

CHANGE REQUIRED BY the Consumer Financial Protection Bureau (CFPB)

Who:

The Credit Union, assignee, or servicer of an adjustable-rate mortgage shall provide disclosures to consumers, as described in §1026.20(c), in connection with the adjustment of interest rates resulting in a corresponding adjustment to the payment.

What:

The Credit Union must make disclosures in connection with the initial reset of an adjustable-rate mortgage (ARM) and each time an interest rate adjustment results in a payment change (increase or decrease).

There are 2 types of notices

- ❖ The 20(d) initial interest rate adjustment notice is required only for the first time the interest rate adjusts. It must be provided to a consumer between 210 days and 240 days before the first payment at the new rate is due.
- ❖ The 20(c) ongoing interest rate adjustment notice must be provided to a consumer between 60 and 120 days before the first payment at the new rate is due each time an interest rate adjustment results in a payment change.

Scope:

The Credit Union must provide these notices for ARMs secured by the consumer's principal dwelling. For the purposes of this rule, an ARM is a closed-end consumer credit transaction in which the annual percentage rate may increase after consummation.

ARMs with a term of 1 year or less are exempt from both initial and ongoing disclosures 20(c) and 20(d). Also, there is no small servicer exemption to the interest rate adjustment notice requirements.

In addition, a 20(c) ongoing interest rate adjustment disclosure is not required the first time the ARM adjusts if the first payment at the adjusted level is due within 210 days after consummation and the new interest rate you disclosed in the 20(d) notice at consummation was not an estimate.

When:

In general, the Credit Union must send the 20(d) initial interest rate adjustment disclosure at least 210 days, but no more than 240 days, before the first payment at the adjusted level is due.

- ❖ If the first payment at the adjusted level is due within the first 210 days after consummation, provide the disclosures at consummation.

In general, the Credit Union must send the 20(c) ongoing interest rate adjustment notice disclosing an interest rate adjustment causing a payment change at least 60 days, but no more than 120 days, before the first payment at the adjusted level is due.

The rules also provide special timing requirements to address frequently-adjusting ARMs, ARMs with short look-back periods, and ARMs adjusting soon after consummation:

- ❖ If an ARM has regularly scheduled interest rate adjustments occurring every 60 days or more frequently, provide the disclosures at least 25 days, but no more than 120 days, before the first payment at the adjusted level is due.

- ❖ If an ARM was originated prior to January 10, 2015, and the adjusted interest rate and payment are calculated based on an index figure available less than 45 days prior to the adjustment date, provide the 20(c) disclosures at least 25 days, but no more than 120 days, before the first payment at the adjusted level is due.
- ❖ If the first adjustment to an ARM is to occur within 60 days of consummation and the 20(d) notice you provided at consummation contained an estimated adjusted interest rate, provide the 20(c) disclosure as soon as practicable, but not less than 25 days before the first payment at the adjusted level is due.

Delivery:

The 20(d) initial interest rate adjustment disclosure must be a separate document. The 20(c) ongoing interest rate adjustment disclosure must be segregated from other information but may be on the same document as other information. Both ARM disclosures may be sent in the same envelope with other disclosures, such as the periodic statement.

Final note: The initial 20(d) ARM Notice is in addition to the current CE ARM Important Terms Disclosure as required by Reg Z, It does not replace it.

For sample forms, phone or email Conmar----- 800.227.4931 or 770.487.3883
sales@conmarsystems.com

We will automatically provide form updates to Conmar credit union accounts that have closed end variable rate mortgage programs.

The information contained in this notice is provided with the understanding that the author and company are not engaged in rendering legal advice. As such, information should not be used as a substitution for consultation with credit union legal counsel.