

Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090
(703) 883-4000

INFORMATIONAL MEMORANDUM



April 28, 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: TILA-RESPA Integrated Mortgage Disclosures – Clarification of Borrower Stock and Participation Certificates Disclosure

The purpose of this Informational Memorandum is to clarify the proper disclosure of Farm Credit System (System) borrower stock or participation certificate (borrower stock) purchases on the new integrated mortgage disclosures under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). These integrated mortgage disclosures become effective on August 1, 2015.

The Consumer Financial Protection Bureau (CFPB), which implements the TILA and the RESPA, recently informed the Farm Credit Administration (FCA) that, on both the Loan Estimate and the Closing Disclosure, the purchase of borrower stock should be included in the Origination Charges in Section A. According to Regulation Z (the TILA's implementing regulation), 12 CFR 1026.37(f)(1), which will become effective on August 1, 2015, origination charges are items that a consumer pays to each creditor and loan originator for originating and extending credit.

We understand that disclosing the stock purchase in the Origination Charge in Section A may raise the question whether the purchase of borrower stock must be included in the finance charge. Regulation Z does not support the conclusion that all origination charges are finance charges. Also, the CFPB recently confirmed with the FCA that the disclosure of borrower stock purchases as origination charges does not automatically make them finance charges. The purchase of borrower stock has not been included in the finance charge since at least the late 1970s, and neither the CFPB nor the Federal Reserve Board, which previously implemented the TILA, ever objected. In adopting the integrated mortgage disclosures, the CFPB emphasized that there was no change to the scope of charges included in the finance charge. See 78 FR 79730, 79774-79780, December 31, 2013.

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.

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.