
INFORMATIONAL MEMORANDUM



April 2, 2015

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 Asset-Size Exemption Thresholds Under Regulation Z and
Integrated Mortgage Disclosures Under Regulation X and Regulation Z

This Informational Memorandum provides information about:

- The Consumer Financial Protection Bureau's (CFPB) amendment to the asset-size exemption threshold for certain requirements, including escrow accounts; and,
- The TILA-RESPA integrated mortgage disclosure.

Regulation Z (Truth in Lending Act [TILA]) – Adjustment to Asset-Size Exemption Thresholds

The CFPB amended the official commentary that interprets the requirements of Regulation Z. The amendment reflects a change in the asset size threshold for certain creditors to qualify for an exemption to the requirement to establish an escrow account for a higher-priced mortgage loan (HPML) based on the Consumer Price Index. Creditors with assets of \$2.060 billion or less as of December 31, 2014 are exempt, if other requirements of Regulation Z are also met, from establishing escrow accounts for HPMLs in 2015.

The adjustment to the escrows exemption asset-size threshold also increases a similar threshold for small-creditor portfolio and balloon-payment qualified mortgages. Balloon-payment qualified mortgages that satisfy all applicable criteria, including being made by creditors that do not exceed the asset-size threshold, are also exempt from the prohibition on balloon payments for high-cost mortgages.

The adjustment was published in the Federal Register at 79 FR 77855 on December 29, 2014 and became effective on January 1, 2015.

Amendments to the Integrated Mortgage Disclosure Rule under Regulation X (Real Estate Settlement Procedures Act [RESPA]) and Regulation Z and the Loan Originator Rule under Regulation Z

The CFPB revised provisions in Regulation Z that relate to the integrated disclosures that consumers will receive in connection with applying for and closing on a mortgage loan, as follows:

- Creditors will be required to provide a revised Loan Estimate within three business days after a consumer locks in an interest rate;
- Creditors may include language on the Loan Estimate form informing consumers that they may receive a revised Loan Estimate for a construction loan that is expected to take more than 60 days to settle; and,
- The Nationwide Mortgage Licensing System and Registry ID (NMLSR ID) must be disclosed on the integrated disclosures as required.

The CFPB also made non-substantive corrections to Regulation X and Regulation Z and to the commentary, including minor wording changes, and corrected or updated citations and cross-references.

The revised rule was published in the Federal Register at 80 FR 8767 on February 19, 2015. It will become effective on August 1, 2015, and will apply to transactions for which the creditor or mortgage broker receives an application on or after that date.

The language of all of the CFPB's mortgage-related rules, together with compliance and other information about these rules, can be found on the CFPB's website. The CFPB is constantly updating its website to provide information about these rules, and institutions should refer to it frequently to ensure they have the latest information. System institutions can sign up on the website to receive updates about these rules.

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; and/or Dan Fennewald, Director, Examination Policy Division, Office of Examination, at (952) 259-0432, or by email at fennewaldd@fca.gov.