
INFORMATIONAL MEMORANDUM



March 14, 2022

To: Chief Executive Officer
Each Farm Credit System Institution

From: Mike Duffy, Director and Chief Examiner
Officer of Examination

Subject: LIBOR transition rule, annual threshold adjustments, and compliance resources

This informational memorandum discusses regulation updates and resources from the Consumer Financial Protection Bureau (CFPB) and other federal agencies. We are providing this information as a courtesy to keep you informed of issues that may affect your institution.

LIBOR transition rule and implementation materials

To facilitate the transition from the London Interbank Offered Rate (LIBOR), the CFPB issued a LIBOR transition rule that amends Regulation Z. The rule was published in the Federal Register at [86 FR 69716 \(PDF\)](#) on December 8, 2021. The rule generally becomes effective on April 1, 2022, although compliance with some provisions is not required until later dates.

The CFPB also released an [executive summary \(PDF\)](#) and [unofficial redline \(PDF\)](#) to help covered entities implement the rule, and it updated its [LIBOR transition FAQs](#) to address questions it has received.

The CFPB also released PDFs of the [adjustable-rate-mortgage sample forms](#), which the rule updates. From April 1, 2022, through September 30, 2023, covered entities may rely on forms substantially similar to either the legacy sample forms or the updated sample forms. However, beginning October 1, 2023, covered entities may rely only on forms substantially similar to the updated sample forms.

The CFPB has created a [LIBOR Index Transition page](#) with resources to help covered entities understand, implement, and comply with regulatory requirements, including the LIBOR transition rule, when transitioning from the LIBOR index.

Adjusted thresholds for Home Ownership and Equity Protection Act (HOEPA) and ability-to-repay/qualified mortgages

The CFPB issued a final rule that provides the 2022 annual threshold adjustments to regulatory provisions that implement the Truth in Lending Act (TILA). These provisions

include those that implement the HOEPA and those that govern ability-to-repay/qualified mortgages.

Adjusted thresholds for the HOEPA

The following loans are considered high-cost mortgages:

- A loan of \$22,969 or more, if its total points and fees exceed 5% of the total loan amount
- A loan of less than \$22,969, if its total points and fees exceed 8% of the total loan amount, or \$1,148, whichever is less

Adjusted thresholds for ability-to-repay/qualified mortgages

When your institution is determining a consumer's ability to repay a transaction secured by a dwelling, you should consider the transaction to be a qualified mortgage only if its total points and fees are less than or equal to the following amounts or percentages:

- 3% of the total loan amount for a loan of \$114,847 or more
- \$3,445 for a loan greater than or equal to \$68,908 but less than \$114,847
- 5% of the total loan amount for a loan greater than or equal to \$22,969 but less than \$68,908
- \$1,148 for a loan greater than or equal to \$14,356 but less than \$22,969
- 8% of the total loan amount for a loan of less than \$14,356

The final rule for the HOEPA and ability-to-repay/qualified mortgage adjustments was published in the Federal Register at [86 FR 60357 \(PDF\)](#) on November 2, 2021. These adjustments took effect on January 1, 2022.

Adjusted threshold for exempting consumer credit and lease transactions from Regulations Z and M

The threshold for consumer credit and lease transactions to be exempt from Regulation Z and Regulation M will increase to \$61,000 for 2022. However, the following loans are subject to the TILA regardless of the loan amount:

- Loans secured by real property or by personal property used, or expected to be used, as the principal dwelling of a consumer
- Private education loans

These threshold amounts were published in the Federal Register at [86 FR 67851 \(PDF\)](#) (Regulation Z) and [86 FR 67847 \(PDF\)](#) (Regulation M) on November 30, 2021, and took effect on January 1, 2022.

Adjusted threshold for exempting higher-priced mortgage loans from special appraisal requirements

The threshold for higher-priced mortgage loans to be exempt from special appraisal requirements under Regulation Z will increase to \$28,500 for 2022. This threshold amount was published in the Federal Register at [85 FR 67843 \(PDF\)](#) on November 30, 2021, and took effect on January 1, 2022.

Adjusted 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 2022, the CFPB adjusted its exemption thresholds for the Regulation Z requirements in the following ways:

- Increased the asset-size exemption threshold to \$2.336 billion. Therefore, if your institution had assets of less than \$2.336 billion as of December 31, 2021, and meets certain other requirements, it is exempt from the escrow requirement for higher-priced mortgage loans in 2022. Your institution is also exempt from the escrow requirement for any loan consummated in 2023 if the application is received before April 1, 2023.
- Increased a similar threshold for small-creditor portfolio qualified mortgages 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 these adjustments was published in the Federal Register at [86 FR 72820 \(PDF\)](#) on December 23, 2021, and took effect on January 1, 2022.

Compliance-related resources

The CFPB and other agencies periodically provide resources to help financial institutions understand, implement, and comply with CFPB regulations and other requirements. Recent guidance includes the following:

- Updated CFPB [Home Mortgage Disclosure Act FAQs \(PDF\)](#) pertaining to institutional and transactional coverage, along with a reminder that the threshold for reporting HMDA data about open-end lines of credit will adjust to 200 open-end lines of credit effective January 1, 2022 (down from the temporary threshold of 500 open-end lines of credit).
- CFPB reminder to use 2020 census tract information for HMDA data collected beginning January 1, 2022, and notification that the [Geocoder](#) of the Federal Financial Institutions Examination Council is using 2020 census tract information beginning January 1, 2022.
- CFPB [filing instructions guide \(PDF\)](#) for HMDA data collected in 2022.
- Frequently asked questions and other CFPB [resources for compliance](#) with the Fair Debt Collection Practices Act.
- Updated CFPB [Electronic Fund Transfers FAQs](#).
- [Guidance \(PDF\)](#) from the U.S. Department of Housing and Urban Development clarifying that special purpose credit programs that conform with the Equal Credit Opportunity Act and Regulation B generally do not violate the Fair Housing Act.

- [Letter \(PDF\)](#) from the CFPB and the U.S. Department of Justice to mortgage servicers regarding protections for servicemember and veteran homeowners during the pandemic.
- [Reportable HMDA Data: A Regulatory and Reporting Overview Reference Chart for HMDA Data Collected in 2022 \(PDF\)](#) — CFPB guidance.

For more information

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 the CFPB website should be part of your due diligence in monitoring issues that may affect your institution.

If you have any questions about this informational memorandum, please contact Jennifer Cohn, Assistant General Counsel, Office of General Counsel, at (720) 213-0440 or cohnj@fca.gov, or Keta Garcia, Senior Compliance Examiner, at (469) 359-4124 or garciak@fca.gov.