

# REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION  
1775 DUKE STREET, ALEXANDRIA, VA 22314

**DATE:** September 2004

**NO.:** 04-RA-11

**TO:** All Credit Unions

**SUBJECT:** Home Ownership and Equity Protection Act

Dear Board of Directors:

The purpose of this regulatory alert is to inform you of recent changes to the trigger amount requiring additional disclosure in accordance with the Home Ownership and Equity Protection Act of 1994 (HOEPA). Section 32 of Regulation Z, Truth in Lending, implements HOEPA.

Annually, the Board of Governors of the Federal Reserve System revises the amount of points and fees charged to a borrower before HOEPA disclosure requirements are triggered. Effective January 1, 2005, the trigger amount will be increased to \$510. If total points and fees equal the greater of \$510 or 8 percent of the loan amount, HOEPA requires additional disclosures be provided to the borrower.

HOEPA applies to:

- First lien mortgage loans, excluding home purchases, where:
  - the annual percentage rate (APR) exceeds the rate of the comparable maturity Treasury security by more than 8 percentage points, or
  - total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual trigger amount.
- Second lien mortgage loans where:
  - the APR exceeds the rate of the comparable maturity Treasury security by more than 10 percentage points, or

- total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual trigger amount.
- Other refinancing and home equity installment loans, excluding reverse mortgages and open ended lines of credit, where:
  - the APR exceeds the rate of the comparable maturity Treasury security by more than 10 percentage points, or
  - total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual trigger amount.

A concise overview of HOEPA is published on the Federal Trade Commission's web site at: <http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea19.shtm>

Should you have questions about HOEPA disclosure requirements, please do not hesitate to contact your regional office or state supervisory authority.

Sincerely,

/s/

JoAnn M Johnson  
Chairman