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Office of The Attorney General  
**State of Connecticut**

December 16, 2010

Benjamin S. Bernanke, Chairman  
Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street & Constitution Avenue, NW  
Washington, DC 20551

**RE: Proposed Amendment to Truth In Lending Act Mortgage Regulations**

Dear Chairman Bernanke and Secretary Johnson:

I urge the Board of Governors of the Federal Reserve System (the "Board") to remove from the proposed amendment to Regulation Z the provision that significantly erodes consumers' existing right under the Truth In Lending Act ("TILA") to rescind certain mortgage loans where creditors have failed to follow federally mandated disclosure requirements. The right of rescission has been an effective bulwark against abusive and unlawful lending practices and should not be altered to the detriment of homeowners - especially in the midst of the current foreclosure crisis which is devastating communities and hobbling economic recovery.

As passed by Congress, TILA provides consumers an extended right of rescission for up to three years after origination of the loan. TILA and existing rules set forth in Regulation Z allow homeowners to rescind a loan if the lender fails to provide the homeowner with accurate disclosures regarding the loan amount, interest rate, or repayment terms. Although the homeowner must still repay the loan amount, the lender cannot foreclose because rescission voids the lender's security interest in the property. Therefore, the consumers' right of rescission creates an incentive for the lender and the homeowner to settle the rescission claim through an affordable and sustainable loan modification.

The Board's proposed amendment would eviscerate this extended right of rescission by requiring the homeowner to first pay off the entire loan amount prior to the rescission. Most homeowners will not have the financial ability to tender a lump sum payment because they will be unable to obtain alternative financing from another lender. Most homeowners are barely able to afford their current mortgages. They simply will not be able to obtain another mortgage (in order to pay off the first mortgage) with the mortgage lien still on the property.

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By conditioning rescission -- and voidance of the security interest -- on the homeowner's payment of the entire loan, the Board's proposed amendment would remove the current incentive for lenders to work with borrowers to achieve loan modifications -- a deplorable public policy position for the Board to take in today's economic climate.

Moreover, the Board's proposed amendment to Regulation Z is in conflict with Congressional intent and the express statutory language of TILA. Clearly, Congress did not intend to make rescission contingent upon tender, which would leave homeowners with no meaningful remedy when lenders violate basic federal protections by failing to provide required disclosures to consumers in mortgage lending transactions. Specifically, 15 U.S.C. § 1635(b) establishes that after the borrower invokes right of rescission by providing notice to the lender, the security interest is void. The borrower's obligation to tender arises only after the security interest is voided. Indeed, the current regulation, 12 C.F.R. 226.15, is consistent with the sequence established by Congress in TILA. Therefore, I strongly urge the Board to reject the proposed Regulation Z amendment and maintain the current regulations providing consumers with an extended right of rescission even if they are unable to tender payment of the entire loan amount prior to invoking that right.

Thank you for the opportunity to comment on the proposed amendments. If you have any questions or concerns regarding my comments, please contact Assistant Attorney General Joseph J. Chambers at (860) 808-5270 or [joseph.chambers@ct.gov](mailto:joseph.chambers@ct.gov).

Very truly yours,



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