

# Rules and Regulations

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 226

[Regulation Z; Docket No. R-0949]

#### Truth in Lending

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice of adjustment of dollar amount.

**SUMMARY:** The Board is publishing an adjustment to the dollar amount that triggers certain requirements of Regulation Z (Truth in Lending) for mortgages bearing fees above a certain amount. The Home Ownership and Equity Protection Act of 1994 sets forth rules for creditors offering home-secured loans with total points and fees payable by the consumer at or before loan consummation that exceed the greater of \$400 or 8 percent of the total loan amount. The Board is required to annually adjust the \$400 amount based on the annual percentage change in the Consumer Price Index as reported on June 1. The Board adjusted the \$400 amount to \$412 for 1996. The Board has adjusted the dollar amount from \$412 to \$424 for 1997.

**EFFECTIVE DATE:** January 1, 1997, through December 31, 1997.

**FOR FURTHER INFORMATION CONTACT:** Michael Hentrel, Staff Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667. For the users of Telecommunications Device for the Deaf only, please contact Dorothea Thompson, at (202) 452-3544.

#### SUPPLEMENTARY INFORMATION:

##### Background

The Truth in Lending Act (TILA; 15 U.S.C. 1601-1666j) requires creditors to disclose credit terms and the cost of consumer credit as an annual

percentage rate. The act requires additional disclosures for loans secured by a consumer's home, and permits consumers to cancel certain transactions that involve their principal dwelling. The TILA is implemented by the Board's Regulation Z (12 CFR part 226).

On March 24, 1995, the Board published amendments to Regulation Z implementing the Home Ownership and Equity Protection Act of 1994 (HOEPA), contained in the Riegle Community Development and Regulatory Improvement Act of 1994, Public Law 103-325, 108 Stat. 2160 (60 FR 15463). These amendments, which became effective on October 1, 1995, are contained in § 226.32 of the regulation and impose additional disclosure requirements and substantive limitations on certain closed-end mortgage loans bearing rates or fees above a certain percentage or amount. Generally, creditors are required to comply with the rules in § 226.32 if the total points and fees payable by the consumer at or before loan consummation exceed the greater of \$400 or 8 percent of the total loan amount. The TILA and § 226.32(a)(1)(ii) of Regulation Z provide that the \$400 figure shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index (CPI) that was reported on the preceding June 1. See 15 U.S.C. 1602(aa).

The Bureau of Labor Statistics publishes consumer-based indices monthly, but does not "report" a CPI change on June 1; adjustments are reported in the middle of each month. The Board believes the CPI-U index, which is based on all urban consumers and represents approximately 80 percent of the U.S. population, is the appropriate index to use in any adjustment to the \$400 dollar figure.

The adjustment the \$400 dollar figure reflects the adjustment reported on May 15 (the rate "in effect" on June 1) which states the percentage increase from April 1995 to April 1996. Last year, the Board adjusted the \$400 amount to \$412, reflecting a 3.1 percent increase in the CPI-U (See 61 FR 3177, January 31, 1996). During the period from April 1995 to April 1996, the CPI-U increased by 2.9 percent. As a result, this increase in the CPI-U would cause an adjustment of the \$412 to \$423.94. The Board is rounding that number to whole dollars for ease of compliance.

#### Adjustment

For the reasons set forth in the preamble, for purposes of determining if a mortgage is covered by § 226.32 if the total points and fees payable by the consumer at or before loan consummation exceed the greater of \$400 or 8 percent of the total loan amount, effective January 1, 1997, through December 31, 1997, the dollar amount is adjusted from \$412 to \$424.

By order of the Board of Governors of the Federal Reserve System, December 6, 1996.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 96-31531 Filed 12-11-96; 8:45 am]

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### 12 CFR Part 263

[Docket No. R-0938]

#### Rules of Practice for Hearings

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Correction to final regulations.

**SUMMARY:** This document contains a correction to the final rule (Docket No. R-0938), which was published Friday, November 1, 1996 (61 FR 56407). The rule listed increases in the maximum amounts of each civil money penalty under the jurisdiction of the Board of Governors of the Federal Reserve System (Board).

**EFFECTIVE DATE:** October 24, 1996.

**FOR FURTHER INFORMATION CONTACT:** Alan E. Sorcher, Senior Attorney (202/452-3564), Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551.

#### SUPPLEMENTARY INFORMATION:

##### Background

The final rule that is the subject of this correction amended the Board's Rules of Practice for Hearings to include a section listing increases in the maximum amounts of each civil money penalty under the Board's jurisdiction. The Board was required to enact such regulation by section 31001(s) of the Debt Collection Improvements Act of 1996 (Pub.L. 104-134, 110 Stat. 1321-373) which required agencies to adjust their statutorily based civil money penalties to account for inflation.