

# Farm Credit Administration

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## INFORMATIONAL MEMORANDUM



November 7, 2014

To: Chief Executive Officer  
All Farm Credit System Institutions

From: Samuel R. Coleman, Director and Chief Examiner  
Office of Examination

A handwritten signature in black ink that reads 'Samuel R. Coleman'.

Subject: Amendments to Qualified Mortgage Provisions of Regulation Z; Adjustments to Regulation Z and Regulation M Thresholds; Implementation of TILA-RESPA Integrated Disclosure Rule

This Informational Memorandum (memorandum) provides information about:

- Recent amendments to the 2013 Mortgage Rules under Regulation Z, which implements the Truth in Lending Act (TILA);
- Annual adjustments to the threshold amounts that trigger certain requirements under Regulation M, which implements the Consumer Leasing Act, and Regulation Z; and
- Updated resources from the Consumer Financial Protection Bureau (CFPB) to assist lenders in implementing the new TILA-RESPA Integrated Disclosure rule, which will become effective on August 1, 2015.

### **Regulation Z - Amendment to the 2013 Mortgage Rules**

A recent amendment to Regulation Z provides a limited, post-consummation cure mechanism for loans that exceed the points and fees limit for qualified mortgages, but that meet the other requirements for being a qualified mortgage at consummation.

This amendment was published in the Federal Register at 79 FR 65300 on November 3, 2014. This amendment became effective November 3, 2014, except for one paragraph of the Official Interpretation which, for consistency with another rule, will be effective on August 2, 2015.

### **Regulation Z and Regulation M Adjustments**

These adjusted dollar amount thresholds are based on changes to the Consumer Price Index and will become effective on January 1, 2015.

### ***Adjusted Thresholds for the Home Ownership and Equity Protection Act (HOEPA)***

Under HOEPA, which is part of the TILA, a high-cost mortgage is any consumer credit transaction that is secured by the consumer's principal dwelling (unless it satisfies a regulatory exemption) and has an annual percentage rate above a specified rate or has total points and fees that exceed specified

percentages or dollar amounts. As adjusted by the CFPB, a non-exempt consumer credit transaction secured by the consumer's principal dwelling with a loan amount of \$20,391 or more is a high-cost mortgage if its total points and fees exceed 5 percent of the total loan amount. In addition, under the CFPB's adjustment, a non-exempt consumer credit transaction secured by the consumer's principal dwelling with a loan amount of less than \$20,391 is a high-cost mortgage if its total points and fees exceed the lesser of 8 percent of the total loan amount or \$1,020.

These adjustments were published in the Federal Register at 79 FR 48015 on August 15, 2014.

*Adjusted Thresholds for Ability to Repay and Qualified Mortgage Determination*

For the purpose of a creditor's determination of a consumer's ability to repay a transaction secured by a dwelling, under the CFPB's adjustments a covered transaction is a qualified mortgage only if the transaction's total points and fees are less than or equal to the following amounts or percentages:

- Three percent of the total loan amount for a loan amount greater than or equal to \$101,953;
- \$3,059 for a loan amount greater than or equal to \$61,172, but less than \$101,953;
- Five percent of the total loan amount for a loan amount greater than or equal to \$20,391, but less than \$61,172;
- \$1,020 for a loan amount greater than or equal to \$12,744, but less than \$20,391; and,
- Eight percent of the total loan amount for a loan amount less than \$12,744.

These adjustments were published in the Federal Register at 79 FR 48015 on August 15, 2014.

*Adjusted Thresholds for Exempt Consumer Credit and Lease Transactions*

The CFPB increased the dollar thresholds in Regulation Z and Regulation M for exempt consumer credit and lease transactions. As adjusted by the CFPB, the exempt threshold is \$54,600 for both regulations. Transactions at or below the threshold are subject to the protection of these regulations. However, loans secured by real property or by personal property used or expected to be used as the principal dwelling of a consumer and private education loans are covered by TILA regardless of the amount.

These amendments were published in the Federal Register at 79 FR 56483 (Regulation Z) and 79 FR 56482 (Regulation M) on September 22, 2014.

**TILA-RESPA Integrated Disclosure Rule Implementation**

The CFPB recently provided updated resources to help lenders implement the TILA-RESPA Integrated Disclosure rule, which will become effective on August 1, 2015. The CFPB updated its Small Entity Compliance Guide and its Guide to the Loan Estimate and Closing Disclosure forms, replacing the editions published in March and April 2014, respectively. The CFPB also has a timeline to help explain the timing requirements under the rule. The updated guides, timeline, and other resources are available at [TILA-RESPA Integrated Disclosure Guidance](#).

The CFPB also released an updated mortgage rules Readiness Guide to include the TILA-RESPA Integrated Disclosures rule. The updated Readiness Guide contains changes to final rules issued through August 1, 2014, covering both the Real Estate Settlement Procedures Act (RESPA, implemented by Regulation X) and TILA. This update may provide valuable guidance on evaluating readiness for complying with the mortgage rule changes and is available at [Mortgage Rules Readiness Guide](#).

The Farm Credit Administration is providing this information as a courtesy to keep you informed of issues that may affect your institution. This information should not be seen as a replacement for management's due diligence in monitoring issues that may affect your institution.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by email at [cohnj@fca.gov](mailto:cohnj@fca.gov); and/or Dan Fennewald, Director, Examination Policy Division, Office of Examination, at (952) 259-0432, or by email at [fennewaldd@fca.gov](mailto:fennewaldd@fca.gov).