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California State Senate

SENATE COMMITTEE ON BANKING, FINANCE & INSURANCE

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March 12, 2008



Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Subject: Docket No. R-1305, Comments on Proposed Amendments to Regulation Z

Dear Governors:

As Chair of the California State Senate Banking, Finance & Insurance Committee, I applaud the Federal Reserve Board for proposing new regulatory protections for consumers in the residential mortgage market through amendments to Regulation Z. On March 5, 2008, our Committee held an informational hearing to discuss the proposed changes to Regulation Z (see attached agenda). Mr. Leonard Chanin of your staff did an excellent job of describing the proposal and addressing questions from the Committee related to the proposal's scope, rationale, and the timing of its implementation.

After reviewing proposed revisions to Regulation Z and considering testimony provided by witnesses during our March 2008 informational hearing, I am writing to request that you amend Regulation Z to provide state regulators with explicit authority to enforce violations of the Truth in Lending Act (TILA) and the Home Ownership Equity Protection Act (HOEPA) against state licensees. We propose that you authorize state regulators to treat violations of TILA and HOEPA by state licensees as violations of state licensing laws.

Granting state mortgage regulators the express authority to apply TILA and HOEPA to their state licensees will significantly improve California's ability to ensure that both laws are uniformly applied in California and that California consumers receive all of the consumer protections intended by both laws.

Regulation Z clearly states its intent to allow enforcement by state authorities. It does so by granting state attorneys general the authority to enforce TILA and HOEPA at the state level. While state attorneys general can and do act to protect the public, they do not regularly examine state mortgage lenders or brokers, nor are they typically informed about the day-to-day activities of these state licensees. In contrast, state regulators, such as the California Department of Corporations, California Department of Financial Institutions, and California Department of Real

Estate, regularly examine their licensees and frequently receive and follow up on inquiries from the public about their licensees' actions. These three mortgage regulators are very well positioned to evaluate their licensees' compliance with Regulation Z, and will be much better able to protect consumers if they have express authority to enforce TILA and HOEPA within California.

Thank you very much for your attention to this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Machado". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

MICHAEL J. MACHADO, Chair
Senate Banking, Finance & Insurance Committee

Attachment

Cc: William Haraf, Commissioner, Department of Financial Institutions
Preston DuFauchard, Commissioner, Department of Corporations
Jeff Davi, Department of Real Estate
Leonard Chanin, Federal Reserve Board

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California State Senate Banking, Finance & Insurance Committee Senator Michael J. Machado, Chair

Informational Hearing

Wednesday, March 5, 2008
1:30 PM – 4:00 PM
State Capitol, Room 112

Impact of and Reactions to Proposed Regulation Z Revisions

- I. **Introduction and Welcoming Remarks** – Senator Michael J. Machado, Chair
- II. **Description of and Rational Behind the Components of the Regulation Z Proposal**

Leonard Chanin, Associate Director for Regulations, Division of Consumer and Community Affairs, Federal Reserve Board

- III. **Perspectives From State Regulators**

Michael Stevens, Senior Vice President, Regulatory Policy, Conference of State Bank Supervisors

Preston DuFauchard, Commissioner, Department of Corporations

Craig Carlson, Chief Examiner, Department of Financial Institutions

Jeff Davi, Commissioner, and Tom Pool, Assistant Commissioner, Department of Real Estate



IV. Perspectives From Consumer Advocates

Elaine Braithwaite, Banking Fellow, Greenlining Institute

Paul Leonard, Director, California Office, Center for Responsible Lending

Maeve Elise Brown, Director, Housing and Economic Rights Advocates

Kevin Stein, Associate Director, California Reinvestment Coalition

V. Perspectives From the Regulated Community

Pete Ogilvie, President, California Association of Mortgage Brokers

George Eckert, Owner, Vice President and General Counsel, The Money Brokers,
and Legislative Chair, California Mortgage Association

Michaela Albon, Senior Vice President and General Counsel – Home Loans,
Washington Mutual

Leland Chan, General Counsel, California Bankers Association

Chris Collver, Regulatory and Legislative Analyst, California Credit Union League

VI. Public Comment