

INFORMATIONAL MEMORANDUM



December 19, 2017

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

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.

Adjusted Thresholds for Home Ownership and Equity Protection Act and Ability to Pay/Qualified Mortgages

The CFPB issued a rule that provides the 2018 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 will become effective on January 1, 2018.

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 \$21,032 or more if its total points and fees exceed 5 percent of the total loan amount, or
- A loan less than \$21,032 if its total points and fees exceed the lesser of 8 percent of the total loan amount or \$1,052.

Adjusted Thresholds for Ability to Repay and Qualified Mortgage Determination

For 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 \$105,158;
- \$3,155 for a loan amount greater than or equal to \$63,095, but less than \$105,158;
- Five percent of the total loan amount for a loan amount greater than or equal to \$21,032, but less than \$63,095;
- \$1,052 for a loan amount greater than or equal to \$13,145, but less than \$21,032; and,
- Eight percent of the total loan amount for a loan amount less than \$13,145.

These adjustments were published in the Federal Register at [82 FR 41158](#) on August 30, 2017.

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

The CFPB issued rules, effective January 1, 2018, with the following effect:

- The threshold for consumer credit transactions to be exempt from Regulation Z and Regulation M will increase from \$54,600 to \$55,800. 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 adjustments were published jointly in the Federal Register [82 FR 51977](#) (Regulation M) and at [82 FR 51979](#) (Regulation Z), on November 9, 2017.
- The threshold for higher-priced mortgage loans to be exempt from special appraisal requirements under Regulation Z will increase from \$25,500 to \$26,000. This adjustment was published in the Federal Register at [82 FR 51973](#), on November 9, 2017.

CFPB Compliance-Related Information

The language of all the CFPB's rules, information for implementing, and compliance can be found on the [CFPB Website](#). The CFPB is constantly updating its website with information about implementation of and compliance with its rules and other guidance, and institutions should refer to it frequently to ensure they have the latest information. System institutions can also sign up on the website to receive updates about new rules and other guidance.

We are providing this information as a courtesy to keep you informed of issues that may affect your institution. This information should not be 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 Cohn, Senior Counsel, Office of General Counsel, at (720) 213-0440, or by email at cohnj@fca.gov; or Lynn Major, Senior Examiner, Office of Examination, at (703) 883-4285, or by email at majors@fca.gov.