



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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NEW LAW on Residential Mortgage Lending Practices

Effective June 12, 2008, credit unions that do residential mortgage lending must comply with a new state law (SHB 2770, Chapter 108, Laws of 2008).

Some of the law's requirements are as follows:

- A new mortgage disclosure summary form must be provided at the time of loan application or within three business days. The disclosure summary must include fees, discount points, interest rate, broker's yield spread premium, presence of prepayment penalties and a balloon payment, whether property taxes and insurance are escrowed, and other key terms and conditions of the loan.
- New rules implementing recent federal "Guidance on Non-Traditional Mortgage Product Risks" and the federal "Statement on Subprime Mortgage Lending" ("The Guidance").
- Prohibition on negative amortization on Non-Traditional or Subprime residential mortgages.
- Prohibitions on prepayment penalties that extend beyond 60 days prior to the initial reset of an adjustable rate mortgage.
- Criminal penalties for mortgage fraud

Credit unions must comply with all elements of the new law, beginning June 12, 2008. The Department of Financial Institutions (DFI) is in the process of developing rules pertaining to the new mortgage disclosure summary form and the federal Guidance. The rulemaking process begins in June, and DFI will hold hearings, seek comments, and provide rule-making records and proposed drafts of the rules at http://www.dfi.wa.gov/resources/2770_disclosure_rulemaking.htm

PLEASE NOTE that during the time required for rulemaking, credit unions are not exempt from complying with the provisions of the new law. Therefore, credit unions should seek legal counsel and take other appropriate steps to comply with the law and minimize legal risk.

To help credit unions while the rulemaking process is pending, a provisional suggested model disclosure summary form will be made available by DFI on our website.

You can read the new law, along with a summary Bill Report by going to this link:

<http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/Session%20Law%202008/2770-S.SL.pdf> .

You can read the “Guidance” at: <http://www.fdic.gov/news/news/press/2006/pr06086b.pdf> and <http://www.fdic.gov/news/news/press/2007/pr07055a.html>

Please review these documents to ensure your credit union’s readiness for the new law.

If you have any questions, please call Joanne Conrad, Regulatory Analyst, at (360) 902-8813 or call Linda Jekel, Director of Credit Unions at (360) 902-8778.