

**Key Points of  
Housing and Economic Recovery Act of 2008 (H.R. 3221) and  
the Federal Reserve's Amended Regulation Z (Truth in Lending)**

**August 2008**

<b>H.R. 3221</b>	<b>Regulation Z</b>
<p><u>Federal housing finance regulatory reform</u></p> <ul style="list-style-type: none"> <li>• new regulator</li> <li>• revised loan limits in high cost areas</li> <li>• new funds for construction of affordable housing</li> </ul> <p><u>Treasury emergency authority</u></p> <p><u>HOPE for homeowners</u></p> <ul style="list-style-type: none"> <li>• new, temporary, voluntary program</li> <li>• FHA-insured mortgages for distressed borrowers</li> <li>• October 2008 through September 2011</li> </ul> <p><u>SAFE mortgage licensing</u></p> <ul style="list-style-type: none"> <li>• based on CSBS, AARMR system</li> <li>• NMLSR</li> <li>• loan originators must register</li> <li>• national standards</li> <li>• includes depository institutions</li> </ul> <p><u>Foreclosure prevention</u></p> <ul style="list-style-type: none"> <li>• “FHA modernization”</li> <li>• foreclosure protection for service members</li> <li>• emergency assistance for redevelopment</li> <li>• money for housing counseling</li> <li>• improved disclosures</li> </ul> <p><u>Housing assistance tax benefits</u></p> <ul style="list-style-type: none"> <li>• increase low-income housing tax credit</li> <li>• \$8,000 first-time homebuyer credit</li> <li>• \$1,000 property tax standard deduction</li> <li>• \$11B increase in mortgage revenue bonds</li> <li>• other changes</li> </ul> <p><u>Revenue provisions</u></p>	<p>“Importantly, the new rules will apply to all mortgage lenders, not just those supervised and examined by the Federal Reserve.” -- Federal Reserve Chairman Ben S. Bernanke</p> <p>For “higher-priced” mortgage loans (i.e., virtually all subprime loans) secured by consumer’s principal dwelling:</p> <ul style="list-style-type: none"> <li>• must assess repayment ability</li> <li>• must verify income and assets</li> <li>• no prepayment penalty if payment can change in first 4 years</li> <li>• no prepayment penalty period longer than two years</li> <li>• escrow accounts required for taxes and insurance</li> </ul> <p>For all loans secured by consumer’s principal dwelling:</p> <ul style="list-style-type: none"> <li>• coercing real estate appraiser prohibited</li> <li>• certain servicing practices prohibited</li> <li>• good faith cost estimate required for all loans secured by principal dwelling (e.g., home improvement loan; refinancing)</li> </ul> <p>Effective dates: October 1, 2009, except for escrow requirement, effective starting in 2010.</p> <p style="text-align: right;">/dz Legislative Counsel Bureau Research Division August 4, 2008</p>