

FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Regulation Z; Docket No. R-0858]

Truth in Lending; Mortgage Disclosures; Correction

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Technical Correction to final regulation.

SUMMARY: This document contains a correction to the final rule (Docket No. R-0858) which was published Friday, March 24, 1995 (60 FR 15463). The amendments to Regulation Z concerned new disclosure requirements on reverse mortgage transactions (as well as on certain home loans bearing rates or fees above a certain percentage or amount).

EFFECTIVE DATE: September 25, 1995.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

The regulation that is the subject of this correction is Regulation Z (12 CFR part 226), which implements the Truth in Lending Act (15 U.S.C. 1601-1666j). The act (TILA) requires creditors to disclose credit terms for consumer transactions. The Home Ownership and Equity Protection Act of 1994 (HOEPA), contained in the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. 103-325, 108 Stat. 2160) amended the TILA. Section 154 of the HOEPA added a new section 138 to the TILA dealing with disclosures required for reverse mortgage transactions. The final rule implementing these provisions in Regulation Z was published on March 24, 1995 (60 FR 15463).

Need for Correction

As published, the final rule implementing new TILA section 138 contains an error in the unit period used in the first example of the total annual loan cost rate computation in appendix K to part 226, which also results in an erroneous total annual loan cost rate being shown for that example. The error

resulted from the use of a monthly unit period in the transaction, whereas, under the definition of a unit period for single-advance single-payment transactions (paragraph (b)(4)(ii) of appendix K), the proper unit period is 1 year. This error has been corrected. For consistency and ease of understanding, the Baln figure has also been revised to reflect the use of an annual unit period.

Correction of Publication

Accordingly, the publication on March 24, 1995, of the final regulation (Docket No. R-0858), which was the subject of FR Doc. 95-7231, is corrected as follows:

Appendix K to Part 226—[Corrected]

On page 15475, in the example in paragraph (c)(1) of appendix K to Part 226, the formula (which follows the phrase "Assumed annual dwelling appreciation rate: 4%") is corrected to read as follows:

* * * * *

(c) * * *

(1) * * *

P₁₀ = Min (103,385.84, 137,662.72)

$$30,000(1+i)^{10-0} + \sum_{j=0}^9 (1+i)^{10-j} = 103,385.84$$

i = .1317069438

Total annual loan cost rate

$$(100(.1317069438 \times 1)) = 13.17\%$$

(2) * * *

Board of Governors of the Federal Reserve System, September 25, 1995.

William W. Wiles,

Secretary of the Board.

[FR Doc. 95-24240 Filed 9-28-95; 8:45 am]

BILLING CODE 6210-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 327

RIN 3064-AB65

Assessments

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Final rule.

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is amending its regulation on assessments in several ways.

First, the FDIC is delaying the regular payment date for the first quarterly

assessment payment that insured institutions must make for the first semiannual period of each year (first payment). The first payment has been due on December 30 of the prior year. The FDIC is changing the regular payment date to the January 2 (or the first business day thereafter). But at the same time, the FDIC is giving insured institutions the option of making the first payment on December 30 (or the prior business day). The FDIC's purpose in making this pair of changes is to relieve certain institutions of the regulatory burden of having to make an extra assessment payment in 1995, while at the same time affording flexibility to other institutions to make such a payment if they should so desire.

Second, the FDIC is giving insured institutions the option of paying double the amount of any quarterly payment, when the payment is made on a payment date (regular or alternate, as the case may be) that comes before the start of the quarter to which the payment pertains—i.e., on the March, June, September, and December payment dates. The FDIC is adopting this change in response to a suggestion

made by a commenter. The FDIC believes the change will promote greater flexibility in the assessment procedures.

Third, the FDIC is replacing the interest rate to be applied to underpayments and overpayments of assessments with a new, more sensitive rate derived from the 3-month Treasury bill discount rate. Rates set under the prior standard have rapidly become obsolete in volatile interest-rate markets; the new standard is more sensitive to current market conditions.

Finally, the FDIC is shortening the timetable for announcing a change in the assessment rate from 45 days to 15 days prior to the invoice date. This change enables the FDIC to use the most up-to-date information available for computing assessments, thereby benefiting both the FDIC and the depository institutions.

EFFECTIVE DATE: This rule is effective September 29, 1995, except the amendments to § 327.7 are effective October 30, 1995.

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