
INFORMATIONAL MEMORANDUM



December 13, 2018

To: Chief Executive Officer
Each Farm Credit System Institution

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

Subject: 2019 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. These adjustments will become effective on January 1, 2019.

Threshold adjustments — Home Ownership and Equity Protection Act and ability-to-repay/qualified mortgages

The CFPB issued a rule that provides the 2019 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-repay/qualified mortgages under the TILA.

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 nonexempt consumer credit transactions are considered high-cost mortgages:

- A loan of \$21,549 or more if its total points and fees exceed 5 percent of the total loan amount
- A loan of less than \$21,549 if its total points and fees exceed 8 percent of the total loan amount or \$1,077, whichever is less

Adjusted thresholds for ability-to-repay/qualified mortgage determinations

For a creditor's determination of a consumer's ability to repay a transaction secured by a dwelling, 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 of \$107,747 or more
- \$3,232 for a loan greater than or equal to \$64,648 but less than \$107,747
- Five percent of the total loan amount for a loan greater than or equal to \$21,549 but less than \$64,648
- \$1,077 for a loan greater than or equal to \$13,468 but less than \$21,549
- Eight percent of the total loan amount for a loan of less than \$13,468

The HOEPA and ability-to-repay/qualified mortgage adjustments were published in the Federal Register at [83 CFR 43503](#), August 27, 2018.

Adjusted thresholds - Exempt consumer credit and lease transactions and higher-priced mortgage loan special appraisal requirements

The CFPB issued rules, effective January 1, 2019, with the following effect:

- The threshold for consumer credit transactions to be exempt from Regulation Z and Regulation M will increase from \$55,800 to \$57,200. However, loans secured by real property or by personal property used or expected to be used as the principal dwelling of a consumer, as well as private education loans, are subject to the TILA regardless of the loan amount. These adjustments were published in the Federal Register at [83 CFR 59274](#) (Regulation Z) and at [83 CFR 59276](#) (Regulation M) on November 23, 2018.
- The threshold for higher-priced mortgage loans to be exempt from special appraisal requirements under Regulation Z will increase from \$26,000 to \$26,700. This adjustment was published in the Federal Register at [83 CFR 59272](#) on November 23, 2018.

CFPB compliance-related information

The language of all the CFPB's rules, as well as resources for implementing and complying with its rules, can be found on the [CFPB's website](#). The CFPB is constantly updating this information, 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 implementation and compliance resources.

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.