

Farm Credit Administration

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INFORMATIONAL MEMORANDUM

May 5, 2011



To: Chief Executive Officer
All Farm Credit System Institutions

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

A handwritten signature in black ink that reads 'Samuel R. Coleman'.

Subject: Amendments to Regulation M (Consumer Leasing) and Regulation Z (Truth in Lending)

The purpose of this Informational Memorandum is to provide information regarding recent amendments to Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing). The amendments expand the coverage of these consumer protection regulations to consumer credit transactions and leases of higher dollar amounts. These amendments apply only to credit transactions subject to the Truth in Lending Act (TILA) and leases subject to the Consumer Leasing Act (CLA). All institutions should adopt appropriate procedures to ensure compliance with the amendments.

The TILA requires creditors to disclose key terms of consumer loans and prohibits creditors from engaging in certain practices with respect to those loans. Currently, consumer loans of more than \$25,000 are generally exempt from TILA; however, private education loans and loans secured by real property (such as mortgages) are subject to TILA regardless of the amount of the loan.

The CLA requires lessors to provide consumers with disclosures regarding the cost and other terms of personal property leases; automobile leases are the most common type of consumer lease covered by the CLA. Currently, a lease is exempt from the CLA if the consumer's total obligation exceeds \$25,000.

Effective July 21, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that the TILA and CLA protections apply to consumer credit transactions and consumer leases up to \$50,000, up from the existing \$25,000. Thereafter, the amount is to be adjusted annually to reflect any increase in the consumer price index.

The amendments, which will be codified in 12 CFR Part 226 (Truth in Lending) and 12 CFR Part 213 (Consumer Leasing), will be effective on July 21, 2011.

See attachment for a copy of these amendments, which were published at 76 FR 18354 and 76 FR 18349 (April 4, 2011).

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.

Attachments