



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

Office of the Secretary

January 26, 2006

Sandra F. Braunstein, Director

Division of Consumer and Community Affairs

Board of Governors of the Federal Reserve System

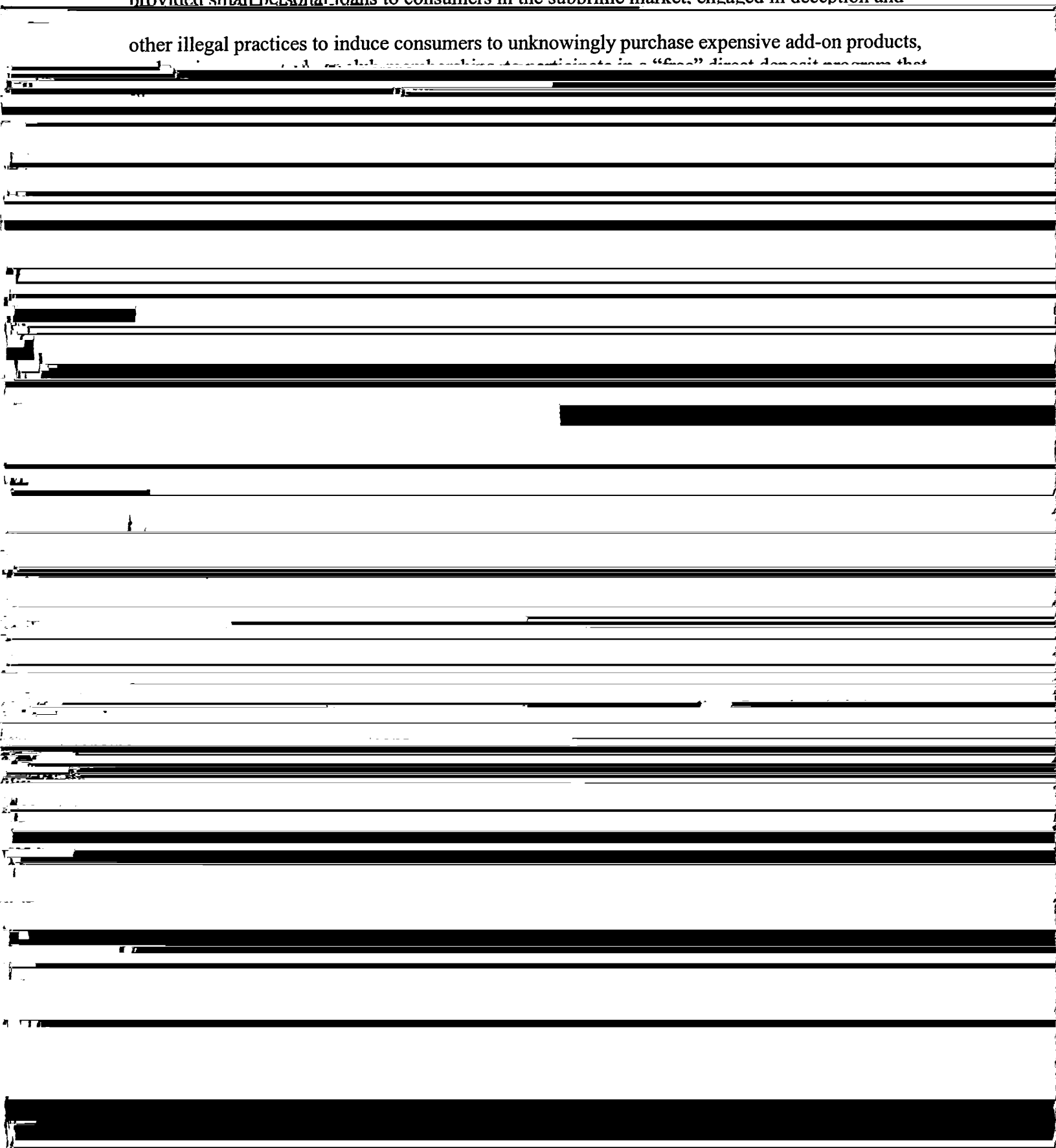
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The Commission continued its litigation in federal district court against a mortgage broker, Chase Financial Funding, and its principals, for alleged violations of the FTC Act and the TILA

and Regulation Z, in connection with advertisements for extremely low mortgage rates.⁶ According to the complaint, the defendants sent consumers spam and direct mail falsely offering consumers a "3.5% fixed payment" loan, when, in fact, the loans advertised were actually adjustable rate mortgages, where the principal balance would increase if consumers made payments at the advertised rates. The complaint alleged that the defendants violated the FTC Act by deceptively claiming that they offered: 1) a fixed interest rate or fixed payment loan; 2) a loan

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provided small personal loans to consumers in the subprime market, engaged in deception and other illegal practices to induce consumers to unknowingly purchase expensive add-on products, and established membership associations in a "free" direct deposit program that



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Unauthorized credit card use and links to financial resources In 2005, the Commission

issued updates to various publications relating to the TILA, including "Reverse Mortgages: Get the Facts Before Cashing In On Your Home's Equity" and "Credit and Your Consumer Rights."¹²
The Commission also updated the Commission's

“Mortgage Discrimination” and “Getting Credit.”¹⁶ In addition, the Commission continued its participation in the Interagency Task Force on Fair Lending.

Electronic Fund Transfer Act

Although no enforcement actions were issued in 2005, there are ongoing investigations of potential EFTA violations. In addition, the Commission’s new Hurricane Recovery Web site, discussed above, includes information on consumer protections under the EFTA, such as those against unauthorized debit card use, and links to financial resources. The Commission also issued updates to publications relating to electronic banking, including “Check 21, Substitute Checks, Electronic Processing, and What It Means To You.”¹⁷ The Commission’s revised publication, “Credit and Your Consumer Rights,” discussed above, also includes material on consumer protections under the EFTA.

REGULATIONS

In 2005, the Commission filed a comment supporting the Board’s proposal to revise Regulation E, which implements the EFTA, and its Official Staff Commentary. Among other

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