Mortgage Lending Update: Dodd-Frank Act—Mandated Rulemaking & Impact on Mortgage Lending and Servicing

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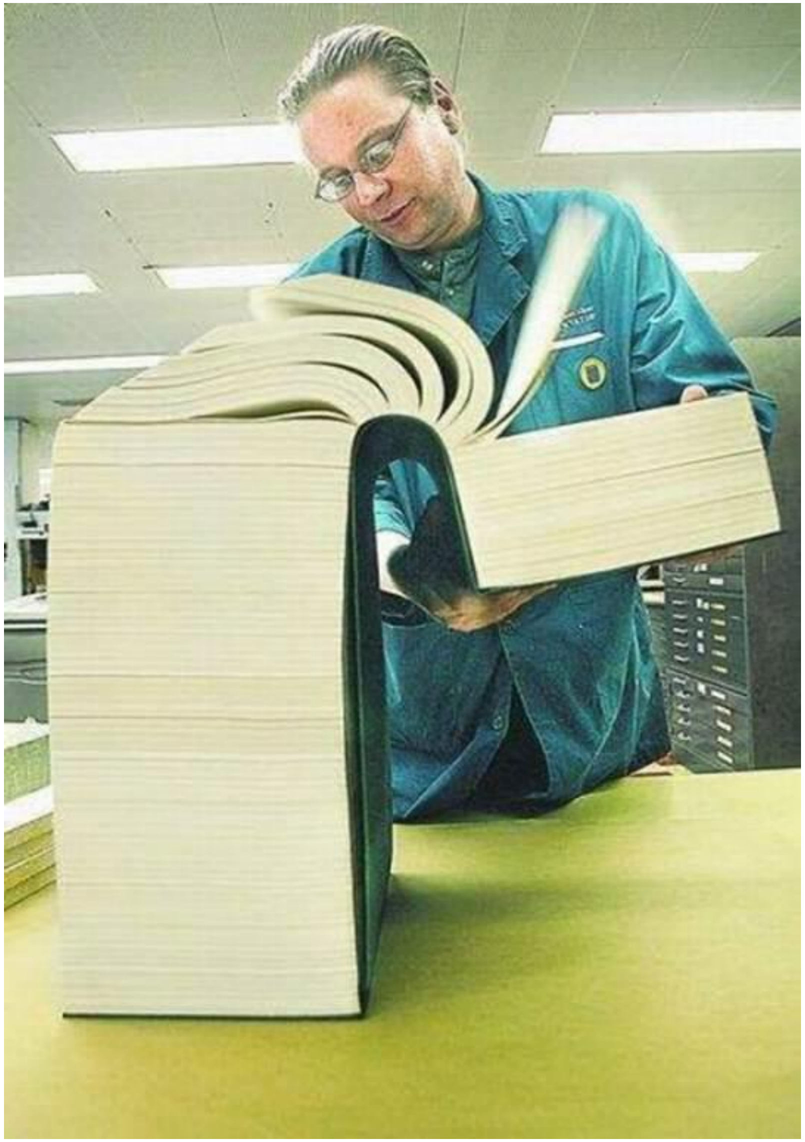
ABA Professional Development

Introductions:



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"[I]f all we do is … continue writing 'thou shalt not' regulations and layering on more disclosures, then we will have missed a real opportunity. And if all those resources are used just to force an entire industry, begrudgingly or worse, to accept marginal changes in a few forms, we will have missed a real opportunity. On the other hand, if we use this moment to rethink our approach to regulating financial services, then we can seize the opportunity to do something unexpected—and exceptional."

– Elizabeth Warren, September 29, 2010

ATR/QM Update

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Ability to Repay: Overview

- Sec. 1411 of DFA amends the Truth in Lending Act (TILA), and prohibits making a mortgage loan—
  - without making a reasonable and good faith determination,
  - based on verified and documented information at the time the loan is consummated,
  - that the consumer has an ability to repay the loan according to its terms and all applicable taxes, insurance and assessments.

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Ability to Repay: Overview

- TILA would pose significant liability for violations (sum of all FC and fees, actual damages, statutory damages)
  - 3 year SOL
- Sec. 1413 of Dodd-Frank: violation of “ability to repay” grants borrowers a legal defense by “recoupment” and “set-off” in foreclosure action, without regard to time limits on private actions.
- Liability transfers to assignee

Ability to Repay: Overview

- Safe Harbor –QM:
  - Section 1412 of Dodd-Frank, entitled "Safe Harbor and Rebuttable Presumption," provides that a creditor can be presumed to meet the ability to repay requirement if the loan is a "Qualified Mortgage."
  - Sec. 1412 sets forth statutory requirements for the QM, but grants broad authority to the Federal Reserve to revise, add to, or subtract from the "safe harbor criteria."

Ability to Repay Proposal

- Proposed Rule:
  - FRB Issued on April 18, amending Regulation Z
  - Comments submitted to FRB July 21, 2011

Ability to Repay Proposal

- Overview: FRB proposal would sets forth four options for complying with “ability-to-repay requirement”—
  1. Creditor can meet the general ability-to-repay standard by considering and verifying specified underwriting factors, such as the consumer's income or assets.
  2. Creditor can access the "qualified mortgage“ (QM) safe harbor which provides the creditor with special protection from liability provided the loan does not have certain features. (FRB is soliciting comment on two alternative approaches for defining QM.)
  3. Creditor operating predominantly in rural or underserved areas can make a balloon-payment qualified mortgage. (This option is meant to preserve options for consumers located in rural or underserved areas.)
  4. Creditor can refinance a "non-standard mortgage" with risky features into a more stable "standard mortgage" with a lower monthly payment. (This option is meant to preserve access to streamlined refinancings.)

Ability to Repay Proposal

General Ability-to-Repay Standard

A creditor can meet the ability-to-repay standard by considering and verifying the following eight underwriting factors:

- Income or assets relied upon in making the ability-to-repay determination;
- Current employment status;
- The monthly payment on the mortgage;
  - Underwriting adjustable-rate mortgage must be based on fully indexed rate.
- The monthly payment on any simultaneous mortgage;
- The monthly payment for mortgage-related obligations;
- Current debt obligations;
- The monthly debt-to-income ratio, or residual income; and
- Credit history; and

Qualified Mortgage

- A creditor can originate a “qualified mortgage,” which provides special protection from liability.
- The Board is soliciting comment on two alternative definitions of a “qualified mortgage.”

Ability to Repay Proposal

Alternative 1

First option would operate as a <u>legal safe harbor</u> and define QM as mortgage for which:

- The loan does not contain negative amortization, interest-only payments, or a balloon payment, or a loan term exceeding 30 years;
- The total points and fees do not exceed 3 percent of the total loan amount;
- The income or assets relied upon in making the ability-to-repay determination are considered and verified; and
- The underwriting of the mortgage (1) is based on the maximum interest rate that may apply in the first five years, (2) uses a payment scheduled that fully amortizes the loan over the loan term, and (3) takes into account any mortgage-related obligations.

Ability to Repay Proposal

Alternative 2

Second option would provide a <u>rebuttable presumption</u> of compliance and would define a QM as including criteria listed under *Alternative 1* as well as additional underwriting requirements—Creditor would also have to consider and verify:

- Consumer’s employment status,
- Monthly payment for any simultaneous mortgage,
- Consumer’s current debt obligations,
- The monthly debt-to-income ratio or residual income, and
- The consumer’s credit history.

Ability to Repay Proposal

Balloon-Payment Qualified Mortgage

- A creditor operating predominantly in rural or underserved areas can originate a balloon payment QM. Under this option, a creditor can make a balloon-payment qualified mortgage with:
  - Loan term of five years or more;
  - Compliant with the requirements for a qualified mortgage; and
  - Underwriting the mortgage based on the scheduled payment, except for the balloon payment.

Ability to Repay Proposal

<u>Refinancing of Non-Standard Mortgage</u>

A creditor can refinance a “non-standard mortgage” with risky features into a more stable “standard mortgage.”

- Under this option, a creditor qualifies by:
  - Refinancing the consumer into a “standard mortgage” that has limits on loan fees and that does not contain certain features such as negative amortization, interest-only payments, or a balloon payment;
  - Considering and verifying the underwriting factors listed in the general ability-to-repay standard, except the requirement to consider and verify the consumer’s income or assets; and
  - Underwriting the “standard mortgage” based on the maximum interest rate that can apply in the first five years.

ABA Views: QM/ATR

- ABA Views:
  - – Safe Harbor is critical
  - – QM will delineate most lending in U.S.
  - – Must be sufficiently expansive to serve all communities (broad vs. narrow)
    - Reasonable Terms
    - 3% Points and Fees

Politics: QM/QTR

- Industry-wide concerns about definition of QM (Mortgage Bankers Association, National Association of Realtors, National Association of Homebuilders)
- Congressional concerns about QM definition (letter & hearings)
- Consumer groups concerned about level of protections under QM/ATR

Politics: QM/QTR

- CFPB <u>reopened</u> comment period for proposed rule in June 2012 soliciting more comments on—
  – Litigation effects
  – Secondary market responses
  – Industry impact
  – Data sources for proper measurement of industry impact
- ABA filed comments reiterating position and offering legal opinion (liability risks)
- Unusual & Extraordinary

Politics: QM/QTR

- Numerous uncertain issues—
  - Rebuttable Presumption vs. Safe Harbor
    - Consumer groups: restrict protections to RP
  - Inclusion of more protections in QM? How do we make QM more predictive of “safe loans”?
    - DTI ratios
    - Residual income
    - Delinquency Cut-offs
    - Use of “accepted” UW guidelines (DU/LP)
  - Effects of litigation “in” and “out” of QM segments

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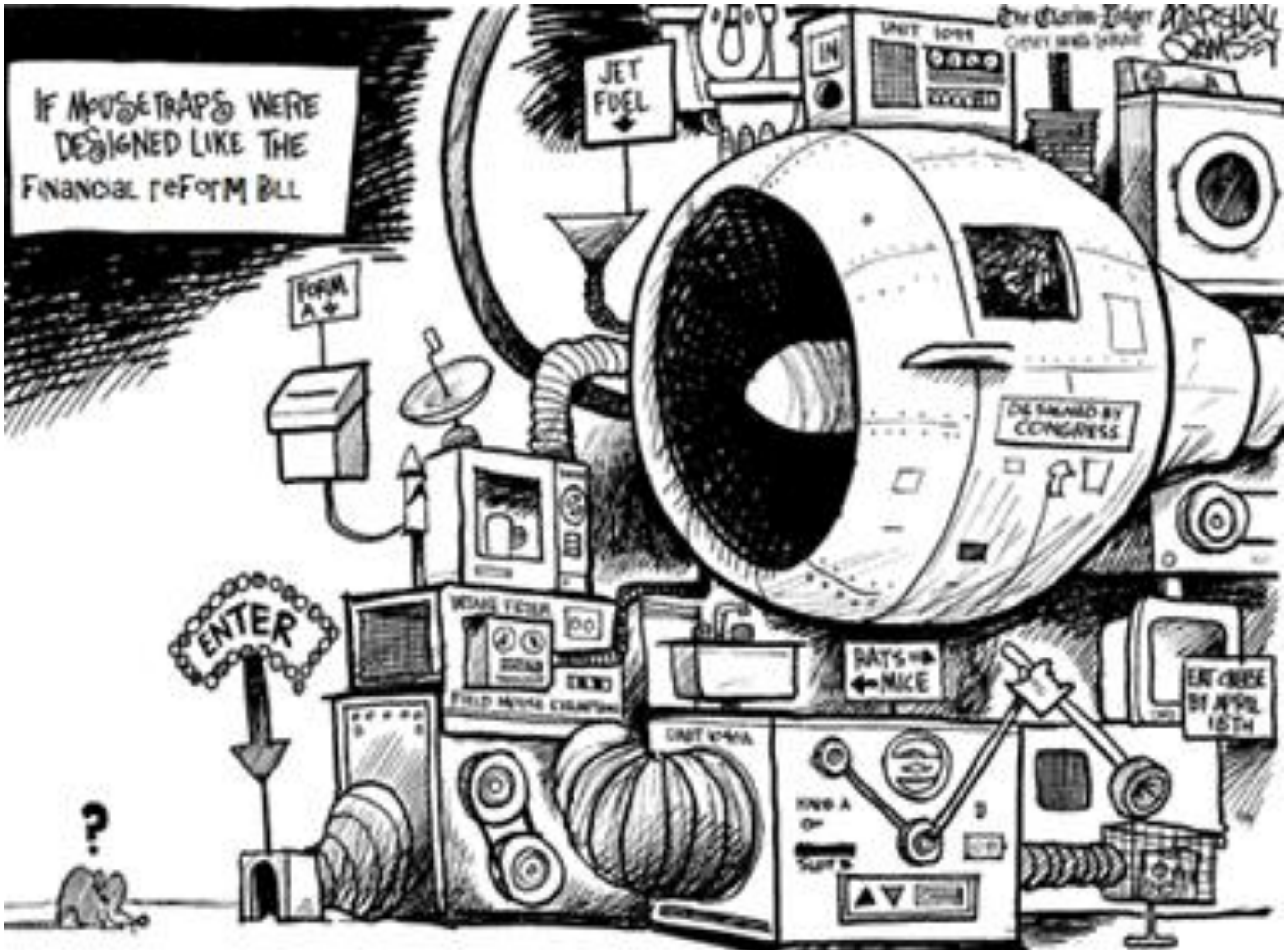
Politics: QM/QTR

- Other Considerations for QM
  - Fair Lending: Bureau must address the fair lending implications of the ability-to-repay provisions, and must adequately define the interplay of Qualified Mortgages and fair lending principles.
  - Implementation Timeframes: Rulemaking will demand significant implementation efforts and will therefore require expanded time periods for compliance.
    - ABA asks that the Board set a compliance date of, at minimum, 18 months from the issuance of the final rule.

QM: Future

- Expect a ATR-QM Rule in January
  - ATR will go into effect without a QM if CFPB fails to issue a final rule on 1/21/2013
- Expect QM to be very central mortgage issue in foreseeable future

Integrated Disclosures: RESPA/TILA Disclosure Form


IF MOUSETRAPS WERE DESIGNED LIKE THE FINANCIAL REFORM BILL
JET FUEL
IN
FORM A+
DESIGNED BY CONGRESS
ENTER
?
RATS →
← MICE
EAT CHEESE BY APRIL 15TH
MARSHALL RAMSEY

RESPA/TILA Disclosure Reform

RESPA/TILA Disclosure Proposed Rule

Background

- Sections 1032(f), 1098 and 1100A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") directed the Bureau to combine the application and loan closing disclosures under TILA and RESPA and establish "single integrated disclosure" of forms.
- Bureau issued proposed rule combining disclosures and containing extensive guidance regarding the usage and completion of the forms on July 9, 2012.

RESPA/TILA Disclosure Reform

Background (cont'd)

- Published in Federal Register on August 23, 2012 at 77 Fed.Reg. 51,115.
- Comments were due by November 6, 2012, except in regard to changes to finance charge and temporary exemption from certain Dodd-Frank disclosure requirements for which comments were due on September 7, 2012. On August 30, the Bureau extended comments on the expanded definition of the finance charge until November 6, 2012.

RESPA/TILA Disclosure Reform

Background (cont'd)

- Goal of Bureau was to use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments and closing costs.
- Forms also contain additional information to help consumers compare the cost of different loan offers (including the costs over the loan term) and to determine affordability.

RESPA/TILA Disclosure Reform

- Implementation:
  - ❑ The Dodd-Frank Act required the CFPB to propose integrated RESPA and TILA disclosures by July 21, 2012.
  - ❑ The Act does not impose a deadline for issuance of final rule regarding the merged forms.

RESPA/TILA Disclosure Reform

Background (cont'd)

- Two proposed forms:
  - Loan Estimate form, which replaces the RESPA GFE and the early TILA disclosures
  - Closing Disclosure form, which replaces the HUD-1 and the final TILA disclosure.

RESPA/TILA Disclosure Reform

<u>Scope</u>

- Proposed rule applies to all closed-end mortgages <u>except</u> home equity lines of credit, reverse mortgages and mortgages secured by a mobile home or by a dwelling that is not attached to real property.
- Bureau also has proposed to use its authority under RESPA section 19(a) and Dodd Frank section 1405(b) to exempt certain other transactions.

Loan Estimate Disclosure

Timing

- Borrowers would receive the three-page "Loan Estimate" form within three days of applying for a mortgage.
- "Application" for the purposes of timing is defined as "the submission of a consumer's financial information for the purpose of obtaining an extension of credit."

RESPA/TILA Disclosure Reform

Timing (cont'd)

- Soliciting the following information would trigger "application":
  - Consumer's name
  - Consumer's income
  - Consumer's Social Security Number
  - Property address
  - An estimated value of the property
  - The mortgage loan amount sought

RESPA/TILA Disclosure Reform

<u>Accuracy</u>

- Similar “tolerances” as today:
  - Unless an exception applies, charges for the following services may not increase: (1) the lender’s or mortgage broker’s charges for its own services; (2) charges for services provided by an affiliate of the lender or mortgage broker; and (3) charges for services for which the lender or mortgage broker does not permit the consumer to shop.
  - Unless an exception applies, charges for most other services generally could not increase by more than 10 percent.
  - Certain other charges may exceed the amounts disclosed on the Loan Estimate if estimate is consistent with the best information available to the creditor at the time it is disclosed. These charges include prepaid interest; property insurance premiums; amounts placed in escrow, impound, reserve, or similar accounts; and charges paid to third-party service providers that are selected by the consumer but are not disclosed on the written list of service providers provided by the creditor.
- Rely on existing “changed circumstances” definition (or borrower-requested changes) to amend costs on GFE

Closing Disclosure (§ 1026.38)

<u>Timing</u>

- Borrowers would receive a five-page “Closing Disclosure” at least three days before the scheduled closing.
- Proposed Rule does not settle which entity must actually provide the disclosure—lender or settlement agent

RESPA/TILA Disclosure Reform

<u>Changes to the Calculation of the Finance Charge</u>

- The Bureau concurred with the FRB's 2009 proposal to make the finance charge more inclusive of costs and fees believing that the exclusions undermined the effectiveness of the APR and encouraged the creation of "junk fees."
- Accordingly, the proposed rule revises the test for determining the finance charge.
- Instead of "some fees in, some fees out," the new rule simplifies the test and makes it more inclusive based on the general definition of finance charge in TILA section 106(a).

RESPA/TILA Disclosure Reform

General Rule:

Under the proposal, a fee or charge would be included in the finance charge amount if:

(A) it is “payable directly or indirectly by the consumer” to whom the credit is extended; and

(B) it is “imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit.”

The proposal largely eliminates the current exclusions from the finance charge for closed-end transactions secured by real property or a dwelling.

RESPA/TILA Disclosure Reform

Definition: ALL-IN APR:

The proposed definition of "finance charge" for closed-end mortgage transactions would include—

- All items currently included in the definition;
- Closing agent charges,
- The so-called ".4(c)(7)" charges that are currently excludable from the finance charge,
- Credit life insurance premiums,
- Voluntary debt cancellation fees, and
- Security-interest charges.

RESPA/TILA Disclosure Reform

Definition: ALL-IN APR:

The Bureau's proposal would continue to exclude—

- Fees or charges paid in comparable cash transactions,
- Late fees and other similar default or delinquency charges,
- Seller's points,
- Amounts required to be paid into escrow accounts (if they would not otherwise be included in the finance charge),
- Premiums for property and liability insurance if certain conditions were met.

RESPA/TILA Disclosure Reform

<u>Changes to Finance Charge - Benefits</u>

- According to the Bureau, the proposal would effectuate TILA's purpose by better informing consumers of the total cost of credit and prevent circumvention or evasion of the statute through the unbundling or shifting of the cost of credit from items that are include in the finance charge to fees or charges that are currently excluded from the finance charge.
- Benefits to the industry: simplifying the finance charge and APR calculation.
- Benefits to the consumer: an APR that better reflects the true cost of credit.

RESPA/TILA Disclosure Reform

Changes to Finance Charge – Effects

- A more inclusive finance charge could affect coverage under other laws such as higher-priced mortgage loan and HOEPA protections, do well as the Bureau's rulemaking on escrows, appraisals and Qualified Mortgages.
- Lenders must still calculate FC as "points and fees" trigger definitions under HOEPA & QM use existing definitions.

RESPA/TILA Disclosure Reform

The CFPB is seeking comments on two different methods of reconciling the expanded definition of FC—

- Replace APR with "transaction coverage rate" as a transaction-specific metric a creditor compares to the average prime offer rate to determine whether the transaction meets the higher-priced loan threshold. Under this approach, lenders would have to calculate one metric for purposes of disclosure and another for purposes of regulatory coverage.
- Retain existing treatment of certain charges in the definition of points and fees for purposes of determining HOEPA coverage. The Bureau has proposed language to adopt the transaction coverage rate and to exclude the additional charges from the HOEPA points and fees test in its 2012 HOEPA Proposal.

RESPA/TILA Disclosure Reform

<u>Changes to Finance Charge</u>

- The Bureau is carefully weighing whether modifications may be warranted to the thresholds for particular regulatory regimes to approximate coverage levels under the current definition of finance charge.
- The Bureau is seeking comments on potential modifications to trigger the various thresholds.

RESPA/TILA Disclosure Reform

<u>Recordkeeping</u>

- The proposed rule requires creditors to keep records of the Loan Estimate and Closing Disclosure delivered to consumers in a <u>standard electronic, machine-readable format</u>.
- Evidence of the Loan Estimate must be retained for three years after the later of the date of consummation, the date disclosures are required to be made, or the date the action is required to be taken.
- Evidence of the Closing Disclosure must be retained for five years after consummation.

HOEPA Proposal
(Section 32: High Cost Loans)

They said to "think outside the box." Naturally, I assumed "box" meant "law."

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HOEPA

- **Authority**
  - Sections 103(bb) and 129 of TILA
  - Sections 1431 through 1433 Dodd-Frank
- **Topics for Comment**
  - “High-cost” mortgage loans under HOEPA
  - Homeownership counseling
  - Implementation period
- Comments due September 7, 2012; Paperwork Reduction Act due October 15, 2012 (60 days following publication in the Federal Register)

HOEPA

Scope of HOEPA coverage expanded:

- Include **purchase money** mortgage loans,
- Refinances,
- Closed-end home-equity loans, and
- **Open-end credit plans** (*i.e.*, home-equity lines of credit, or HELOCs) are potentially subject to HOEPA coverage.

Reverse mortgages still are excluded.

HOEPA

New thresholds (Alternatives):

- APR exceeds the average prime offer rate (APOR) by 6.5 percentage points for most first-lien mortgages and 8.5 percentage points for subordinate lien mortgages;
- Points and fees exceed 5 percent of the total transaction amount, or a higher threshold for loans below $20,000; or
- A prepayment penalty more than 36 months after loan consummation or account opening, or penalties that exceed more than 2 percent of the amount prepaid.

HOEPA

All-In FC/APR:
Alternative "transaction coverage rate" (TCR)

- TCR would be calculated in a manner similar to how the APR is calculated, except that the prepaid finance charge used would include only charges retained by the creditor, a mortgage broker, or an affiliate of either.
- The TCR would not reflect other closing costs included in the broader finance charge.
- For example, the APR resulting from the proposed more inclusive finance charge would reflect third-party charges such as title insurance premiums, but the TCR would not.
- Thus, TCR will determine coverage, but the new APR would be used for consumer disclosures.

Will not adopt if do not amend finance charge (expanded finance charge will not apply to open-end).

HOEPA

What rate do you use?

- For a fixed-rate transaction, the APR must be based on the interest rate in effect on the date of consummation;
- For a variable rate where the rate varies solely in accordance with an index, the APR must be based on the interest rate determined by adding the maximum margin permitted at any time during the loan agreement to the index rate in effect on the date of consummation; and
- For any other variable rate the APR must be based on the maximum interest rate that may be charged during the term of the loan.

HOEPA

Points and fees for small loans

The total points and fees payable in connection with the transaction, other than bona fide third party charges not retained by the mortgage originator, creditor, or an affiliate of either, exceed:

- In the case of a transaction for $20,000 or more, 5 percent of the total transaction amount; or
- In the case of a loan for less than $20,000, the lesser of 8 percent of the total transaction amount or $1,000 (adjusted for inflation).

HOEPA

Points and fees means:

All finance charges but excluding:

- Interest or the time-price differential;
- Any premium or other charge for any guaranty or insurance protecting the creditor against the consumer's default or other credit loss to the extent that the premium or charge is:
  - Assessed in connection with any Federal or State agency program;
  - Not in excess of the amount payable under policies in effect at the time of origination under Section 203(c)(2)(A) of the National Housing Act (12 U.S.C. 1709(c)(2)(A)), provided that the premium or charge is required to be refundable on a *pro rata* basis and the refund is automatically issued upon notification of the satisfaction of the underlying mortgage loan; or
  - Payable after consummation.

HOEPA

Points and fees means (con't):

- All compensation paid directly or indirectly by a consumer or creditor to a loan originator, including a loan originator that is also the creditor in a table-funded transaction (include YSPs)
- All items listed in § 1026.4(c)(7) (other than amounts held for future payment of taxes) payable at or before consummation, unless:
  - The charge is reasonable;
  - The creditor receives no direct or indirect compensation in connection with the charge; and
  - The charge is not paid to an affiliate of the creditor;
- Premiums or other charges payable at or before consummation for any credit life, credit disability, credit unemployment, or credit property insurance, or any other life, accident, health, or loss-of-income insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract;

HOEPA

LO Compensation

Includes the dollar value of compensation paid to an LO such as a bonus, commission, YSP, or hourly pay for the actual number of hours worked on a particular transaction.

But the base salary of an LO who is also an employee of a creditor not associated with a particular transaction is excluded.

HOEPA

Points and fees does not include:

The term *points and fees* does not include compensation paid to:

- An employee of a retailer of manufactured homes who does not take an application, offer or negotiate terms of a residential mortgage loan, or advise a consumer on loan terms (including rates, fees, and other costs);
- A person that only performs real estate brokerage activities and is licensed or registered in accordance with applicable State law, unless such person is compensated by a creditor or loan originator, or by any agent of the creditor or loan originator; or
- A servicer or servicer employees, agents, and contractors, including but not limited to those who offer or negotiate terms of a transaction for purposes of renegotiating, modifying, replacing, and subordinating principal of existing mortgages where borrowers are behind in their payments, in default, or have a reasonable likelihood of being in default or falling behind.

HOEPA

Points and fees does not include (con't):

- Any bona fide third-party charge not retained by the creditor, loan originator, or an affiliate of either
- Up to two *bona fide* discount points paid by the consumer in connection with the transaction if the interest rate for the loan or plan without such points does not exceed: (1) The average prime offer rate by more than one percentage point; or (2) In the case of a transaction secured by personal property, the average rate for a loan insured under Title I of the National Housing Act by more than one percentage point.
- Up to one *bona fide* discount point paid by the consumer in connection with the transaction if the interest rate for the loan or plan without such points does not exceed: (1) The average prime offer rate, by more than two percentage points; or (2) In the case of a transaction secured by personal property, the average rate for a loan insured under Title I of the National Housing Act by more than two percentage points.

HOEPA

"Bona Fide" discount points, if:

- Reduces the interest rate or time-price differential applicable to transaction based on a calculation that is consistent with established industry practices for determining the amount of reduction in the interest rate or time-price differential appropriate for the amount of discount points paid by the consumer; and
- Accounts for the amount of compensation that the creditor can reasonably expect to receive from secondary market investors in return for the transaction.

HOEPA

Points and fees definition:

- Closed end loans
  - Enumerates six specific categories of items that creditors must include in points and fees
- Open-end loans
  - Each item required to be included for closed-end mortgages;
  - Certain participation fees;
  - Minimum fee the creditor minimum fee the creditor would require the consumer to pay to draw down an amount equal to the total credit line.

HOEPA

Limitations

- **Balloon Payments** – A payment of more than twice as large as the average of regular periodic payments – or – a payment that is more than two times the regular payment.

- **Prepayment Penalties**

- **Acceleration of debt –** Other than in circumstances of default, due on sale or material violations.

HOEPA

Prohibitions

- **Payments to home improvement contractors**
- **Required notice to assignees**
- **Flipping.** Cannot refinance a high cost mortgage into a high cost mortgage within one year unless in the borrower's interest
- **Repayment ability.** Cannot rely on value of consumer's collateral and must consider repayment ability
- **Preloan counseling.** Must obtain written confirmation by a counselor of the advisability of the mortgage. The counseling must occur after receipt of the GFE.
- **Recommend default.**

HOEPA

Prohibitions (con't)

- **No modification or deferral fees.**
- **Late fees capped.** Late fees may not exceed 4% of the amount past due, and not before 15 days late.
- **Payoff Statements.** Cannot impose a fee to obtain payoff information, except for disclosed processing fees or fee for multiple requests.
- **Financing of points and fees.** May not finance points and fees.
- **Cannot evade protections**

HOEPA

- Historically, originations of high-cost mortgages have accounted for an extremely small percentage of the market.
  - Assignee liability provisions make the loans relatively unattractive to secondary market investors.
  - General compliance burden and stigma.
- Numbers declining since 2004, HOEPA loans typically comprised about 0.2 percent of originations of home-secured refinance or home-improvement loans made by lenders
- Future uncertain

HOEPA

Homeownership Counseling Disclosure

Not later than three business days after a lender, mortgage broker, or dealer receives an application, or information sufficient to complete an application, the lender must and the broker may provide a clear and conspicuous written list of five homeownership counselors or counseling organizations located:

- Within the zip code of the loan applicant's current address; or
- If five counselors or counseling organizations are not within the zip code of the loan applicant's current address, then within the zip code or zip codes closest to the loan applicant's current address.

HOEPA

Negative Amortization

Cannot extend credit to a first-time borrower in connection with a closed-end mortgage, other than a reverse mortgage or a timeshare, that may result in negative amortization without certification of homeownership counseling.

Creditor must provide a list of five counselors and cannot steer to any counselor in particular

LOAN ORIGINATOR COMPENSATION

&

MORTGAGE ORIGINATOR PRACTICES

Loan Officer Compensation

Governing Law

Section 129B of TILA as established by Dodd-Frank Act Sections 1402 and 1403.

Requires certain creditors and mortgage loan originators to meet duty of care qualifications and prohibiting mortgage loan originators, creditors, and the affiliates of both from receiving compensation in various forms (including based on the terms of the transaction) and from sources other than the consumer.

Prohibit “steering incentives.”

Loan Officer Compensation

Timeline for CFPB Regulation

- CFPB issued a proposed rule on August 17, 2012
- Comments are due by October 16, 2012
- The proposal:
  - Clarifies and expands existing regulations governing loan originator compensator and qualifications.
  - Implements new laws including restriction on payment of upfront discount points, origination points, and fees on most mortgage loans
- Issue final rules by January 2013

Loan Officer Compensation

Restrictions on Loan Originator Compensation

- Continues ban on loan originator compensation based on terms of loan:
  - Allows certain reductions in loan originator compensation to cover unanticipated increases in closing costs from non-affiliated parties
  - Clarifies when a factor is used as a “proxy” for a loan term
- Addresses pooled compensation, profit sharing, bonus plans:
  - Permit 401(K) plans, employee stock plans, other qualified plans under tax and employment law
  - Permits bonuses if LO made five or few mortgages over 12 months or the company’s revenues are limited

Loan Officer Compensation

What is a "proxy?"

A factor is a proxy for a transaction term if the factor substantially correlates with a term or terms of the transaction and the loan originator can, directly or indirectly, add, drop or change the factor when originating the transaction.

Examples: Loan officer seniority is NOT a proxy; Sale into the secondary market MAY be a proxy

Loan Officer Compensation

Qualified and Non-Qualified Plans

- Permissible to pay compensation in the form of a contribution to a qualified plan provided not directly or indirectly based on the terms of that LOs transactions.
- Bonus and profit-sharing plans subject to an alternative proposal, provided not directly or indirectly based on the terms of that LOs transactions and:
    - Alternative “A” – not more than 50 percent of the total revenues of the person are derived from the person’s mortgage business; or
    - Alternative “B” - not more than 25 percent of the total revenues of the person are derived from the person’s mortgage business; or
    - The LO was the originator of five or fewer transaction during 12-month period

Loan Officer Compensation

Maximum and Minimum Compensation

Creditors may set a minimum or maximum amount of compensation.

Example. A creditor **may** offer a loan originator one percent of the amount of credit extended for all loans the originator arranges for the creditor, but not less than $1,000 or greater than $5,000 for each loan.

A creditor **may not** compensate a loan originator one percent of the amount of credit extended for loans of $300,000 or more, two percent of the amount of credit extended for loans between $200,000 and $300,000, and three percent of the amount of credit extended for loans of $200,000 or less.

Loan Officer Compensation

Variations Based on Loan Terms

Even if the only compensation that a loan originator receives comes directly from the consumer, that compensation may not vary based on the loan terms.

Loan Officer Compensation

Pooling

The Bureau proposes to make clear that, where loan originators are compensated differently and they each originate loans with different terms, it is not permissible to pool compensation so that the loan originators share in that pooled compensation because each loan originator is being paid based on loan terms, with each loan originator receiving compensation based on the terms of the loans made by the loan originators collectively.

This type of pooling arrangement could provide an incentive for the loan originators participating in the pooling arrangement to steer some consumers to loan originators that originate loan with less favorable terms (for example, that have a higher interest rate), to maximize their compensation.

Loan Officer Compensation

Point Banks and Pricing Concessions

There are no circumstances under which point banks are permissible, and they are prohibited.

Creditor may change loan terms or pricing to match a competitor, avoid triggering high-cost loan provisions, or for other reasons but may **not** affect the loan originator’s compensation.

Notwithstanding the above, does **not** prohibit loan originators from decreasing their compensation to cover unanticipated increases in non-affiliated third-party closing costs that result in the actual amounts of such closing costs exceeding limits imposed by applicable law (*e.g.*, tolerance violations under Regulation X). This does not apply if the creditor or the loan originator knows or should reasonably be expected to know the amount of any third-party closing costs in advance.

Loan Officer Compensation

Dual Compensation

- LOs are prohibited from receiving any compensation from any person other than the consumer.
- Except that a LO Organization may pay compensation to an Individual LO.
- Commentary explains that the dual compensation restriction relates only to payments, such as commissions, that are specific to, and paid solely in connection with, the transaction in which the consumer has paid compensation directly to a LO.

Loan Officer Compensation

Restrictions on Upfront Fees

- Before a creditor or mortgage broker may impose upfront points and/or fees on a closed-end mortgage transaction, the creditor must make available to *qualified* consumers a comparable, alternative loan with no upfront fees retained by the creditor.
- “Zero-Zero Alternative” Safe harbor.
- Require information about zero-zero alternatives be provided in advertising and in three-day package?

Loan Officer Compensation

Upfront Fees

Generally include finance charges and exclude:

- Interest, including per-diem interest or the time-price differential;
- Any bona fide and reasonable third party charges not retained by the creditor or LO organization; and
- Charges excluded from the finance charge under 4(c)(5) (seller's points), 4(c)(7)(v) (escrows) and (d)(2) (property insurance).

Loan Officer Compensation

Lowest Total Dollar Amount

If two or more loans have the same total dollar amount of discount points and origination points and fees, the LO must present the loan with the lowest interest rate that has the lowest total dollar amount of discount points and origination points or fees.

Loan Officer Compensation

Loan Originator Qualification Requirements

- Requires employers to ensure LO meets character, fitness, and criminal background check standards and receives training consistent with duties.
- Ensure loan originator employees are SAFE Act licensed or registered where applicable.
- Required to list license or registration numbers on “key documents” (credit application, TILA/RESPA disclosures, Security instrument, RESPA Settlement Booklet)

Loan Officer Compensation

Additional Requirements

- Ban general agreements requiring consumers to submit any disputes that may arise to mandatory arbitration – may agree after dispute arises.
- Ban the financing of premiums for credit insurance – applies to “single premium”.
- These provisions apply to open-end lines of credit when secured by a principal dwelling.

Loan Officer Compensation

Recordkeeping – Increase from two years

- Maintain records of compliance for three years.
- Evidence of all compensation paid to loan originator.
- State disclosures of mortgage broker agreements are presumed to be a record of the amount actually paid to the loan originator.
- Criteria does not apply to *individual* loan originators.

Appraisal

Appraisal

- Sections 1471 through 1474 of the Dodd-Frank Act established a number of new requirements for appraisal activities
  - Appraisal independence,
  - Appraisals for higher-risk mortgages,
  - Regulation of appraisal management companies, a
  - Automated valuation models, and
  - Providing copies of appraisals and valuations.
- Many of the Dodd-Frank Act appraisal provisions are required to be implemented through joint rulemakings involving several federal agencies.
- Amendment to Section 701(e) ECOA is **not** a joint rulemaking (CFPB only)

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Appraisal

History

- In 2010 the Board implemented TILA section 129E through an interim final rule
- Designed to ensure that real estate appraisals based on the appraiser's independent professional judgment, free of any influence or pressure that may be exerted by parties that have an interest in the transaction.
- Among other things, the valuation independence requirements generally prohibit:
  - Coercion, extortion, inducement, bribery, or intimidation of, compensation or instruction to, or collusion with a person that prepares valuations
  - Material misrepresentations of the value of the consumer's principal dwelling
  - Direct or indirect interest, financial or otherwise, in the property or transaction for which the valuation is or will be performed; and
  - Extending credit if the creditor knows, at or before consummation, of a violation, unless the creditor documents that it has acted with reasonable diligence to determine that the valuation does not materially misstate or misrepresent the value of the consumer's principal dwelling

Appraisal

Two Appraisal Proposals

- August 15, 2012
- CFPB is proposed to amend Regulation B
  - Comments due October 15, 2012
  - Covers applications for credit to be secured by a first lien on a dwelling.
  - “ECOA – Appraisal”

- Interagency rulemaking
  - Federal Reserve Board, CFPB, FDIC, FHFA, NCUA, and OCC.
  - Comments due October 15, 2012 (PRA – 60 days from publication)
  - “Higher-Risk Appraisal”

ECOA - Appraisal

Coverage

- Appraisals and valuations
- All lending institutions – including credit unions and independent mortgage lenders
- First lien loans

ECOA - Appraisal

Timing

- Notify of right to copy within three business days of receiving an application
- Provide a copy of all written appraisals and valuations promptly (30 days) after receiving an appraisal or valuation, but in no case later than three business days prior to consummation of the mortgage.
- Requirement to provide copy of appraisal applies to incomplete, withdrawn and denied applications
- Permits waiver of three days prior to consummation
- If consumer waives - must still be given a copy of all written appraisals and valuations at or prior to closing.

ECOA - Appraisal

Disclosure Text

"You have the right to a copy of the appraisal report used in connection with your application for credit. If you wish a copy, please write to us at the mailing address we have provided. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application.

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close.

You can pay for an additional appraisal for your own use at your own cost."

ECOA - Appraisal

Fees

- Prohibits creditors from charging additional fees for providing a copy of written appraisals and valuations
- Permits a reasonable fee to reimburse the creditor for the cost of the appraisal or valuation unless otherwise required by law

Higher Risk - Appraisal

- New TILA Section 129H(d)
- Section 1471 of the Dodd-Frank Act
- Disclosure requirements that are similar to ECOA section 701(e):
  - Creditors must provide consumers, at least three days prior to closing, a copy of any appraisal prepared in connection with a higher-risk mortgage.
  - A statement that any appraisal prepared for the mortgage is for the creditor's sole use and that the consumer may choose to have a separate appraisal conducted at his or her own expense.

Higher Risk - Appraisal

What is a “higher-risk mortgage?”

A “residential mortgage loan” secured by a principal dwelling with an APR that exceeds the APOR for a comparable transaction as of the date the interest rate is set—

- By 1.5 or more percentage points, for a first lien residential mortgage loan with an original principal obligation amount that **does not exceed** or by 2.5 or more percentage points that **does exceed**, the amount for the maximum limitation on the original principal obligation of a mortgage in effect for a residence of the applicable size (jumbo loans), as of the date of such interest rate set; and
- By 3.5 or more percentage points for a subordinate lien residential mortgage loan.

Expressly excludes qualified mortgages and reverse mortgage loans that are qualified mortgages

Higher Risk - Appraisal

What is a “higher-risk mortgage?”

- Alternative definition
- Mirrors “high-risk mortgage” definition except substitutes “transaction coverage rate” (TCR)
- TCR same as for HOEPA

Higher Risk - Appraisal

To extend higher-risk mortgage credit:

- "Obtain a written appraisal" performed by a certified or licensed appraiser who conducts an interior physical property visit.
- If the seller obtained the property within 180 days at a lower price, obtain an additional appraisal from a different certified or licensed
  - Include an analysis of the difference in sale prices, changes in market conditions, and any improvements made.
- At the time of the initial mortgage application, disclose that any appraisal is for the sole use of the creditor, and that the applicant may obtain a separate appraisal at the applicant's expense.
- Provide one copy of each appraisal without charge, at least three days prior to the transaction closing date.

Higher Risk - Appraisal

- "Obtain a written appraisal"
- Safe harbor for compliance
  - Orders that the appraiser perform the appraisal in conformity with the Uniform Standards of Professional Appraisal;
  - Verifies through the National Registry that the appraiser who signed the appraiser's certification was a certified or licensed appraiser in the State;
  - Confirms that certain elements are addressed in the written appraisal; and
  - Have no actual knowledge to the contrary of facts or certifications contained in the written appraisal.

Higher Risk - Appraisal

Appendix – Appraisal Elements

- Identifies the creditor who ordered the appraisal and the property and the interest being appraised.
- Indicates whether the contract price was analyzed.
- Addresses conditions in the property's neighborhood.
- Addresses the condition of the property and any improvements to the property.
- Indicates which valuation approaches were used, and includes a reconciliation if more than one valuation approach was used.
- Provides an opinion of the property's market value and an effective date for the opinion.
- Indicates that a physical property visit of the interior of the property was performed.
- Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of USPAP.
- Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of FIRREA title XI, as amended, and any implementing regulations.

Higher Risk - Appraisal

Two Appraisal Requirements

Obtain two written appraisals for higher-risk mortgage if

- The seller acquired the property 180 or fewer days prior to the date of the consumer's agreement to acquire the property from the seller; and
- The price at which the seller acquired the property was lower than the price that the consumer is obligated to pay to acquire the property, as specified in the consumer's agreement to acquire the property from the seller, by an amount equal to or greater than a certain amount

May not charge for appraisal

Higher Risk - Appraisal

Disclose the following statement, in writing:

> “We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.”

Not later than the third business day after the creditor receives the consumer’s application.

RESPA/TILA Mortgage Servicing Proposed Rules

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RESPA/TILA Mortgage Servicing Proposed Rules

<u>Mortgage Servicing Proposal</u>

- The CFPB issued two separate companion proposals, one amending Regulation Z (TILA) and one, Regulation X (RESPA)
- Implements servicing protection amendments contained in Dodd-Frank Act sections 1418, 1420, 1463 and 1464
- Addresses both disclosure requirements and procedures
  - Comments due by October 9, 2012

RESPA/TILA Servicing Proposed Rules

Scope

- Applies generally to closed-end mortgage loans, with exceptions.
- Under Regulation Z amendments, the periodic statement and ARM disclosure provisions apply only to closed-end mortgage loans, but prompt crediting of payments and payoff statement provisions apply both to open-en and closed-end mortgage loans.

RESPA/TILA Servicing Proposed Rules

Scope (cont'd)

- Reverse mortgages and timeshares are excluded from the periodic statement requirement and certain construction loans are excluded from the ARM disclosure requirements.
- Under Regulation X proposal, open-end lines of credit and certain other loans, such as construction loans and business-purpose loans are excluded.
- CFPB is considering exempting small servicers from certain requirements or modifying certain requirements for small servicers and has requested comment on this issue.

RESPA/TILA Servicing Proposed Rules

The proposals cover nine major topics, discussed below.

1. Periodic billing statements (TILA Proposal).

- Implements the Dodd-Frank Act mandate that servicers of closed-end residential mortgage loans (other than reverse mortgages) send a periodic statement for each billing cycle.
- These statements must meet the timing, form, and content requirements provided for in the rule.
- The proposal contains sample forms that servicers could use.

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RESPA/TILA Servicing Proposed Rules

1. Periodic billing statements (TILA Proposal) cont'd).

- The periodic statement requirement generally would not apply for fixed-rate loans if the servicer provides a coupon book, so long as the coupon book contains certain information specified in the rule and certain other information is made available to the consumer.
- The proposal also includes an exception for small servicers that service 1000 or fewer mortgage loans and service only mortgage loans that they originated or own.

RESPA/TILA Servicing Proposed Rules

2. Adjustable-rate mortgage interest-rate adjustment notices (TILA Proposal).

- Servicers would be required to:
  - provide a consumer whose mortgage has an adjustable rate with a notice 60 to 120 days before an adjustment which causes the payment to change.
  - provide an earlier notice 210 to 240 days prior to the first rate adjustment. This first notice may contain an estimate of the rate and payment change.
  - Other than this initial notice, servicers would no longer be required to provide an annual notice if a rate adjustment does not result in an increase in the monthly payment.

The proposal contains model and sample forms that servicers could use.

RESPA/TILA Servicing Proposed Rules

3. *Prompt payment crediting of payments and payoff payments (TILA Proposal).*

- Proposal mirrors requirements of the Dodd-Frank Act, under which
  - servicers must promptly credit payments from borrowers, generally on the day of receipt.
  - if a servicer receives a payment that is less than a full contractual payment, the payment may be held in a suspense account. When the amount in the suspense account covers a full installment of principal, interest, and escrow (if applicable), the proposal would require the servicer to apply the funds to the oldest outstanding payment owed.

RESPA/TILA Servicing Proposed Rules

3. *Prompt payment crediting of payments and payoff payments (TILA Proposal) (cont'd).*
   - servicers also would be required to send an accurate payoff balance to a consumer no later than seven business days after receipt of a written request from the borrower for such information.

RESPA/TILA Servicing Proposed Rules

4. Force-placed insurance (RESPA Proposal).

- As required by the Dodd-Frank Act, servicers would not be permitted to charge a borrower for force-placed insurance coverage unless the servicer has a <u>reasonable basis</u> to believe the borrower has failed to maintain hazard insurance and has provided required notices.
- One notice to the borrower would be required at least 45 days before charging for forced-place insurance coverage, and a second notice would be required no earlier than 30 days after the first notice.
- The proposal contains model forms that servicers could use.

RESPA/TILA Servicing Proposed Rules

4. Force-placed insurance (RESPA Proposal) (cont'd).

- If a borrower provides proof of hazard insurance coverage, then the servicer would be required to cancel any force-placed insurance policy and refund any premiums paid for periods in which the borrower's policy was in place.
- If a servicer makes payments for hazard insurance from a borrower's escrow account, a servicer would be required to continue those payments rather than force-placing a separate policy, <u>even if there is insufficient money in the escrow account.</u>

RESPA/TILA Servicing Proposed Rules

4. Force-placed insurance (RESPA Proposal) (cont'd).

- The rule would also provide that charges related to forced place insurance (other than those subject to State regulation as the business of insurance or authorized by federal law for flood insurance) must relate to a service that was actually performed and such charges would have to bear a reasonable relationship to the servicer's cost of providing the service.

RESPA/TILA Servicing Proposed Rules

5. Error resolution and information requests (RESPA Proposal).

- Pursuant to the Dodd- Frank Act, servicers would be required to meet certain procedural requirements for responding to information requests or complaints of errors. The proposal defines specific types of claims which constitute an error, such as a claim that the servicer misapplied a payment or assessed an improper fee.
- A borrower could assert an error either orally or in writing.

RESPA/TILA Servicing Proposed Rules

5. Error resolution and information requests (RESPA Proposal) (cont'd).

- Servicers could designate a specific phone number and address for borrowers to use.
- Servicers would be required to acknowledge the request or complaint within five days.
- The servicer would have to correct or respond to the borrower with the results of the investigation, generally within 30 to 45 days.

RESPA/TILA Servicing Proposed Rules

5. Error resolution and information requests (RESPA Proposal) (cont'd).

- Servicers generally would be required to acknowledge borrower requests for information and either provide the information or explain why the information is not available within a similar amount of time.
- A servicer would not be required to delay a scheduled foreclosure sale to consider a notice of error unless the error relates to the servicer's improperly proceeding with a foreclosure sale during a borrower's evaluation for alternatives to foreclosure.

RESPA/TILA Servicing Proposed Rules

6. Information management policies and procedures (RESPA Proposal).

- Servicers would be required to establish reasonable information management policies and procedures, based on the servicer's size, scope, and nature of its operations.
- A servicer's policies and procedures would satisfy the rule if the servicer regularly achieves the document retention and servicing file requirements, as well as certain objectives specified in the rule, such as accurate and timely information to borrowers and the courts or enabling service personnel to have prompt access to documents and information submitted in connection with loss mitigation applications.

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RESPA/TILA Servicing Proposed Rules

6. *Information management policies and procedures (RESPA Proposal) (cont'd).*

- Servicer must retain records relating to each mortgage until one year after the mortgage is discharged or servicing is transferred and must create a mortgage servicing file for each loan containing certain specified documents and information.

RESPA/TILA Servicing Proposed Rules

7. Early intervention with delinquent borrowers (RESPA Proposal).

- Servicers would be required to make good faith efforts to notify delinquent borrowers of loss mitigation options.
- If a borrower is 30 days late, the proposal would require servicers to make a good faith effort to notify the borrower orally and to let the borrower know that loss mitigations options may be available.
- If the borrower is 40 days late, the servicer would be required to provide the borrower with a written notice with certain specific information, including examples of loss mitigation options available, if applicable, and information on how to obtain more information about loss mitigation options.

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RESPA/TILA Servicing Proposed Rules

7. Early intervention with delinquent borrowers (RESPA Proposal) (cont'd).

- The notice would also provide information to the borrower about the foreclosure process.
- The rule contains model language servicers could use for these notices.

RESPA/TILA Servicing Proposed Rules

8. Continuity of contact with delinquent borrowers (RESPA Proposal).

- Servicers would be required to provide delinquent borrowers with access to personnel to assist them with loss mitigation options where applicable.
- The proposal would require servicers to assign dedicated contact personnel for a borrower no later than five days after providing the early intervention notice.
- Servicers would be required to establish reasonable policies and procedures designed to ensure that the servicer personnel perform certain specified functions where applicable, such as access the borrower's records and provide the borrower with information about how and when to apply for a loss mitigation option and about the status of the application.

RESPA/TILA Servicing Proposed Rules

9. Loss mitigation procedures (RESPA Proposal).

- Servicers that offer loss mitigation options to borrowers would be required to implement procedures to ensure that complete loss mitigation applications are reasonably evaluated before proceeding with a scheduled foreclosure sale.
- Servicers would be required to exercise reasonable diligence to secure information or documents required to make an incomplete loss mitigation application complete.
- In certain circumstances, this could include notifying the borrower within five days of receiving an incomplete application.

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RESPA/TILA Servicing Proposed Rules

9. Loss mitigation procedures (RESPA Proposal) (cont'd).

- Within 30 days of receiving a borrower's complete application, the servicer would be required to evaluate the borrower for all available options, and, if the denial pertains to a requested loan modification, notify the borrower of the reasons for the servicer's decision, and provide the borrower with at least a 14-day period within which to appeal the decision.
- The proposal would require that appeals be decided within 30 days by different personnel than those responsible for the initial decision.

RESPA/TILA Servicing Proposed Rules

9. Loss mitigation procedures (RESPA Proposal) (cont'd).

- A servicer that receives a complete application for a loss mitigation option could not proceed with a foreclosure sale unless (i) the servicer had denied the borrower's application and the time for any appeal had expired; (ii) the servicer had offered a loss mitigation option which the borrower declined or failed to accept within 14 days of the offer; or (iii) the borrower failed to comply with the terms of a loss mitigation agreement.
- The proposal would require that deadlines for submitting an application for a loss mitigation option be no earlier than 90 days before a scheduled foreclosure sale.

RESPA/TILA Servicing Proposed Rules

Small Servicers

- The CFPB convened a Small Business Regulatory Enforcement Fairness Act (SBREFA) panel to assess the impact of the possible rules on small servicers and to help the Bureau determine to what extent it may be appropriate to consider adjusting these standards for small servicers, to the extent permitted by law.
- Informed by this process, the 2012 TILA Servicing Proposal contains an exemption from the periodic statement requirement for certain small servicers.
- The Bureau seeks comment on whether other exemptions might be appropriate for small servicers.

Basel III Proposed Rules

BASEL III Proposed Rules

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Basel III Proposed Rules

What does Basel III do?

*Required Capital Ratios (**Increased**) =*

$$\frac{Capital(\boldsymbol{Narrowed})}{RiskWeightedAssets(\boldsymbol{Increased})}$$

Summary: Basel III fundamentally changes how banks and holding companies calculate capital ratios.

Basel III Proposed Rules

Narrows what counts as capital: Greater focus on common equity. Specifically, proposals would:

- Create a new regulatory capital component: common equity tier 1 capital
- Require the inclusion of most accumulated other comprehensive income in the definition of regulatory capital (this brings mark-to-market accounting into regulatory capital creating more volatility)
- Deduct mortgage servicing assets and certain deferred tax assets from capital. (10% of common equity);

Basel III Proposed Rules

Establishes higher capital ratios for all banks: Increases the minimum levels of capital:

- New minimum capital requirements:
    1. Common equity tier 1capital to total risk-weighted assets ratio of 4.5% (*new*)
    2. Tier 1 capital to total risk-weighted assets ratio of 6% (*increased from 4%*)
    3. Total capital to total risk-weighted assets ratio of 8% (*unchanged*)
    4. Leverage ratio of 4% (*unchanged*)
- Establishes a new capital conservation buffer of 2.5% (effectively a 2.5% add on to all of the minimum requirements). Failure to maintaining the buffer would result in restrictions on dividends and certain bonus payments.

Basel III Proposed Rules

<u>Establishes higher risk weighted assets for all banks</u>: Basel III establishes new methodologies for calculating risk weighted assets. Among other things, it would:

- Revise risk weights for residential mortgages based on loan-to-value ratios and certain product and underwriting features;
- Increase capital requirements for past due loans, acquisition, development and construction loans and certain short term loan commitments;
- Replace references to credit ratings with complicated procedures for banks themselves to calculate credit risks; and,
- Establish due diligence requirements for securitization exposures to ensure banks understand the complex instruments they are purchasing.

Basel III Proposed Rules

Deep Repercussions for mortgage lending banks:

- Institutions will be required hold more capital against mortgages
- Institutions must deduct mortgage servicing assets exceeding 10% of common equity tier 1.
- Rule would result in substantial additional capital charges for a significant volume of sold mortgages by treating credit enhancements or warranties on sold or transferred assets as off-balance sheet guarantees.

Basel III Proposed Rules

ABA Advocacy:

- Orchestrated advocacy efforts to repeal rule.
- Embraced concept of adequate high-quality capital levels for all banks, but emphasized that the Basel III proposals go too far by subjecting capital to volatile market swings, penalizing mortgage and small-business lending, and imposing a complex one-size-fits-all approach on measuring asset risks that forces capital standards to do what other supervisory tools can accomplish more effectively.
- ABA has urged that the rule be withdrawn and empirical studies undertaken to better inform the development of a more balanced and appropriate set of rules.
- Through this advocacy, the Basel III capital proposals have already been delayed from their previous effective date of January 1, 2013.

Question and Answer