Farm Credit Administration

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INFORMATIONAL MEMORANDUM

December 3, 2010

To: Chief Executive Officer
All Farm Credit System Institutions

From: Samuel R. Coleman, Director and Chief Examiner
Office of Examination

Subject: Interim Final Rule Amending Regulation Z (Truth in Lending)

The purpose of this Informational Memorandum is to provide information regarding a recently adopted interim final rule (IFR) amending Regulation Z (Truth in Lending). The IFR applies only to loans that are subject to the Truth in Lending Act (TILA) and will be codified in Regulation Z, at 12 CFR Part 226. All institutions should adopt appropriate procedures to ensure compliance with the IFR.

The new IFR implements Section 129E of the TILA, which was enacted on July 21, 2010, as Section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. TILA Section 129E establishes new requirements for appraisal independence for consumer credit transactions secured by the consumer's principal dwelling. The amendments are designed to ensure that real estate appraisals used to support creditors' underwriting decisions are based on the appraiser's independent professional judgment, free of any influence or pressure that may be exerted by parties that have an interest in the transaction. The amendments also seek to ensure that creditors and their agents pay customary and reasonable fees to appraisers.

The rule will be effective on December 27, 2010, except for one provision that will be effective on April 1, 2011. To allow time for any necessary operation changes, compliance with the IFR is optional until April 1, 2011.

Interested parties may submit comments on this interim final rule until December 27, 2010. The Federal Reserve Board will consider these comments before it issues a final rule.

A link to the IFR, which was published at 75 FR 66554 (Oct. 28, 2010), is below.

http://www.gpo.gov/fdsys/pkg/FR-2010-10-28/pdf/2010-26671.pdf

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by e-mail at cohnj@fca.gov; and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at stephensd@fca.gov.