating employees for making protected disclosures under the Sarbanes-Oxley Act. While Banko argued that his disclosure was protected, the court found that his Dodd-Frank claim was dismissed previously and Banko failed to amend his claim. Accordingly, the court confirmed the dismissal of Banko's Dodd-Frank claim.

Turning to Banko's claim that he was wrongfully terminated in violation of public policy, the court said that the underlying public policy must be "(1) supported by either constitutional or statutory provisions; (2) "public" in the sense that it "inures to the benefit of the public" rather than merely serving the interests of individuals; (3) well-established at the time of plaintiff's discharge; and (4) 'fundamental' and 'substantial.'" 2013 WL 6623913, at *3 (citing *Stevenson v. Super. Ct.*, 941 P.2d 1157, 1161 (Cal. 1997)). In support of his claim, Banko argued that the employee's embezzlement of company funds impacted Apple shareholders and created tax irregularities which, in turn, harmed the general public. Apple argued that because Banko was not a whistleblower under the Sarbanes-Oxley Act, his wrongful termination claim could not be supported by a violation of public policy set forth in Sarbanes-Oxley or the Dodd-Frank Act. Rejecting this argument, the court found that a plaintiff can prevail on a wrongful termination claim in violation of a statute's policy even if he cannot state a claim for relief under the statute. The court also acknowledged the California Labor Code and the Dodd-Frank Act's "strong public interest in encouraging employees to report illegal activity in the workplace." *Id.* at *4. While the court noted that there were few cases addressing wrongful termination claims based on the policies set forth in the Dodd-Frank Act, it found that Banko's claim could proceed to the extent it was based on the strong public policy set forth in the California Labor Code. Accordingly, the court denied Apple's motion to dismiss Banko's wrongful termination claim.

The court then addressed Banko's retaliation claim and noted that his claim that Apple violated the Dodd-Frank Act and the Sarbanes-Oxley Act could not proceed because his federal claims were previously dismissed. The court found that California Labor Code § 1102.5 protects whistleblowers who report wrongdoing to government authorities. However, the court determined that Banko failed to file a complaint with the Labor Commissioner before filing his claim in federal court and, thus, it lacked subject matter jurisdiction over his claim. Thus, the court dismissed his retaliation claim.

Dodd-Frank Amendments to RESPA

O'Connor v. Nantucket Bank, --- F. Supp. ---, 2014 WL 198347 (D. Mass. 2014).

Plaintiffs John O'Connor and Katherine O'Connor filed suit against their loan servicer and its foreclosure counsel alleging violations of the Fair Debt Collection Practices Act ("FDCPA") and the Real Estate Settlement Procedures Act ("RESPA"). Defendants moved to dismiss the O'Connors' complaint.

In support of their FDCPA claim, the O'Connors argued that the foreclosure counsel's letter demanding use and occupancy payments violated the FDCPA. The court found that at that the time the O'Connors received the letter demanding use and occupancy payments they were under no obligation to pay such amount. Because there was no existing obligation to pay, the amount demanded in the letter did not constitute a "debt" as defined by the FDCPA. Accordingly, the court held that the letter did not violate the FDCPA.

The O'Connors further argued that the eviction action filed against them violated the FDCPA. The court dismissed this argument as it pertained to the loan servicer because the loan servicer was not a "debt collector" under the FDCPA. However, the court noted that foreclosure counsel said that he was a debt collector in a letter sent to the O'Connors, which was filed in support of the motion to dismiss. While the court acknowledged that the law regarding whether filing an eviction action constitutes a violation of the FDCPA is unsettled, the court found that "[a] synthesis of the existing cases that address the question suggest that an eviction action can implicate the FDCPA, particularly where the eviction action includes some demand for payment tied to the property at issue." 2014 WL 198347, at *6. Because foreclosure counsel sought to collect a use and occupancy fee when filing the eviction action, the court held that the O'Connors sufficiently alleged an FDCPA violation.

Turning to the O'Connors' RESPA claim, the court noted that RESPA requires loan servicers to respond to qualified written requests ("QWRs"). If the borrower's inquiry constitutes a QWR, then the loan servicer must respond within twenty business days and provide a more complete response within sixty business days. The court noted, however, that the Dodd-Frank Act shortened the timeframe in which the loan servicer must respond and that the amendment took effect on January 21, 2013. Analyzing the QWR, the court found that the loan servicer acknowledged receipt and provided a response within the timeframe. The court also found that the loan servicer provided the O'Connors with their loan history, a contact person, copies of loan modification documents, copies of the note and mortgage, and an appraisal. Further, the court said that the loan servicer was not required to provide a key to interpret the loan history even though the O'Connors could not have interpreted their loan history. Significantly, the court acknowledged that the O'Connors included 140 inquiries in their QWR and the loan servicer offered to respond to specific requests should the O'Connors choose to narrow their inquiry. Because the QWR was overly broad, the court found that the loan servicer properly complied with the QWR and dismissed the O'Connors' RESPA claim.

Morton v. Bank of America, No. 1:12-cv-511, 2013 WL 6491089 (M.D. Fla. Dec. 10, 2013).

Plaintiff David Morton filed suit against Bank of America alleging violations of the Truth in Lending Act ("TILA"), RESPA, and state law. Bank of America filed a motion for summary judgment. The magistrate judge issued a report and recommendation finding that Morton's claims failed as a matter of law, and Morton objected.

At the outset, the court found that Morton failed to allege a claim under the TILA. Even if he had stated a claim for damages or for rescission, the court determined that both would be barred by the respective statute of limitations since Morton's obtained his loan in 2003. Accordingly, the court dismissed Morton's TILA claim.

Addressing Plaintiff's RESPA claim, the court noted that only loan servicers can be liable for failure to respond to a QWR. Because Bank of America was the mortgagee, and not the servicer, the court found that Bank of America could not be liable for a RESPA violation. The court went on to find that even if Bank of America were the servicer, it was not liable because it responded to Morton's QWR within the timeframe allowed under the statute at the time Morton filed his complaint. Specifically, Bank of America acknowledged Morton's request within twenty days and responded within sixty days. The court noted, however, that the Dodd-Frank Act amended RESPA to shorten the time to respond from sixty to thirty days. While the court did not definitively state the effective date of the amendment, it noted that it goes into effect in 2014 and, therefore, did not apply to Morton's claim. Finding that Bank of America properly responded to Morton's request within sixty days, the court granted summary judgment on Morton's RESPA claim.

Dodd-Frank Amendment to Statute of Limitation for ECOA Claims

Empire Bank v. Dumond, No. 13-CV-0388-CVE-PJC, 2013 WL 6238605 (N.D. Okla. Dec. 3, 2013).

The U.S. District Court for the Northern District of Oklahoma recently held that the Dodd-Frank amendment to the statute of limitation for Equal Credit Opportunity Act ("ECOA") claims does not apply retroactively. While the court held that the statute of limitation barred spousal guarantors' ECOA counterclaim, the counterclaim was allowed to proceed because it was asserted under a recoupment theory.

Empire Bank obtained guaranties from various individuals, entities, and spousal guarantors in connection with a construction loan in 2008. In 2012, Empire Bank and the guarantors, including the spousal guarantors, entered into a loan modification and extension agreement. The promissory note matured shortly thereafter, and Empire Bank filed suit against the spousal guarantors to recover the amount due. The spousal guarantors filed a counterclaim alleging that Empire Bank violated the ECOA by requiring the spousal guarantors to sign a guaranty solely because they were spouses. Empire Bank moved to dismiss the spousal guarantors' ECOA counterclaim, arguing that it was barred by the statute of limitation and that the ECOA does not apply to guarantors.

Addressing Empire Bank's motion to dismiss, the court noted that an ECOA claim accrues upon execution of a guaranty, and the spousal guarantors filed their ECOA claim more than five years after execution. The court acknowledged that the Dodd Frank Act amended the ECOA by extending the statute of limitation from two years to five years. *See* 15 U.S.C. § 1691e(f) (2010), *amended* by Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010). However, absent Congressional intent to the contrary, there is a presumption against retroactive legislation. Finding no intent that the Dodd-Frank Act's statute of limitation applied retroactively, the court applied the two-year statute of limitation applicable in 2008. Accordingly, the court concluded that the spousal guarantors' ECOA counterclaim was untimely. The court also rejected the spousal guarantors' argument that their counterclaim was timely under the continuing violation doctrine. Specifically, the spousal guarantors argued that the extension agreement executed in 2012 violated the ECOA and Empire Bank's conduct was, therefore, a continuing violation. Declining to adopt the spousal guarantors' reasoning, the court found that each execution was a discrete act and the continuing violation doctrine did not apply.

Turning to the spousal guarantors' argument that they could assert their ECOA counterclaim under a recoupment theory, the court agreed that an ECOA claim could be asserted defensively. The court also rejected Empire Bank's argument that the ECOA did not apply because guarantors are not considered applicants. The court relied on Regulation B, promulgated by the Federal Reserve Board, and corresponding regulations, which include guarantors in the definition of applicants. Thus, the court denied Empire Bank's motion to dismiss and allowed the spousal guarantors' ECOA counterclaim to proceed under the doctrine of recoupment.

CFPB Involvement in Litigation

Sykes v. Mel. S. Harris & Associates, Nos. 13-2742 (L), 13-2747 (CON), 13-2748 (CON) (2nd Cir. Nov. 13, 2013).

On November 13, 2013, the Consumer Finance Protection Bureau ("CFPB") and the Federal Trade Commission ("FTC") filed a brief as amici curiae in support of plaintiffs-appellees in the Second Circuit Court of Appeals. The CFPB and FTC argued that there is no blanket immunity for conduct directed to third parties under the FDCPA.

Monique Sykes filed a class action lawsuit against debt collectors and their counsel alleging violations of sections 1692e-f of the FDCPA in connection with filing lawsuits against consumers in New York state court. Sykes also alleged that, as part of the debt collector's scheme, process servers failed to effectuate proper service on the consumers and, after the consumer failed to appear, the debt collectors moved for default judgment. Additionally, Sykes claimed that the debt collector filed false affidavits in the state court lawsuits. Defendants moved to dismiss Sykes's complaint, and the lower court denied their motion. The lower court also granted class certification, and defendants filed an interlocutory appeal of the class certification decision.

The CFPB acknowledged that it had no interest in the appeal of the class certification decision, but filed its brief to "apprise the Court of the Bureau and Commission's view" of the scope of the FDCPA. Defendants argued that the allegedly false affidavits were directed to the court rather than the consumer and, thus, such communications did not violate the FDCPA. However, the CFPB argued that because the alleged scheme of filing lawsuits without effectuating proper service was directed at consumers, the allegedly false affidavits of service and merit affidavits filed in support of the complaint violated the FDCPA. The CFPB said that the plain language of sections 1692e-f was broad and not limited to conduct directed to the consumer. The CFPB further argued that the language of 1692e(8), which prohibits communicating to *any person* credit information which is known or should to be false, supported the contention that the language of 1692e applies to communications directed at third parties.

The C FPB a lso t ook i ssue w ith d efendants' a rgument that communications directed to courts do not violate the FDCPA because state bars and state courts can police the conduct of lawyers. Relying on *Heintz v. Jenkins,* 514 U.S. 291 (1995) and *Jerman v. Carlisle,* 559 U.S. 573, (2010), the CFPB argued that the Supreme Court has twice held that the FDCPA applies to attorney conduct. Thus, the CFPB argued that "courts are not at liberty to excuse violations of the FDCPA where the language of the statute clearly comprehends them." CFPB Brief at 16 (quoting *Pipiles v. Credit Bureau of Lockport, Inc.*, 886 F.2d 22, 27 (1989)). The CFPB also requested that the court reject the reasoning in *O'Rourke v. Palisades Acquisition XVI, LLC,* 635 F.3d 938 (7th Cir. 2011), which held that the FDCPA does not apply to communications that may mislead state court judges.

- - NEWS & DEVELOPMENTS - -

Qualified Mortgage Rules Take Effect January 10, 2014

On January 10, 2014, the CFPB's qualified mortgage rules took effect. Among other things, these rules prescribe several new requirements for servicers regarding requests for information, requests for pay-off statements, notices of error, delinquency, loss mitigation, and foreclosure.

With respect to requests for information and notices of errors, a servicer must acknowledge receipt from a borrower within five days of receipt. Within 30 days of receipt, a servicer must provide a substantive response to the inquiry. If the servicer does not acknowledge the error, a borrower may request documents relied upon by the servicer in determining that no error occurred. Within 15 days of such a request for documents, a servicer must either provide the documents or state a privilege under which the documents are being withheld.

With respect to requests for pay-off statements, a servicer must provide a borrower with a pay-off balance statement within a "reasonable time" not to exceed seven days after receipt. However, this time period may be extended under certain circumstances.

With respect to delinquencies, a servicer must make good faith efforts to establish live contact with a borrower within 37 days of delinquency, and within 45 days must send a borrower correspondence that encourages him or her to contact the servicer. This is known as the "early intervention" requirement. This requirement does not apply with respect to borrowers who are actively in bankruptcy.

With respect to loss mitigation, a servicer must review a loss mitigation application for completeness and acknowledge its completeness within five days. If the application is incomplete, the servicer must notify the borrower of additional documents and information needed, as well as the submission deadline as determined by the rules.

With respect to foreclosures, a servicer may not foreclose a loan that is less than or equal to 120 days delinquent. The rules also require a servicer to satisfy certain requirements with respect to loss mitigation prior to foreclosing, and place restrictions on a servicer's ability to "dual-track" loss mitigation and foreclosure activities.

The new rules also affect other topics such as loan originator compensation, exemptions for creditors operating predominantly in "rural or underserved" areas, applicability of the loan originator compensation rules to bank tellers and staff, and the prohibition on creditor-financed credit insurance.

To read the final rule, visit: http://www.stlouisfed.org/regreformrules/Pdfs/2013-10-1_CFPB_Final_mortgage_rules.pdf

CFPB Extends Comment Period for Debt Collection Proposed Rulemaking

The CFPB has announced that it would be extending the notice and comment deadline for the Debt Collection Advance Notice of Proposed Rulemaking. Originally set to end February 10, 2014, the comment period will now close on February 28, 2014.

To read the notice, visit: http://www.gpo.gov/fdsys/pkg/FR-2014-01-14/pdf/2014-00453.pdf

OCC Seeks Comment on Proposed Standards for Large Bank Risk Management

On January 10, 2014, the OCC issued a notice of proposed rulemaking, seeking to set heightened standards for a large bank's risk management framework. The OCC is seeking comment on these proposed standards. Comments are due sixty (60) days from the date the notice was published.

To read the notice, visit: http://www.occ.gov/news-issuances/news-releases/2014/nr-occ-2014-4a.pdf

CFPB Issues Updated Mortgage Origination Examination Procedures

Earlier this month, the CFPB released updated Mortgage Origination Examination Procedures. Consisting of modules covering various elements of the mortgage origination process, the procedures are to be used by examiners in examining the origination practices of mortgage brokers and lenders.

To read the procedures, visit: http://files.consumerfinance.gov/f/201401_cfpb_mortgage-origination-exam-procedures.pdf

CFPB Issues Updated Mortgage Servicing Examination Procedures

Earlier this month, the CFPB released updated examination procedures related to mortgage servicing. Used in the examination of mortgage servicers, the procedures cover topics such as servicing transfers, disclosures, payment processing, handling of consumer inquiries, error resolution, credit reporting, information sharing, loss mitigation, and foreclosure.

To read the procedures, visit: http://files.consumerfinance.gov/f/201401_cfpb_mortgage-servicing-exam-procedures.pdf

CFPB Revises Consumer Publications

On January 10, 2014, the CFPB announced that it had updated three publications that lenders are required to give to consumers pursuant to the Real Estate Settlement

Procedures Act and the Truth in Lending Act. These publications are titled: What You Should Know About Home Equity Lines of Credit, Consumer Handbook on Adjustable-Rate Mortgages, and Shopping for Your Home Loan: Settlement Cost Booklet.

To read the announcement, visit: http://www.gpo.gov/fdsys/pkg/FR-2014-01-10/pdf/2014-00272.pdf

CFPB Adjusts Regulation C Asset-Size Exemption

On December 30, 2013, the CFPB published a final rule amending the official commentary to Regulation C to reflect a change in the asset-size exemption. The final rule increases the asset-size exemption threshold from $42 million to $43 million. This adjustment is based upon the 1.4 percent increase in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers over the past year.

As a result of the final rule, covered entities with assets less than or equal to $43 million are exempt from Regulation C's data collection requirement.

The final rule became effective on January 1, 2014.

To read the final rule, visit: https://www.federalregister.gov/articles/2013/12/30/2013-31223/home-mortgage-disclosure-regulation-c-adjustment-to-asset-size-exemption-threshold

CFPB Issues Final Rule Adding Exemptions to Appraisal Rule

On December 26, 2013, the CFPB published a final rule amending Regulation Z, the implementing regulation for the Truth in Lending Act, and its official interpretation. The final rule supplements a final rule issued in January 2013, which requires appraisals for "higher-risk mortgages."

The final rule creates several exemptions from the appraisal rule for certain types of transactions, including (1) extensions of credit of $25,000 or less, (2) streamlined refinances, where the creditor of the original obligation is the creditor on the refinancing, and (3) transactions secured in whole or in part by a manufactured home.

The final rule becomes effective on January 18, 2014.

To read the final rule, visit: https://www.federalregister.gov/articles/2013/12/26/2013-30108/appraisals-for-higher-priced-mortgage-loans#h-7

CFPB Amends Definition of "Larger Participants" of Student Loan Servicing

On December 6, 2013, the CFPB published a final rule amending the regulation defining "larger participants" of certain financial markets, adding a new section to define "larger participants" of student loan servicing. The CFPB has the authority to supervise nonbank "larger participants" of consumer financial service markets, as defined by CFPB rules.

The final rule includes a test wherein a nonbank covered entity is a "larger participant" of the student loan servicing market if it has an account volume exceeding one million. The final rule also defines "student loan servicing" as (1) receiving loan payments (or receiving notification of payments) and applying payments to the borrower's account pursuant to the terms of the post-secondary education loan or of the contract governing the servicing; (2) during periods when no payments are required, maintaining account records and communicating with borrowers on behalf of loan holders; or (3) interactions with borrowers, including activities to help prevent default, conducted to facilitate the foregoing activities.

To read the final rule, visit: https://www.federalregister.gov/articles/2013/12/06/2013-29145/defining-larger-participants-of-the-student-loan-servicing-market#h-9

Social Media: Consumer Compliance Risk Management Guidance

The Federal Financial Institutions Examination Council (FFIEC) recently issued final supervisory guidance entitled "Social Media: Consumer Compliance Risk Management Guidance." The guidance will be used by the OCC, the Board, the FDIC, the NCUA, and the CFPB in their supervision efforts. Thus, financial institutions are expected to refer to the guidance to ensure that their

policies adequately account for the risks posed by their use of social media.

Among other things, the guidance addresses the interaction of social media with various consumer protection laws, such as the Truth in Lending Act, the Real Estate Settlement Procedures Act, and the Fair Debt Collection Practices Act.

To read the guidance, visit: http://files.consumerfinance.gov/f/201309_cfpb_social_media_guidance.pdf

CFPB Amends Interpretations and Commentary to CLA and TILA Regulations

On November 25, 2013, the CFPB issued a final rule amending the official interpretations and commentary to the regulations that implement the Consumer Leasing Act and Truth in Lending Act.

The Dodd-Frank Act requires that the dollar threshold for exempt consumer leases and consumer credit transactions be adjusted annually by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers. Based on the increase as of June 1, 2013, the exemption threshold is being increased to $53,500, effective January 1, 2014.

To learn more, visit: https://www.federalregister.gov/articles/2013/11/25/2013-28195/truth-in-lending-regulation-z

https://www.federalregister.gov/articles/2013/11/25/2013-28194/consumer-leasing-regulation-m

CFPB Issues Mortgage Disclosure Forms

On November 20, 2013, the CFPB issued a rule requiring mortgage lenders to provide borrowers with certain mortgage disclosure forms. Known as the "Know Before You Owe" forms, these forms will replace existing federal disclosures and will provide consumers with easier-to-understand, streamlined information about their mortgages.

The forms include (1) the Loan Estimate form, which replaces the early Truth in Lending Statement and Good Faith Estimate, and (2) the Closing Disclosure, which replaces the final Truth in Lending Statement and HUD-1 Settlement Statement.

According to the CFPB, these forms are intended to help consumers better understand information about risk factors, short-term and long-term costs, and monthly payments. The CFPB believes the forms will enable borrowers to comparison-shop for loans more effectively.

The final rule becomes effective August 1, 2015.

To learn more, visit:
http://www.consumerfinance.gov/newsroom/cfpb-finalizes-know-before-you-owe-mortgage-forms/

To view the forms, visit:
http://files.consumerfinance.gov/f/201311_cfpb_kbyo_loan-estimate.pdf

http://files.consumerfinance.gov/f/201311_cfpb_kbyo_closing-disclosure.pdf

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No representation is made that the quality of services to be performed is greater than the quality of legal services performed by other lawyers.

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