

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 1, 2007

**BANKING SUPERVISION AND REGULATION:
HOEPA PUBLIC HEARING**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Public Hearing under the Home Ownership and Equity Protection Act (HOEPA)

The Federal Reserve Board announced that it will hold a public hearing under the Home Ownership and Equity Protection Act (HOEPA) on June 14, to gather information on how it might use its rulemaking authority to curb abusive lending practices in the home mortgage market, including the sub-prime sector.

The Board is holding the hearing under HOEPA, which was enacted in 1994 in response to reports of predatory home equity lending practices in underserved markets. HOEPA amended the Truth in Lending Act (TILA) to impose additional disclosure requirements and other limits on certain high-cost, home-secured loans. HOEPA authorizes the Board to issue rules that prohibit certain acts or practices in connection with home mortgage loans and also directs the Board to periodically hold public hearings to examine the home equity lending market and the adequacy of existing regulatory and legislative provisions for protecting the interests of consumers, particularly low-income consumers.

"The goal is to find ways to promote sustainable homeownership through responsible lending, informed consumer choice, and effective guidance and regulation," said Federal Reserve Board Governor Randall S. Kroszner, who will chair the hearing. "We want to encourage, not limit, mortgage lending by responsible lenders, so it is crucial that any actions the Board might take are well calibrated and do not have unintended consequences."

The Board held four hearings in the summer of 2006 under HOEPA. Those hearings addressed the following three topics:

1. predatory lending and the impact of the existing HOEPA rules and state and local anti-predatory lending laws on the sub-prime market
2. nontraditional mortgage products such as interest-only mortgage loans and payment option adjustable rate mortgages, and reverse mortgages
3. how consumers select lenders and mortgage products in the sub-prime mortgage market

Based on testimony and public comment from the 2006 hearings, and in response to increased sub-prime mortgage foreclosures, the Board plans to hold a fifth hearing that will focus on how it might use its rulemaking authority to address concerns about abusive lending practices in the home mortgage market.

The hearing is scheduled for Thursday, June 14, 2007, at the Federal Reserve Board at 20th and C Streets, N.W., Washington, D.C. The Board will invite consumer advocacy organizations, lenders, and other interested parties to participate in panel discussions. In addition to the panel discussions, the Board intends to reserve about one hour in the afternoon to permit interested parties other than those on the panels to make brief statements. To allow as many as possible to offer their views during this period,

oral statements will be limited to three minutes; written statements of any length may be submitted for the record. The Board anticipates that the hearing will begin at 8:30 a.m. EDT and conclude at 4:00 p.m., however, this schedule is tentative and further information about the hearing, including the final schedule and the procedure for registering for security purposes to attend the hearing, will be published in the *Federal Register* and on the Board's web site at www.federalreserve.gov.

To attend the public hearing, please visit the following link and complete the registration form: <https://www.federalreserve.gov/secure/forms/hoeparegistration.cfm>

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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