

MEMORANDUM

To: *Truth-in-Lending Manual* Subscribers

From: A.S. Pratt & Sons

Subject: Highlights of Special Update

We are providing *Truth-in-Lending Manual* subscribers with this Special Alert to ensure you are updated quickly about two significant developments:

- *Credit CARD Act Changes, Effective August 20, 2009.* The Federal Reserve Board (FRB) has revised Regulation Z to implement the two provisions of the Credit CARD Act of 2009 that take effect August 20, 2009. As our immediately preceding update pointed out, these provisions of the Credit CARD Act are self-executing; that is, they would take effect August 20, 2009 whether or not the FRB chose to issue regulations to assist with their implementation. On July 15, as published in the Federal Register, July 22, the FRB chose to revise Regulation Z.

The changes are described in the attached Special Alert. We will update the text of the *Truth-in-Lending Manual* in a forthcoming update to reflect the changes. Until that time, please rely on the Special Alert as you implement the changes.

- *Proposed Changes to the Home-Secured Lending Provisions of Regulation Z.* The FRB issued *proposed* changes to the home-secured lending provisions of Regulation Z, including revised: (1) closed-end mortgage provisions; and (2) home-equity line of credit provisions. On July 23, 2009, the FRB released a package consisting of more than 1,700 pages of proposed regulations, forms, sample clauses and supporting material. These changes are described in the attached Special Alert and will be included in the text of the *Truth-in-Lending Manual* when they are finalized, presumably sometime in 2010. In the meantime, the FRB has invited comment on the proposal during the 120 days following its publication in the Federal Register, which had not yet occurred when this update was prepared. You may view the proposal and associated documents, including proposed model forms and sample clauses, at www.federalreserve.gov/newsevents/press/bcreg/20090723a.htm.
- *Appendix A (Truth-in-Lending Act).* We are enclosing an updated version of Appendix A to the *Truth-in-Lending Manual*, which reproduces the Truth-in-Lending Act, as amended by the Credit CARD Act of 2009.
- *Appendix B-1 (Current Regulation Z).* Appendix B-1, which contains the credit card-related provisions of Regulation Z as in effect until July 1, 2010, has also been updated on the enclosed CD to reflect the revisions described above in the first bullet point, effective August 20, 2009. The FRB chose to amend Regulation Z currently in effect (Appendix B-1 on the enclosed CD), rather than amending the July 1, 2010 version (Appendix B in Volume 2 and on the enclosed CD) and moving up the effective date for some of its provisions. The FRB will be amending the July 1, 2010 version (Appendix B) in later regulatory actions between now and July 1, 2010—to include the August 20, 2009 provisions contained in the existing regulation and to implement other provisions of the Credit CARD Act that take effect February 22, 2010 and August 20, 2010.

- *Chapter 8.* Chapter 8 has been revised to reflect the Federal Reserve Board's revision of Regulation AA to include additional consumer protections for credit card customers. The changes to Regulation AA, described in the previous two updates, are identical to similar regulations adopted by the Office of Thrift Supervision (OTS) and National Credit Union Administration (NCUA). On July 23, 2009, when it proposed changes to the home-secured lending provisions of Regulation Z (as described in the second bullet point above), the Fed announced its plans to move the credit card protections of Regulation AA into Regulation Z when it revises Regulation Z to implement the provisions of the Credit CARD Act that take effect February 22 and August 20, 2010.

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- Remove 6/09 title page and copyright page. Insert 8/09 title page and copyright page.
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- Remove old Chapter 8, pages 8-i through 8-34. Insert updated Chapter 8, pages 8-i through 8-38.
- Remove old Appendix A, pages A-i through A-56. Insert updated Appendix A, pages A-i through A-64.

Keep the enclosed Special Alert with your volumes.

Your updated CD is enclosed.

