

FEDERAL RESERVE SYSTEM**12 CFR Part 226**

[Regulation Z; Docket No. R-0998]

Truth in Lending

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of adjustment of dollar amount.

SUMMARY: The Board is publishing an adjustment to the dollar amount that triggers certain requirements of Regulation Z (Truth in Lending) for mortgages bearing fees above a certain amount. The Home Ownership and Equity Protection Act of 1994 sets forth rules for home-secured loans in which the total points and fees payable by the consumer at or before loan consummation exceed the greater of \$400 or 8 percent of the total loan amount. The Board is required to annually adjust the \$400 amount based on the annual percentage change in the Consumer Price Index as reported on June 1. The Board adjusted the \$400 amount to \$412 for 1996 and to \$424 for 1997. The Board has adjusted the dollar amount from \$424 to \$435 for 1998.

EFFECTIVE DATES: January 1, 1998 through December 31, 1998.

FOR FURTHER INFORMATION CONTACT: Michael Hentrel, Staff Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667. For the users of Telecommunications Device for the Deaf only, please contact Diane Jenkins at (202) 452-3544.

SUPPLEMENTARY INFORMATION:**Background**

The Truth in Lending Act (TILA; 15 U.S.C. 1601-1666j) requires creditors to disclose credit terms and the cost of consumer credit as an annual percentage rate. The act requires additional disclosures for loans secured by a consumer's home, and permits consumers to cancel certain transactions that involve their principal dwelling. The TILA is implemented by the Board's Regulation Z (12 CFR part 226).

On March 24, 1995, the Board published amendments to Regulation Z implementing the Home Ownership and Equity Protection Act of 1994 (HOEPA), contained in the Riegle Community Development and Regulatory Improvement Act of 1994, Public Law 103-325, 108 Stat. 2160 (60 FR 15463). These amendments, which became effective on October 1, 1995, are contained in § 226.32 of the regulation

and impose additional disclosure requirements and substantive limitations on certain closed-end mortgage loans bearing rates or fees above a certain percentage or amount. As to fees, creditors are generally required to comply with the rules in § 226.32 if the total points and fees payable by the consumer at or before loan consummation exceed the greater of \$400 or 8 percent of the total loan amount. The TILA (15 U.S.C. 1602(aa)(3)) and § 226.32(a)(1)(ii) of Regulation Z provide that the \$400 figure shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index (CPI) that was reported on the preceding June 1.

The Bureau of Labor Statistics publishes consumer-based indices monthly, but does not "report" a CPI change on June 1; adjustments are reported in the middle of each month. The Board believes the CPI-U index, which is based on all urban consumers and represents approximately 80 percent of the U.S. population, is the appropriate index to use in the adjustment to the \$400 dollar figure.

The adjustment to the \$400 dollar figure reflects the adjustment reported on May 15, 1997, the rate "in effect" on June 1, which states the percentage increase from April 1996 to April 1997. In 1995, the Board adjusted the \$400 amount to \$412 for 1996. Last year, the Board adjusted the \$400 amount from \$412 to \$424, reflecting a 2.9 percent increase in the CPI-U. During the period from April 1996 to April 1997, the CPI-U increased by 2.5 percent, bringing the adjusted amount to \$434.60. The Board is rounding that number to whole dollars for ease of compliance.

Adjustment

For the reasons set forth in the preamble, for purposes of determining whether a mortgage transaction is covered by § 226.32 (based on the total points and fees payable by the consumer at or before loan consummation), a loan is covered if the points and fees exceed the greater of \$435 or 8 percent of the total loan amount, effective January 1, 1998 through December 31, 1998.

By order of the Board of Governors of the Federal Reserve System, February 3, 1998.

William W. Wiles,

Secretary of the Board.

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SECURITIES AND EXCHANGE COMMISSION**17 CFR Part 211**

[Release No. SAB 98]

Staff Accounting Bulletin No. 98

AGENCY: Securities and Exchange Commission.

ACTION: Publication of Staff Accounting Bulletin.

SUMMARY: This staff accounting bulletin revises the views of the staff contained in certain topics of the staff accounting bulletin series to be consistent with the provisions of certain accounting standards recently adopted by the Financial Accounting Standards Board. Topics include: Topic 1.B—Allocation of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity; Topic 3.A—Convertible Securities; Topic 4.D—Earnings Per Share Computations in an Initial Public Offering; Topic 6.B.1—Income or Loss Applicable to Common Stock; and Topic 6.G.1—Selected Quarterly Financial Data (Item 302(a) of Regulation S-K).

EFFECTIVE DATE: February 3, 1998.

FOR FURTHER INFORMATION CONTACT: Cody L. Smith, Office of the Chief Accountant (202-942-4400), Kenneth T. Marceron, Division of Corporation Finance (202-942-2960), Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

Dated: February 3, 1998.

Margaret H. McFarland,
Deputy Secretary.

PART 211—[AMENDED]

Accordingly, Part 211 of Title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 98 to the table found in Subpart B.

Staff Accounting Bulletin No. 98

The staff hereby amends the following in the Staff Accounting Bulletin Series:

(a) Topics 1.B.2 and 1.B.3, regarding the allocation of expenses and related