

## Press Releases

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OTS 98-03 - OTS Rewrites ARM Disclosure Rule

# Office of Thrift Supervision

# NEWS

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For further information

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Contact: Paul Lockwood

OTS 98-3

202/906-6693

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### **OTS Rewrites ARM Disclosure Rule**

WASHINGTON, D.C., Jan. 8, 1998 -- The Office of Thrift Supervision (OTS) today issued an interim final rule giving thrifts options when they explain potential interest payments to borrowers taking out adjustable rate mortgage (ARM) loans.

The OTS rule is essentially the same as the Federal Reserve Board's recently revised ARMs disclosure provisions of Regulation Z. The Fed amended Regulation Z on Dec. 1, 1997, as required by the Economic Growth Regulatory Paperwork Reduction Act of 1996.

OTS' rule appeared in today's Federal Register and is effective immediately, although the agency welcomes public comment for the next 60 days.

The amended OTS rule -- like the revised Fed rule -- requires thrifts to either: (1) provide a borrower with a 15-year historic example showing what ARM payments would have been on a \$10,000 loan, or (2) disclose the maximum interest rate and payment possible for a \$10,000 loan. Under either option, the thrift must explain how the consumer may calculate interest payments on the actual loan amount.

If a thrift chooses the second option, it must also provide a statement showing the initial interest rate and payment amount and a statement that the periodic payment may increase or

decrease substantially during the life of the loan. The rules apply to ARMs that have a term exceeding one year and are secured by property occupied -- or to be occupied -- by the borrower.

Under the old rule, lenders were required to provide both the 15-year historic example and the maximum possible interest rate and payment for a \$10,000 loan originated at the most recent interest rate shown in the historic example.

Disclosures for Adjustable-rate Mortgage Loans, Adjustment

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).