
INFORMATIONAL MEMORANDUM



May 27, 2021

To: Chief Executive Officer
Each Farm Credit System Institution

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

Subject: Guidance for serving consumers with limited English proficiency, ability-to-repay/qualified mortgage rule, fair debt collection practices, and annual threshold adjustments

This informational memorandum discusses regulation updates and resources from 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.

CFPB issues guidance on serving consumers with limited English proficiency

On January 21, 2021, the CFPB issued a statement encouraging financial institutions to better serve consumers with limited English proficiency. The statement provides guidelines and principles to help financial institutions comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Equal Credit Protection Act, and other applicable laws. The statement was published in the Federal Register at [86 FR 6306 \(PDF\)](#) on January 21, 2021.

CFPB amends ability-to-repay/qualified mortgage (ATR/QM) rule and delays a mandatory compliance date

The CFPB issued two final rules, one to amend the ATR/QM rule and another to delay the mandatory compliance date of the general QM rule.

The general QM final rule replaces the existing 43% debt-to-income ratio limit in the general QM definition with price-based thresholds (and makes other changes to the ATR/QM rule). The final rule was published in the Federal Register at [85 FR 86308 \(PDF\)](#) on December 29, 2020, and took effect on March 1, 2021. Its original mandatory compliance date was July 1, 2021, but the CFPB later delayed the mandatory compliance date until October 1, 2022. The delay was published in the Federal Register at [82 FR 22844 \(PDF\)](#) on April 30, 2021. During the optional early compliance period between March 21, 2021, and October 1, 2022, creditors may use either the current or the revised general QM definition.

The seasoned QM final rule creates the seasoned QM, a new category of qualified mortgage. The final rule was published in the Federal Register at [85 FR 86402 \(PDF\)](#) on December 29, 2020, and took effect on March 1, 2021. For more information about these rules, see these CFPB documents:

- [Executive Summary of the April 2021 Amendments to the ATR/QM Rule \(PDF\)](#), which delayed the general QM final rule's mandatory compliance date
- [Executive Summary of the December 2020 Amendments to the ATR/QM Rule \(PDF\)](#)
- [Unofficial Redline of the General QM and Seasoned QM Final Rules \(PDF\)](#), which shows the changes that the final rules make to the ATR/QM rule
- [Ability-to-Repay and Qualified Mortgage Rule: Small Entity Compliance Guide \(PDF\)](#)

CFPB issues guidance and rulemakings to implement Fair Debt Collection Practices Act

In January 2021, the CFPB issued a final rule amending Regulation F, which implements the Fair Debt Collection Practices Act. The rule does the following:

- Provides additional requirements regarding validation information and disclosures lenders must provide at the outset of debt collection
- Prohibits lenders from suing or threatening to sue regarding time-barred debt
- Identifies actions that lenders must take before a debt collector may report information to consumer reporting agencies

See the CFPB's [executive summary \(PDF\)](#) and [table of contents \(PDF\)](#) for further guidance.

The final rule was published in the Federal Register at [86 FR 5766 \(PDF\)](#) on January 19, 2021. Both this final rule and a final rule the CFPB issued in October 2020 regarding debt collection communications were scheduled to take effect on November 30, 2021. However, the CFPB later issued a proposed rule that would delay the effective date of both final rules by 60 days, to January 29, 2022. The proposed delay is to allow stakeholders affected by the pandemic additional time to review and implement the rules. This proposed rule was published in the Federal Register [86 FR 20334 \(PDF\)](#) on April 19, 2021.

The CFPB also updated the [Debt Collection Rule Small Entity Compliance Guide \(PDF\)](#) to include discussion of both final rules.

CFPB adjusts exemption thresholds for escrow and other requirements

Regulation Z (12 CFR 1026) requires creditors to establish escrow accounts to pay property taxes and insurance premiums for certain first-lien higher-priced mortgage loans. However, the regulation also allows certain small creditors operating primarily in rural or underserved areas to qualify for an exemption to this requirement.

For 2021, the CFPB adjusted its exemption thresholds for the Regulation Z requirements in the following ways:

- Increased the asset-size exemption threshold to \$2.230 billion. That means that if your institution had assets of less than \$2.230 billion as of December 31, 2020, and

met certain other requirements, it is exempt from the escrow requirement for higher-priced mortgage loans in 2021. Your institution is also exempt from the escrow requirement for any loan consummated in 2022 if the application is received before April 1, 2022.

- Increased the asset-size threshold for System institutions making small-creditor portfolio and balloon-payment qualified mortgages.
- Exempted balloon-payment qualified mortgages that satisfy certain criteria (such as being made by System institutions with assets below the adjusted threshold) from the prohibition against balloon payments for high-cost mortgages.

The final rule implementing this adjustment was published in the Federal Register at [85 FR 83411 \(PDF\)](#) on December 22, 2020, and took effect on January 1, 2021.

CFPB provides compliance resources

You can find the language of all CFPB rules, as well as resources for implementing and complying with its rules, on the [CFPB 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 rules and compliance resources as they become available, go to the [Compliance](#) 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, or Lynn Major, Senior Examiner, Office of Examination, at (703) 883-4285 or majors@fca.gov.