

# Farm Credit Administration

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## INFORMATIONAL MEMORANDUM



January 29, 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: Recent Consumer Financial Protection Bureau Actions

The purpose of this Informational Memorandum is to provide information regarding actions the Consumer Financial Protection Bureau (CFPB) has recently taken. These actions affect the various mortgage-related regulations the CFPB has issued since January 2013 that became effective in January 2014.

### **Adjusted Thresholds for Exempt Consumer Credit and Lease Transactions under Truth in Lending Act (Regulation Z) and Consumer Leasing Act (Regulation M)**

The CFPB increased the dollar thresholds in Regulation Z and Regulation M for exempt consumer credit and lease transactions. Based on the annual inflation adjustment requirement, the exempt threshold is \$53,500 for both regulations. Transactions at or below the threshold are subject to the protection of these regulations. However, private education loans and loans secured by real property (such as mortgages) are subject to the Regulation Z protections regardless of the amount of the loan. These amendments were published in the Federal Register at 78 FR 70193 (Regulation M) and 78 FR 70194 (Regulation Z) on November 25, 2013, and were effective on January 1, 2014.

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

The CFPB increased the HOEPA's dollar threshold. HOEPA imposes additional disclosure requirements on certain closed-end home mortgage loan transactions that are secured by a consumer's principal dwelling and have fees above a certain percentage or amount. A transaction that is not otherwise exempt is covered by the HOEPA protections if the points and fees that the consumer must pay at consummation exceed \$632 or 8 percent of the total loan amount, whichever is greater. This amendment was published in the Federal Register at 78 FR 76033 on December 16, 2013, and was effective on January 1, 2014.

## **New Exemptions for Higher-Priced Mortgage Loans (HPML) Appraisal Requirements**

The CFPB created new exemptions from certain appraisal requirements for a subset of HPML. Closed-end mortgage loans are considered to be HPML if they are secured by a consumer's home and have interest rates above a certain threshold. CFPB's supplemental final rule provides that loans of \$25,000 or less and certain "streamlined" refinancings are exempt from the HPML appraisal requirements. In addition, the rule contains special provisions for manufactured homes, which can present unique issues in determining the appropriate valuation method. To ensure that access to affordable housing options is not hindered while creditors make the necessary adjustments, the HPML appraisal requirements for manufactured home loans will not become effective for 18 months. For HPML manufactured home loan applications received on or after July 18, 2015, the appraisal requirements will apply as follows:

- Loans secured by an existing manufactured home and land will be subject to the appraisal requirements;
- Loans secured by a new manufactured home and land will be exempt only from the requirement that the appraiser visit the home's interior; and
- For loans secured by manufactured homes without land, creditors will be allowed to use other valuation methods without an appraisal, such as using third-party valuation services or "book values".

This supplemental final rule was published in the Federal Register at 78 FR 78520 on December 26, 2013, and is effective January 18, 2014.

## **Adjusted Threshold for Exemption from HPML Escrow Requirement**

The CFPB increased the asset-size threshold for exemption from HPML escrow requirements. Regulation Z generally requires creditors to establish escrow accounts to pay for property taxes and insurance premiums for certain first-lien HPML. Regulation Z generally permits an exemption from this requirement for any creditor that: (1) operates predominantly in rural or underserved areas; (2) has 500 or fewer annual total mortgage loan originations; (3) retains its mortgage obligations in portfolio; and (4) meets specified criteria, including an asset-size threshold. Effective January 1, 2014, creditors with assets of \$2.028 billion or less as of December 31, 2013, are exempt from the requirement to establish HPML escrow accounts, provided they satisfy the other exemption requirements. The rule was published in the Federal Register at 78 FR 79286 on December 30, 2013.

The language of all of the CFPB's final mortgage-related rules, together with information about these rules, can be found on the CFPB's website, at [www.consumerfinance.gov](http://www.consumerfinance.gov). The CFPB is constantly updating its website to provide information about implementation of these rules, and institutions should refer to it frequently to ensure they have the latest information on compliance.

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).