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## INFORMATIONAL MEMORANDUM



December 13, 2016

To: Chief Executive Officer  
All Farm Credit System Institutions

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

Subject: Annual Threshold Adjustments Under Regulation Z and Regulation M and Annual Lists of  
"Rural Counties" and "Rural or Underserved Counties"

This Informational Memorandum provides information about final rules the Consumer Financial Protection Bureau (CFPB) issued regarding annual threshold adjustments under Regulation Z, which implements the Truth in Lending Act (TILA), and Regulation M, which implements the Consumer Leasing Act. It also provides a link to the CFPB's lists of "rural counties" and "rural or underserved counties" for 2017.

### **Threshold Adjustments -- Home Ownership and Equity Protection Act and Ability to Pay/Qualified Mortgages**

The CFPB issued a rule that provides the 2017 annual threshold adjustments to provisions that implement the Home Ownership and Equity Protection Act of 1994 (HOEPA), which is part of the TILA, and that govern ability to pay/qualified mortgages under the TILA. These adjusted dollar amount thresholds are based on changes to the Consumer Price Index and will become effective on January 1, 2017.

#### ***Adjusted Thresholds for the HOEPA***

Under the HOEPA, 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. The following non-exempt consumer credit transactions are considered high-cost mortgages:

- A loan of \$20,579 or more if its total points and fees exceed 5 percent of the total loan amount, or
- A loan less than \$20,579 if its total points and fees exceed the lesser of 8 percent of the total loan amount or \$1,029.

### ***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 \$102,894;
- \$3,087 for a loan amount greater than or equal to \$61,737, but less than \$102,894;
- Five percent of the total loan amount for a loan amount greater than or equal to \$20,579, but less than \$61,737;
- \$1,029 for a loan amount greater than or equal to \$12,862, but less than \$20,579; and,
- Eight percent of the total loan amount for a loan amount less than \$12,862.

These adjustments were published in the Federal Register at 81 FR 41418 on June 27, 2016.

### **Adjusted Thresholds for Exempt Consumer Credit and Lease Transactions and Higher-Priced Mortgage Loan Special Appraisal Requirements**

The CFPB issued rules, effective January 1, 2017, with the following effect:

- The CFPB maintained the \$54,600 thresholds above which consumer credit transactions are exempt from Regulation Z and consumer lease transactions are exempt from Regulation M. 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, however, are subject to the TILA regardless of the loan amount. These are the same thresholds that applied in 2016. These thresholds were published in the Federal Register at 81 FR 86260 (Regulation Z) and 81 FR 86256 (Regulation M), both on November 30, 2016.
- The CFPB maintained the \$25,500 threshold below which higher-priced mortgage loans are exempt from special appraisal requirements under Regulation Z. This is the same threshold that applied in 2016. This threshold was published in the Federal Register at 81 FR 86250 on November 30, 2016.

### **2017 Lists of "Rural Counties" and "Rural or Underserved Counties"**

Some entities that do business in rural or underserved counties are exempt from certain regulatory requirements of the TILA related to mortgage loans. Here is the link to the CFPB's "[rural counties](#)" and "[rural or underserved counties](#)" lists for use in 2017.

### **CFPB Compliance-Related Information**

The language of all of the CFPB's mortgage-related rules, together with information about implementation of and compliance with the 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.

We are 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 reviewing the full regulation or 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); 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).