

MEMORANDUM

To: Subscribers to *Pratt's Regulatory Compliance Guide for Bankers*

From: A.S. Pratt & Sons

Subject: Highlights

Enclosed is the latest update to your *Pratt's Regulatory Compliance Guide for Bankers* manual.

The following topics are included in your update.

- **In March 2008**, HUD issued a new proposal to “simplify and improve the disclosure requirements for mortgage settlement costs” under RESPA, to “protect consumers from unnecessarily high settlement costs.” The centerpiece of this new proposal is a pre-application good faith estimate (GFE) form that could be used as a shopping tool for consumers. The proposal calls for banks to issue these forms at request, before the consumer formally applies for a mortgage loan. This proposal is discussed in Chapter 10.
- **In March 2008**, the federal bank regulatory agencies proposed to revise its questions and answers with respect to flood hazard insurance. The proposal includes new questions and answers for such areas as second lien mortgages and loan syndications or participations. See Chapter 11 for more information on this proposed revision.
- **In January 2008**, the Fed published a proposal to adopt new regulatory provisions for higher-priced mortgage loans. The proposed revisions would apply the following protections to higher-priced mortgage loans:
 - Prohibiting banks from engaging in a pattern or practice of extending credit without regard to borrowers’ ability to repay from sources other than the collateral itself
 - Requiring banks to verify income and assets they rely on in making loans
 - Prohibiting prepayment penalties unless certain conditions are met
 - Requiring banks to establish escrow accounts for taxes and insurance (but permitting banks to allow borrowers to opt out of the escrow requirement 12 months after loan consummation)

See Chapter 13.

- **In January 2008**, the Fed proposed to require that advertisements for both open-end and closed-end mortgage loans provide accurate and balanced information, in a clear and conspicuous manner, about rates, monthly payments, and other loan features. The special rules for mortgage-loan advertising is discussed in Chapter 13.
- **In April 2008**, pursuant to recommendations made by the General Accounting Office (GAO), FinCEN issued a proposal to reduce some of the burden that banks experience in connection with the exemption rules to CTR reporting. The proposed changes are discussed in Chapter 18.