

110TH CONGRESS
1ST SESSION

H. R. 3705

To amend the Truth in Lending Act to require notice to consumers of an upcoming adjustment or reset date with respect to hybrid adjustable rate mortgages, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 2007

Ms. SUTTON introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To amend the Truth in Lending Act to require notice to consumers of an upcoming adjustment or reset date with respect to hybrid adjustable rate mortgages, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fair Disclosure for
5 Homeowners Act of 2007”.

1 **SEC. 2. 6-MONTH NOTICE REQUIRED BEFORE RESET OF HY-**
2 **BRID ADJUSTABLE RATE MORTGAGES.**

3 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-
4 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
5 after section 128 the following new section:

6 **“§ 128A. Reset of hybrid adjustable rate mortgages**

7 “(a) HYBRID ADJUSTABLE RATE MORTGAGES DE-
8 FINED.—For purposes of this section, the term ‘hybrid ad-
9 justable rate mortgage’ means a consumer credit trans-
10 action secured by the consumer’s principal residence with
11 a fixed interest rate for an introductory period that ad-
12 justs or resets to a variable interest rate after such period.

13 “(b) NOTICE OF RESET AND ALTERNATIVES.—Dur-
14 ing the 1-month period that ends 6 months before the date
15 on which the interest rate in effect during the introductory
16 period of a hybrid adjustable rate mortgage adjusts or
17 resets to a variable interest rate, the creditor or servicer
18 of such loan shall provide a written notice, separate and
19 distinct from all other correspondence to the consumer,
20 that includes the following:

21 “(1) Any index or formula used in making ad-
22 justments to or resetting the interest rate and a
23 source of information about the index or formula.

24 “(2) An explanation of how the new interest
25 rate and payment would be determined, including an

1 explanation of how the index was adjusted, such as
2 by the addition of a margin.

3 “(3) The best estimate of the creditor or
4 servicer of the amount of the monthly payment that
5 will apply after the date of the adjustment or reset,
6 and the assumptions on which this estimate is based.

7 “(4) A list of alternatives consumers may pur-
8 sue before the date of adjustment or reset, and de-
9 scriptions of the actions consumers must take to
10 pursue these alternatives, including—

11 “(A) refinancing;

12 “(B) renegotiation of loan terms;

13 “(C) payment forbearances; and

14 “(D) pre-foreclosure sales.

15 “(5) The names, addresses, telephone numbers,
16 and Internet addresses of counseling agencies or
17 programs reasonably available to the consumer that
18 have been certified or approved and made publicly
19 available by the Secretary of Housing and Urban
20 Development or a State housing finance authority
21 (as defined in section 1301 of the Financial Institu-
22 tions Reform, Recovery, and Enforcement Act of
23 1989).

24 “(6) The address, telephone number, and Inter-
25 net address for the State housing finance authority

1 (as so defined) for the State in which the consumer
2 resides.

3 “(c) PERIODIC DISCLOSURES.—All periodic state-
4 ments provided to a consumer by a creditor or servicer,
5 whether paper or electronic, with respect to a hybrid ad-
6 justable rate mortgage shall include, in a clear and con-
7 spicuous manner, the date on which such mortgage ad-
8 justs or resets from a fixed interest rate during the intro-
9 ductory period to a variable rate.”.

10 (b) CLERICAL AMENDMENT.—The table of sections
11 for chapter 2 of the Truth in Lending Act is amended
12 by inserting after the item relating to section 128 the fol-
13 lowing new item:

“128A. Reset of hybrid adjustable rate mortgages.”.

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