



**BILLING CODE: 4810-AM-P**

## **BUREAU OF CONSUMER FINANCIAL PROTECTION**

### **Notice of Availability of Revised Consumer Information Publication**

**AGENCY:** Bureau of Consumer Financial Protection.

**ACTION:** Notice of availability.

**SUMMARY:** The Bureau of Consumer Financial Protection (Bureau) announces the availability of an updated consumer publication, the Consumer Handbook on Adjustable Rate Mortgages booklet, also known as the CHARM booklet, required under the Real Estate Settlement Procedures Act (RESPA) implemented by Regulation X and the Truth in Lending Act (TILA) implemented by Regulation Z. This version of the CHARM booklet is updated to align with the Bureau's educational efforts, to be more concise, and to improve readability and usability.

**ADDRESSES:** The updated consumer publication is available for download on the Bureau's website at [www.consumerfinance.gov/learnmore](http://www.consumerfinance.gov/learnmore) and can also be found in the Catalog of U.S. Government Publications (<http://catalog.gpo.gov>), maintained by Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

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## **SUPPLEMENTARY INFORMATION:**

The Bureau is hereby publishing this notice of availability to inform the public of the existence of an updated version of the Consumer Handbook on Adjustable Rate Mortgages booklet.

### *Background on the CHARM booklet*

In its enactment in 1974, section 5 of RESPA required the provision of “special information booklets” to help persons borrowing money to finance the purchase of residential real estate to understand better the nature and costs of real estate settlement services. Public Law 93-553.

In 1987, the Board of Governors of the Federal Reserve System (Board) revised Regulation Z, to require special disclosures for closed-end adjustable rate mortgages (ARMs) secured by the borrower’s principal dwelling with a term greater than one year. 52 FR 48665 (Dec. 24, 1987). The Board and the Federal Home Loan Bank Board (predecessor to the former Office of Thrift Supervision (OTS)) originally developed the CHARM booklet in 1987 to fulfill that requirement and educate consumers about the features and risks associated with adjustable rate mortgages. The Board most recently updated the CHARM booklet in 2006. 71 FR 78437 (Dec. 29, 2006).

Under the Dodd-Frank Act, Public Law 111-203, the responsibility for the CHARM Booklet transferred to the Bureau. Under 12 CFR 1026.19(b)(1), creditors must provide the “booklet titled Consumer Handbook on Adjustable Rate Mortgages, or a suitable substitute” to all consumers considering an adjustable rate mortgage.

To reflect the transfer to the Bureau and ensure consistency with the Bureau’s rulemakings regulating practices in mortgage origination and servicing that took effect in

January 2014, the Bureau made technical and conforming changes to the CHARM booklet and made the revised booklet available in January 2014. 79 FR 1836 (Jan. 10, 2014).

*Contents of the Updated Version of the CHARM booklet*

The Bureau is updating the CHARM booklet so that it aligns with the Bureau's educational efforts, to be more concise, and to improve readability and usability. New features include a comparison table that describes adjustable rate mortgages and their differences in relation to fixed-rate loan products; an explanation of how an adjustable rate mortgage works; a tutorial on how to review an ARM Loan Estimate and a lender's ARM program disclosure; a comparison table for the various adjustable and fixed-rate loan offers that reader has received or will receive; and a description of the risks that come with different types of adjustable rate mortgages. This version of the CHARM booklet eliminates references to LIBOR due to the forecasted cessation of LIBOR.

The design of the CHARM booklet is intended to have a similar look and feel as Your Home Loan Toolkit (Toolkit), another consumer disclosure for which the Bureau is responsible and that will frequently be received by mortgage applicants at the same time as the CHARM booklet. Similar to the Toolkit's treatment of the Closing Disclosure, a significant portion of the booklet is devoted to encouraging the consumer to review the specific terms offered in their Loan Estimate, which they are also likely to receive at the same time as the CHARM booklet. Portions of the Loan Estimate are reproduced and explained in the revised CHARM booklet.

*Distribution and Use of the Updated CHARM booklet*

Under 12 CFR 1026.19(b), if the annual percentage rate may increase after consummation in a transaction secured by the consumer's principal dwelling with a term greater than one year, the CHARM booklet must be provided when an application form is provided for

an adjustable rate mortgage loan or before the consumer pays a non-refundable fee, whichever is earlier (except that the disclosures may be delivered or placed in the mail not later than three business days following the receipt of the consumer's application when the application reaches the creditor by telephone, or through an intermediary agent or broker).

Creditors may, at their option, immediately begin using the revised CHARM booklet, or a suitable substitute, to comply with the requirements in Regulation Z. The Bureau understands, however, that some may wish to use their existing stock of the CHARM booklet. Therefore, those who provide this publication may use earlier versions of the CHARM booklet until existing supplies are exhausted. When reprinting the CHARM booklet, the most recent version should be used.

*Signing Authority*

The Director of the Bureau, having reviewed and approved this document, is delegating the authority to electronically sign this document to Laura Galban, a Bureau Federal Register Liaison, for purposes of publication in the *Federal Register*.

Dated: June 4, 2020.

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**Laura Galban,**

*Federal Register Liaison, Bureau of Consumer Financial Protection.*

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