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High-Cost Loans Regulatory Change

Reunion Mortgage has a new process to accommodate regulatory changes effective October 1, 2009. This amendment to the Truth in Lending Act redefines the description of a high-cost loan. Although high-cost loans are legal, Reunion does not offer them due to investor restrictions.

The previous description of a high-cost loan analyzed the spread between the Annual Percentage Rate (APR) and the applicable Treasury Yield, which could not exceed 3% for a first mortgage and/or 5% for 2nd and 3rd mortgages.

The new regulation uses an Average Prime Offer Rate (APOR) instead of the Treasury Yield. Effective October 1st, the spread between the APR and the APOR cannot exceed 1.5% for a first mortgage and/or 3.5% for 2nd and 3rd mortgages.

Reunion will calculate the spread prior to drawing docs, and contact the broker if a loan falls into the high-cost loan category. It is possible that fees can be adjusted so Reunion can fund the loan. The new regulation is intended to protect consumers from unfair and deceptive lending practices.

If you have any questions, please contact your Account Executive or local branch.