

**Lender and Servicer Compliance with Consumer Financial Protection Bureau
Requirements for Adjustable Rate Mortgages**

1. Purpose. This Circular clarifies interest-rate adjustment, disclosure, and notice requirements for adjustable rate mortgages and hybrid adjustable rate mortgages (ARMs/ hybrid ARMs) guaranteed by the Department of Veterans Affairs (VA) under the Truth in Lending Act (TILA) and the Consumer Financial Protection Bureau (CFPB)'s 2013 TILA Servicing Rule.
2. Action. On February 14, 2013, CFPB published a final rule at 78 FR 10902 entitled "Mortgage Servicing Rules Under the Truth in Lending Act," referred to in this Circular as the 2013 TILA Servicing Rule. The 2013 TILA Servicing Rule becomes effective for VA-guaranteed ARMs/hybrid ARMs on January 10, 2015. VA intends to conform its regulations to this rule's requirements; however, should VA's revised regulations not be in place by January 10, 2015, all lenders and servicers must comply with the terms of the 2013 TILA Servicing Rule. We recommend that lenders and servicers refer to guidance provided by CFPB in order to ensure compliance with the 2013 TILA Servicing Rule. The section covering "Interest Rate Adjustment Notices" in the following guidance may be especially helpful: http://files.consumerfinance.gov/f/201401_cfpb_small-entity-compliance-guide_tila-respa.pdf
3. VA Regulations. VA expects to publish its revised regulations covering ARMs/hybrid ARMs interest-rate adjustment, disclosure, and notice requirements for VA-guaranteed home loans in the near future. Updates will be provided as they become available.
4. Rescission: This Circular is rescinded January 1, 2016.

By Direction of the Under Secretary for Benefits

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Director, Loan Guaranty Service

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