

HOUSE No. 4104

A communication from the Division of Banks (under Section 2A of Chapter 167 of the General Laws) submitting a summary of proposed amendments to 209 CMR 40.00 *et seq.*, *Unfair and Deceptive Practices in Consumer Transactions*, the implementing regulations for said law. Financial Services.

The Commonwealth of Massachusetts

—————
**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**
—————

THE COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS
1000 Washington Street, 10th Floor, Boston, Massachusetts 02118

March 16, 2016

The Honorable Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, Massachusetts 02133

Dear Mr. James:

Enclosed for filing please find the Division of Banks’ (Division) summary of its proposed amendments to 209 CMR 40.00 *et seq.*, *Unfair and Deceptive Practices in Consumer Transactions*, which are the implementing regulations for Massachusetts General Laws chapter 167, section 2A.

This statute authorizes the Commissioner of Banks to propose regulations, subject to Legislative review, to promulgate regulations governing high cost, high rate mortgage loans; require certain disclosures; and include certain prohibitions. 209 CMR 40.00 applies to any bank, any Massachusetts or out-of-state branch, any association or corporation chartered and authorized to do a banking business by a state of the United States other than the Commonwealth, by the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or by a country other than the United States, or a national banking association,

federal savings and loan association, federal savings bank or federal credit union, which has its main office located in the Commonwealth or in any of the above-listed jurisdictions. For ease of reference, the above-listed entities are referred to as “specified entities” below.

A copy of the statute is attached to this letter. This summary and a copy of the proposed amendments, found at Appendix A, are required to be filed with your office pursuant to the statute. The Division’s required statement that it has complied with the pertinent provisions of Massachusetts General Laws chapter 30A is found at Appendix B.

Summary of Proposed Amendments

The proposed amendments are intended to streamline 209 CMR 40.00 for easier compliance by providing that compliance with cited provisions of the regulations of the Consumer Financial Protection Bureau (CFPB) constitutes compliance with 209 CMR 40.00. The proposed amendments are also intended to clarify language and improve organization and readability of the regulation in a way that incorporates future federal changes while preserving certain Massachusetts differences that are statutorily required and deemed more advantageous to consumers, including the definition of high cost home loan or high cost mortgage and the method of calculating points and fees.

Section-by-Section Summary

A section-by-section summary of the proposed amendments to 209 CMR 40.00 et seq. follows. It should be noted that citations below are to the proposed amendments to 209 CMR 40.00 et seq.

40.01 Purpose and Scope

The sentence relative to the authority for this regulation is deleted.

40.02 Definitions

The definition of “Annual Percentage Rate” is updated to correct the title of the Federal Truth in Lending Act and to reference the citation to the CFPB regulation, 12 CFR 1026.

The definition of “Bank” is amended by the addition of the word “means” for consistency with other definitions in 209 CMR 40.00 and by the addition of “including any internet bank” in order to remain consistent with the statutory definition of bank.

The definition of “Benchmark Rate” is amended by the addition of the word “means” for consistency with other definitions in 209 CMR 40.00.

A definition of “Bona Fide Error” is added based upon the language used in M.G.L. c. 140D, section 32(c).

The definition of “Cosigner” is amended by removing the underlining under the word “cosigner” in clauses (b) and (c).

The definition of “Federal Bank” is amended to delete the words “the main office of which is located in the Commonwealth.”

The definition of “High Cost Home Loan” is amended as follows:

- Adds “or High Cost Mortgage” to the title.
- Deletes the word “either” in section (a).
- Adds new clause (a)3., so that a consumer credit transactions that is secured by the consumer’s principal dwelling in which the annual percentage rate, points and fees, and or penalties exceed the limitations as described pursuant to 12 CFR 1026.32(a)(1) would also meet the definition of a High Cost Home Loan or High Cost Mortgage.
- Amends clause (b) with updates to the CFPB citation regarding reverse mortgages, 12 CFR 1026.33.

The definition of “Lender” is amended by deleting “an entity” and replacing it with “a person”.

The definition of “Points and Fees” is amended as follows:

- in clause (a)1. to update the CFPB citation to 12 CFR 1026.4(a) and (b) and delete the reference to 209 CMR 32.04(2);
- in clause (a)2. to update the CFPB citation to 12 CFR 1026.4(c)(7) and update the reference to 209 CMR 32.04;

- in clause (a)7.b. to update the CFPB citation to 12 CFR 1026.4(d)(2) and update the reference to 209 CMR 32.04.

The definition of “Scheduled Monthly Payments” is deleted.

The first letter of each word in the definition title, “Total loan amount,” is capitalized. The title now reads “Total Loan Amount”.

40.03 Violations of Truth in Lending

The reference to “high cost home loan” is amended to “high cost mortgage”.

40.04 High Cost Mortgage Disclosures

This section is amended to change the title from “High Cost Home Loan Disclosures” to “High Cost Mortgage Disclosures”.

The phrase “, except a lender subject to 209 CMR 40.03” is deleted and replaced with “not subject to 209 CMR 32.00”.

This section is also amended to include the CFPB citation, 12 CFR 1026.32(c). The remainder of the section is deleted.

40.05 High Cost Mortgage Limitations

This section is amended to change the title from “High Cost Home Loan Limitations” to “High Cost Mortgage Limitations”.

The phrase “, except a lender subject to 209 CMR 40.03” is deleted and replaced with “not subject to 209 CMR 32.00”.

This section is also amended to include the CFPB citation, 12 CFR 1026.32(d). The remainder of the section is deleted.

40.06 Prohibited Acts or Practices in Connection with High Cost Mortgages

This section is amended to change the title from “Prohibited High Cost Home Loan Acts and Practices in Connection with Credit Secured by a Consumer’s Dwelling” to “Prohibited Acts or Practices in Connection with High Cost Mortgages”.

The sentence, “In connection with the extension of a high cost home loan, it is a deceptive act or practice for a lender, except a lender subject to 209 CMR 40.03, to engage in any of the following:” is amended to state, “It is a deceptive act or practice for a lender not subject to 209 CMR 32.00 to engage in any act or practice prohibited under 12 CFR 1026.34 in connection with the extension of a high cost home loan.” The remainder of the section is deleted.

40.07 Unfair High Cost Mortgage Practices

This section is amended to change the title from “Unfair High Cost Home Loan Practices” to “Unfair High Cost Mortgage Practices”.

The phrase “, except a lender subject to 209 CMR 40.03” is deleted and replaced with “not subject to 209 CMR 32.00”.

The word “nor” in “points and/or fees nor, in any case, directly or indirectly” is deleted and replaced with the word “or”.

The title “Packing High Cost Home Loans” is added to 209 CMR 40.07(2), and the words “high cost home loans; that is” are deleted.

Roman numerals are added to 209 CMR 40.07(2)(c) for clarity.

The subtitle “Recommending or Encouraging Default” in section 209 CMR 40.07(3) was amended to “Encouraging Default”, and the words “Recommending or encouraging default” were added to the beginning of the section.

209 CMR 40.07(7) is amended by adding subsections (a) and (b) and by adjusting the format to remain consistent with other subsections.

40.08 Bona Fide Errors

Section 209 CMR 40.09(2) is amended by deleting “notwithstanding the maintenance of procedures reasonably adopted to avoid the errors”.

Section 209 CMR 40.09(2) is also amended by replacing the word “and” in the clause “institution of any action under M.G.L. c. 183C and 209 CMR 40.00” with the word “or”.

Section 209 CMR 40.08 is further amended by deleting the examples of bona fide errors in 209 CMR 40.08(3). The examples were included in the definition added to the definitions section.

Public Hearing

A public hearing on these amendments was held pursuant to Massachusetts General Laws chapter 30A on November 6, 2014 and written comments were accepted through 5:00 p.m. on November 14, 2014. Oral and written comments generally in support of the proposed amendments were received from the credit union trade association. There was no opposition offered. No other comments were received before the end of the comment period. The Division also reviewed and considered comments from trade groups representing financial institutions, mortgage-related licensees, the legal industry, and consumers submitted in response to informal hearings held on July 30, 2013 and August 13, 2015, and a formal hearing held on November 6, 2014. The comments varied from repealing the regulation entirely because it is duplicative of federal law, to retaining the regulation because “it provides important and unique protections and the CFPB regulations could be repealed or diluted in the future.” Other comments suggested the approach taken by the Division, which is to amend 209 CMR 40.00 to align with federal regulations while retaining sections that are statutorily required.

Please contact me at (617) 956-1510 or Merrily S. Gerrish, Deputy Commissioner of Banks and General Counsel, at (617) 956-1520, if there are any questions regarding these proposed regulations.

Sincerely,

DAVID J. COTNEY
Commissioner of Banks

Appendix A

Proposed Amendments

209 CMR 40.00: UNFAIR AND DECEPTIVE PRACTICES IN CONSUMER TRANSACTIONS

Section

40.01: Purpose and Scope

40.02: Definitions

40.03: Violations of Truth in Lending

40.04: High Cost Mortgage Disclosures

40.05: High Cost Mortgage Limitations

40.06: Prohibited Acts or Practices in Connection with High Cost Mortgages

40.07: Unfair High Cost Mortgage Practices

40.08: *Bona Fide* Errors

40.09: Unfair Credit Practices

40.10: Administrative Enforcement

40.01: Purpose and Scope

(1) Purpose. Unfair or deceptive acts or practices in or affecting consumer transactions are unlawful under M.G.L. c. 167, § 2A. In addition, predatory home loan practices are prohibited under M.G.L. c. 183C.

(2) Scope. 209 CMR 40.00 applies to any bank, any Massachusetts or out-of-state branch, any association or corporation chartered and authorized to do a banking business by a state of the United States other than the Commonwealth, by the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or by a country other than the United States, or a national banking association, federal savings and loan association, federal savings bank or federal credit union, which has its main office located in the Commonwealth or in any other jurisdiction named herein. 209 CMR 40.00 also applies to any lender.

40.02: Definitions

For the purposes of 209 CMR 40.00, the following definitions apply:

Affiliate, means any company that controls, is controlled by, or is under common control with another company. Control shall mean ownership of 10% or more of any class of outstanding capital stock of the company or the power to direct or cause the direction of the management and policies of the company.

Annual Percentage Rate, means the annual percentage rate for a loan calculated according to the Federal Truth in Lending Act (15 U.S.C. 1601 et seq.) and 12 CFR 1026, 209 CMR 32.14 or 209 CMR 32.22, as applicable.

Bank, means any association or corporation chartered by the Commonwealth under the provisions of M.G.L. c. 168, 170, 171, or 172 or any individuals, association, partnership or corporation incorporated or doing a banking business in the Commonwealth, subject to the supervision of the Commissioner, including any internet bank.

Benchmark Rate, means the interest rate which the borrower can reduce by paying bona fide discount points; this rate shall not exceed the weekly average yield of United States Treasury securities having a maturity of 5 years, on the fifteenth day of the month immediately preceding the month in which the loan was made, plus 4 percentage points.

Bona Fide Error, means an unintentional error notwithstanding the maintenance of procedures reasonably adopted to avoid any such error. A bona fide error includes, but shall not be limited to, clerical, calculation, computer malfunction and programming, and printing errors, except that an error in legal judgment with respect to a person's obligation under M.G.L. c. 183C, 209 CMR 40.00, 209 CMR 32.00, or other applicable law shall not be considered a bona fide error.

Bona Fide Loan Discount Points, means loan discount points, which are:

- (a) knowingly paid by the borrower;
- (b) paid for the express purpose of lowering the benchmark rate; and
- (c) in fact reducing the interest rate or time-price differential applicable to the loan from an interest rate which does not exceed the benchmark rate.

Broker, means any person who for compensation directly or indirectly solicits, processes, places or negotiates home mortgage loans for others or who closes home mortgage loans which may be in the person's own name with the funds provided by others and which loans are thereafter assigned to the person providing the funding of the loans; provided, that broker shall not include a person who is an attorney providing legal services in association with the closing of a home mortgage loan who is not also funding the home loan and is not an affiliate of the lender.

Commissioner, means the commissioner of banks.

Consumer, means a natural person who seeks or acquires goods, services, or money for personal, family, or household use other than for the purchase of real property.

Consumer Transaction, means a transaction between a lender and a consumer, in which the money, property or services are primarily for personal, family or household purposes.

Conventional Mortgage Rate, means the most recently published annual yield on conventional mortgages published by the Board of Governors of the Federal Reserve System, as published in statistical release H.15 or any publication that may supersede it, as of the applicable time set forth in 209 CMR 40.02: High Cost Home Loan (a)1.

Conventional Prepayment Penalty, means any prepayment penalty or fee that may be collected or charged in a home loan, and that is authorized by law provided the home loan:

- (a) does not have an annual percentage rate that exceeds the conventional mortgage rate by more than 2 percentage points, and
- (b) does not permit any prepayment fees or penalties that exceed 2 per cent of the amount prepaid.

Cosigner, means

- (a) a natural person who assumes liability for the obligation of a consumer without receiving goods, services, or money in return for the obligation, or, in the case of an open-end credit obligation, without receiving the contractual right to obtain extensions of credit under the account.
- (b) Cosigner includes any person whose signature is requested as a condition to granting credit to a consumer, or as a condition for forbearance on collection of a consumer's obligation that is in default. The term does not include a spouse whose signature is required on a credit obligation to perfect a security interest pursuant to state law.
- (c) A person who meets the definition in 209 CMR 40.02: Cosigner, is a cosigner whether or not the person is designated as such on the credit obligation.

Earnings, means compensation paid or payable to an individual or for the individual's account for personal services rendered or to be rendered by the individual, whether denominated as wages, salary, commission, bonus, or otherwise, including periodic payments pursuant to a pension, retirement, or disability program.

Federal Bank, means a national banking association, savings and loan association or savings bank which exists by authority of the United States.

Federal Branch, means a branch in the Commonwealth of any out-of-state federal bank.

Federal Credit Union, means a credit union organized under the provisions of the Federal Credit Union Act.

Financial Institution, means a bank, a federal bank, a Massachusetts branch, a federal branch, an out-of-state branch, or a federal credit union.

High Cost Home Loan or High Cost Mortgage, means:

- (a) a consumer credit transaction that is secured by the consumer's principal dwelling, and in which:
- a. The annual percentage rate at consummation will exceed by more than eight percentage points for first-lien loans, or by more than nine percentage points for subordinate-lien loans, the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the 15th day of the month immediately preceding the month in which the application for the extension of credit is received by the lender;
 - b. When calculating the annual percentage rate for adjustable rate loans, the lender shall use the interest rate that would be effective once the introductory rate has expired;
2. Excluding either a conventional prepayment penalty or up to 2 bona fide discount points, the total points and fees payable by the consumer at or before loan closing will exceed the greater of 5 per cent of the total loan amount or \$400; the \$400 figure shall be adjusted annually by the Commissioner on January 1 by the annual percentage change in the Consumer Price Index that was reported on the preceding June 1st; or
3. The annual percentage rate, points and fees, and or penalties exceed the limitations as described pursuant to 12 CFR 1026.32(a)(1).

(b) a High Cost Home Loan does not include the following:

1. a reverse-mortgage transaction subject to 209 CMR 32.33 or 12 CFR 1026.33.
2. an unsecured open-end credit plan subject to 209 CMR 32.00 or Subpart B of 12 CFR 1026.00.

Lender, means a person that originated 5 or more home mortgage loans within the past 12 month period or acted as an intermediary between originators and borrowers on 5 or more home mortgage loans within the past 12 month period, provided that lender shall not include a person who is an attorney providing legal services in association with the closing of a home loan who is not also funding the home loan and is not an affiliate of the lender. For purposes of 209 CMR 40.00, lender shall include broker and financial institution.

Massachusetts Bank, means any bank, other than an association or corporation chartered pursuant to M.G.L. c. 171.

Massachusetts Branch, means a branch in the Commonwealth of any out-of-state bank.

Obligation, means an agreement between a consumer and a lender.

Obligor, means a borrower, co-borrower, cosigner, or guarantor obligated to repay a home mortgage loan.

Out-of-state Bank, means any association or corporation authorized to do a banking business the main office of which is located outside the Commonwealth and which exists by authority of any state of the United States other than the Commonwealth.

Out-of-state Branch, means a branch of any Massachusetts bank located outside the Commonwealth.

Out-of-state Federal Bank, means a national banking association, savings and loan association or savings bank which exists by authority of the United States the main office of which is located outside the Commonwealth.

Person, means an individual, corporation, or other business organization.

Points and Fees, means:

(a) For closed end loans:

1. all items required to be disclosed under 12 CFR 1026.4(a) and 1026.4(b) or 209 CMR 32.04, except interest or the time-price differential;
2. charges for items listed under 12 CFR 1026.4(c)(7) or 209 CMR 32.04 (other than amounts held for future payment of taxes) unless the charge is reasonable, the creditor receives no direct or indirect compensation in connection with the charge, and the charge is not paid to an affiliate of the creditor;
3. the maximum prepayment fees and penalties that may be charged or collected under the terms of the loan documents;
4. all prepayment fees or penalties that are incurred by the borrower if the loan refinances a previous loan made or currently held by the same lender;
5. all compensation paid directly or indirectly to a mortgage broker, not otherwise included in 209 CMR 40.02: Points and Fees (a)1. and (a)2.;
6. the cost of all premiums financed by the lender, directly or indirectly for any credit life, credit disability, credit unemployment or credit property insurance, or any other life or health insurance, or any payments financed by the lender directly or indirectly for any debt cancellation

or suspension agreement or contract, except that insurance premiums or debt cancellation or suspension fees calculated and paid on a monthly basis shall not be considered financed by the lender; and

7. Points and fees shall not include the following:

a. taxes, filing fees, recording and other charges and fees paid to or to be paid to a public official for determining the existence of or for perfecting, releasing or satisfying a security interest; and
b. fees paid to a person other than a lender or to the mortgage broker for the following: fees for flood certification; fees for pest infestation; fees for flood determination; appraisal fees; fees for inspections performed before closing; credit reports; surveys; notary fees; escrow charges so long as not otherwise included under 209 CMR 40.02: Points and Fees (a)1.; title insurance premiums; and fire insurance and flood insurance premiums, including homeowner premiums, if the conditions in sections 12 CFR 1026.4(d)(2) or 209 CMR 32.04, as amended from time to time, are met.

(b) For open-end loans, the points and fees shall be calculated by adding the total points and fees included within 209 CMR 40.02: Points and Fees (a)1., plus the minimum additional fees the borrower would be required to pay to draw down an amount equal to the total credit line.

Total Loan Amount, means the total amount the consumer will borrow, as reflected by the face amount of the note.

40.03: Violations of Truth in Lending

It is an unfair act or practice for a lender subject to 209 CMR 32.00 *et seq.* to make a high cost mortgage in violation of 209 CMR 32.32 or 209 CMR 32.34.

40.04: High Cost Mortgage Disclosures

It is an unfair act or practice for a lender not subject to 209 CMR 32.00, other than a broker, to fail to make any of the disclosures required under 12 CFR 1026.32(c).

40.05: High Cost Mortgage Limitations

It is an unfair act or practice for a lender not subject to 209 CMR 32.00 to extend a high cost mortgage that imposes any of the limitations described in 12 CFR 1026.32(d).

40.06: Prohibited Acts or Practices in Connection with High Cost Mortgages

It is a deceptive act or practice for a lender not subject to 209 CMR 32.00 to engage in any act or practice prohibited under 12 CFR 1026.34 in connection with the extension of a high cost home loan.

40.07: Unfair High Cost Mortgage Practices

It is an unfair act or practice for a lender not subject to 209 CMR 32.00 to engage in any of the following in a high cost home loan:

(1) Financing of Points, Fees or Charges. Requiring a borrower to directly or indirectly finance any portion of the points and/or fees or, in any case, directly or indirectly finance points and fees payable to the lender or charges payable to third parties (other than appraisal fees, credit report fees, mortgage recording tax, fire and miscellaneous property insurance, voluntary credit, disability, unemployment and/or life insurance, title report and title insurance charges), in an amount that exceeds 5% of the total loan amount or \$800, whichever is greater.

(2) Packing High Cost Home Loans. The practice of selling credit life, accident and health, disability or unemployment insurance products or unrelated goods or services in conjunction with a high cost home loan without the informed consent of the borrower under circumstances where:

- (a) the lender solicits the sale of such insurance, goods or services;
- (b) the lender receives direct or indirect compensation for the sale of such insurance, goods or services; and
- (c) the charges for such insurance, goods or services are prepaid with the proceeds of the loan and financed as part of the principal amount of the loan.

Provided, however, it shall not constitute the practice of "packing" if the lender, at least three business days before the loan is closed, makes a separate oral and a separate clear and conspicuous written disclosure in at least 12 point type to the borrower containing the following information: (i) the cost of the credit insurance or other goods and services; (ii) the fact that the insurance, goods, or services will be prepaid and financed at the interest rate provided for in the loan; and (iii) that the purchase of such insurance, goods or services is not required to obtain the mortgage loan; provided further, that (iv) insurance premiums shall not be considered financed as part of the loan transaction if insurance premiums are calculated, earned and paid on a monthly or other regular, periodic basis.

In addition, the written disclosure shall contain a signed and dated acknowledgment by the obligor(s) that the oral disclosure was made and a signed and dated acknowledgment by the lender that the oral disclosure was made. In addition to the disclosures required under 209 CMR 40.07(2) a creditor shall comply with the requirements of 209 CMR 52.02(1) and (3) as well as 209 CMR 52.03 for credit life insurance or credit accident and health insurance.

(3) Encouraging Default. Recommending or encouraging default or further default by a borrower on an existing loan or other debt, prior to the closing of a high cost home loan that refinances all or any portion of such existing loan or debt.

(4) Advertising. Advertising that refinancing pre-existing debt with a high cost home loan will reduce a borrower's aggregate monthly debt payment without also disclosing, if such are likely the case, that the high cost home loan will increase both

- (a) a borrower's aggregate number of monthly debt payments and
- (b) the aggregate amount paid by a borrower over the term of the high cost mortgage loan.

(5) Unconscionable Rates and Terms.

(a) Making a high cost home loan with rates or fees that violate 940 CMR 8.06, if applicable, or otherwise charge interest rates or fees in a high cost loan transaction that significantly deviate from industry standards or that are otherwise unconscionable.

(b) It shall be the lender's burden to demonstrate that interest rates or fees charged are based upon generally accepted credit worthiness, sound underwriting and other risk related standards or otherwise conform to 209 CMR 40.07(5)(a).

(6) Unreasonable Charges. Making high cost home loans in which the lender charges and retains fees paid by the borrower

- (a) for services that are not actually performed, or
- (b) for which the fees bear no reasonable relationship to the value of the services actually performed, or
- (c) which are otherwise unconscionable.

(7) Oppressive Mandatory Arbitration Clause or Waiver of Participation in Class Action Suits. Requiring a borrower, without regard to whether a borrower is acting individually or on behalf of others similarly situated, to assert any claim or defense in a forum that

(a) is less convenient, more costly, or more dilatory for the resolution of a dispute than a judicial forum established in the Commonwealth where the borrower may otherwise properly bring a claim or defense or

(b) limits in any way any claim or defense the borrower may have.

(8) Failure to Report for Credit Histories. Failing to report both the favorable and unfavorable payment history of the borrower to a nationally recognized consumer credit bureau at least annually if the lender regularly reports information to a credit bureau.

(9) Single-premium Credit Insurance. Notwithstanding the provisions of 209 CMR 40.07(2), making a high cost home loan which contains single-premium credit insurance, including credit life, debt cancellation, and debt suspension.

(10) Modification or Deferral Fees. Making a high cost home loan with any fees to modify, renew, extend, or amend a high cost home loan or defer any payment due under a high cost home loan.

40.08: Bona Fide Errors

It shall not constitute a violation of 209 CMR 40.05 through 40.07, if the lender shows by a preponderance of the evidence that either:

(1) Within 30 days of the loan closing, and prior to the institution of any action under M.G.L. c. 183C, the lender notifies the borrower of the compliance failure and makes appropriate restitution and whatever adjustments are necessary are made to the loan, at the choice of the borrower, to either:

(a) make the high cost home loan satisfy the requirements of M.G.L. c. 183C and 209 CMR 40.00; or

(b) change the terms of the loan in a manner beneficial to the borrower so that the loan will no longer be considered a high cost home loan; or

(2) The compliance failure was not intentional and resulted from a bona fide error, and within 60 days after the discovery of the compliance failure and before the institution of any action under M.G.L. c. 183C or 209 CMR 40.00 or the receipt of written notice of the compliance failure, the borrower is notified of the compliance failure, appropriate restitution is made and whatever adjustments are necessary are made to the loan, at the choice of the borrower, to either:

(a) make the high cost home loan satisfy the requirements of M.G.L. c. 183C and 209 CMR 40.00; or

(b) change the terms of the loan in a manner beneficial to the borrower so that the loan will no longer be considered a high cost home loan.

40.09: Unfair Credit Practices

It is an unfair act or practice for a lender to violate 12 CFR 27.00.

40.10: Administrative Enforcement

(1) The Commissioner, in his or her discretion, may compromise or settle any claims under any proceeding brought, or to be brought against a lender for a violation of 209 CMR 40.00, if he or she determines that such compromise or settlement is in the public interest.

(2) Nothing in 209 CMR 40.00 shall limit the ability of the Attorney General to enforce the provisions of 209 CMR 40.00, M.G.L. c. 167, §§ 2A through 2G, M.G.L. c. 93A, or M.G.L. c. 183C.

REGULATORY AUTHORITY

209 CMR 40.00: M.G.L. c. 167, § 2A; M.G.L. c. 183C, § 19.

Appendix B

THE COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS
1000 Washington Street, 10th Floor, Boston, Massachusetts 02118

March 16, 2016

This is to certify that the Division of Banks has complied with all pertinent provisions of Massachusetts General Laws chapter 30A regarding publication and notice of its November 6, 2014 public hearing on its proposed amendments to 209 CMR 40.00 *et seq.*, *Unfair and Deceptive Practices in Consumer Transactions*, pursuant to Massachusetts General Laws chapter 167, section 2A.

Sincerely,

MERRILY S. GERRISH
Deputy Commissioner of Banks
and General Counsel