Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090
(703) 883-4000

INFORMATIONAL MEMORANDUM

July 7, 2011

To: Chief Executive Officer
All Farm Credit System Institutions

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

Subject: Truth in Lending and Consumer Leasing – Annual Adjustments

The purpose of this Informational Memorandum is to provide information about recent adjustments to Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing). All institutions should adopt appropriate procedures to ensure compliance with the adjustments.

Truth in Lending – Adjustment of Fee-Based Trigger for Additional Mortgage Loan Disclosures

The Federal Reserve Board (FRB) recently published its annual adjustment to the amount of fees that triggers additional disclosure requirements under the Truth in Lending Act (TILA) and the Home Ownership and Equity Protection Act of 1994 (HOEPA) for home mortgage loans that bear rates or fees above a certain amount.

As required by statute, the dollar amount of the fee-based trigger has been adjusted to $611 for 2012 based on the annual percentage change reflected in the consumer price index (CPI) that was in effect as of June 1, 2011. It does not affect the rules for "higher-priced mortgage loans" adopted by the FRB in July 2008. Coverage of mortgage loans under the July 2008 rules is determined using a different rate-based trigger.

The HOEPA restricts credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed the fee-based trigger, or 8 percent of the total loan amount, whichever is larger.

See attachment for a copy of this final rule, which was published at 76 FR 35723, June 20, 2011. The adjustment will be effective January 1, 2012.

Increase in Dollar Threshold for Exempt Consumer Credit and Lease Transactions

Effective July 21, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amends the TILA and the Consumer Leasing Act (CLA) to expand consumer protections by increasing the thresholds for exempt consumer credit transactions and consumer leases from $25,000 to $50,000. In addition, the Dodd-Frank Act provides that, on or after December 31, 2011, these thresholds must be adjusted annually by any annual

percentage increase in the CPI. (By Informational Memorandum dated May 5, 2011, we notified you of the amendments to Regulation Z and Regulation M that increased the thresholds.)

The FRB recently adjusted Regulation Z and Regulation M to reflect an annual percentage increase in the CPI. Based on this increase, the protections of the TILA and the CLA generally will apply to consumer credit transactions and consumer leases of $51,800 or less in 2012. However, private education loans and loans secured by real property (such as mortgages) are subject to the TILA regardless of the amount of the loan.

See attachments for a copy of these rules published at 76 FR 35722 (Regulation Z) and 76 FR 35721 (Regulation M). Both rules are dated June 20, 2011. The adjustments will be effective January 1, 2012.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by e-mail at cohnj@fca.gov; and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at stephensd@fca.gov.