

INFORMATIONAL MEMORANDUM



August 6, 2020

To: Chief Executive Officer  
Each Farm Credit System Institution

From: Roger Paulsen, Director and Chief Examiner  
Office of Examination

Subject: Underserved areas interpretive rule and CFPB compliance guidance

This informational memorandum describes an interpretive rule on underserved areas and compliance guidance issued by the Consumer Financial Protection Bureau (CFPB). We are providing this information as a courtesy to keep you informed of issues that may affect your institution.

**Interpretive rule on method for determining underserved areas**

The CFPB issued an [interpretive rule \(PDF\)](#) to provide guidance on how it determines which counties qualify as “underserved” during a calendar year.

Creditors and others involved in the mortgage origination process use the CFPB’s annual list of [rural and underserved counties](#) to apply various provisions under Regulation Z, which implements the Truth in Lending Act. These provisions include an exemption from the requirement to establish an escrow account for a higher-priced mortgage loan. The provisions also grant creditors operating in underserved areas the ability to originate balloon-payment qualified mortgages and balloon-payment high-cost mortgages.

The method that has been used to determine whether an area is underserved has become obsolete because of regulatory changes. The method set forth in the interpretive rule replaces the outdated methodology.

The interpretive rule was published in the Federal Register at [85 FR 38299 \(PDF\)](#) on June 26, 2020.

**Compliance resources**

The CFPB and the Federal Financial Institutions Examination Council periodically provide resources to help financial institutions understand, implement, and comply with CFPB regulations. Recent guidance includes the following:

- LIBOR transition information:
  - [LIBOR Transition FAQs \(PDF\)](#) — These FAQs describe how to comply with regulations covering consumer financial products and services impacted by the anticipated LIBOR discontinuation and resulting need to transition to other indices.
  - [Notice of Availability of Revised Consumer Information Publication \(CHARM Booklet\)](#) — This Federal Register notice describes revisions the CFPB has made to the CHARM Booklet, including the removal of LIBOR-based rate examples.
- [HMDA Small Entity Compliance Guide \(PDF\)](#) — This guide discusses changes to the threshold provisions of Regulation C that were published in May 2020. We provided information about these changes in our [May 14 informational memorandum \(PDF\)](#).
- [Factsheet: TRID Title Insurance Disclosures \(PDF\)](#)
- [TILA-RESPA Integrated Disclosure FAQs](#)

### **The CFPB website**

You can find the language of all CFPB rules, as well as resources for implementing and complying with its rules, on the [CFPB's website](#). Since the CFPB constantly updates this information, you should refer to the website frequently to ensure you have the latest information. To receive updates on compliance resources as they become available, go to the [Compliance and guidance](#) page and sign up for email updates.

Please note that reviewing this informational memorandum is not a substitute for reviewing the resources provided on the CFPB website. Reviewing this website is part of exercising your 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 [cohnj@fca.gov](mailto:cohnj@fca.gov); or Lynn Major, Senior Examiner, Office of Examination, at (703) 883-4285 or [majors@fca.gov](mailto:majors@fca.gov).