

# REGULATORY ALERT

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

**DATE:** October 2005

**NO.:** 05-RA-08

**TO:** Federally Insured Credit Unions

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

Dear Board of Directors:

The Home Ownership and Equity Protection Act of 1994 (HOEPA) provides additional protection to borrowers that receive loans with interest rates or total fees over certain thresholds. Section 32 of Regulation Z, Truth in Lending, implements HOEPA.

Annually, the Board of Governors of the Federal Reserve System updates the maximum amount of points and fees that may be charged to a borrower without triggering HOEPA requirements. For HOEPA purposes, this cost to the borrower is often referred to as the trigger amount. Effective January 1, 2006, the trigger amount will increase to \$528. If total points and fees equal the greater of \$528 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 Johnson  
Chairman