

# Farm Credit Administration

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## INFORMATIONAL MEMORANDUM



August 19, 2010

To: Chief Executive Officer  
All Farm Credit System Institutions

From: Thomas G. McKenzie, Director and Chief Examiner  
Office of Examination

A handwritten signature in black ink that reads 'Thomas G. McKenzie'. The signature is written in a cursive style with a long, sweeping underline.

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

The purpose of this Informational Memorandum is to provide information regarding the disclosure requirements when rates and fees on home mortgage loans exceed the established trigger. Farm Credit System institutions should revise their procedures accordingly.

The Federal Reserve Board (FRB) requires additional disclosures under the Truth in Lending Act and the Home Ownership and Equity Protection Act of 1994 (HOEPA) for home mortgage loans that bear rates or fees above the adjusted trigger. The dollar amount of the fee-based trigger, effective January 1, 2011, has been increased to \$592 based on the annual percentage changes reflected in the Consumer Price Index that was in effect on June 1, 2010.

This adjustment does not affect the rules for “higher-priced mortgage loans” adopted by the FRB in July 2008. Coverage of mortgage loans under those 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 (initially set at \$400 and adjusted annually) or 8 percent of the total loan amount, whichever is larger.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Reform Act) was enacted into law. The Reform Act revises the statutory fee trigger for HOEPA loans; these amendments will be implemented by a future rulemaking. Accordingly, this fee trigger adjustment will apply for one year, or until final rules under the Reform Act become effective, whichever is earlier. The adjustment was contained in a final rule published at 75 FR 46837 (Aug. 4, 2010). A link to the final rule is provided here: [Final Rule-Truth In Lending](#).

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](mailto:cohnj@fca.gov); and/or David Stephens, Office of Examination, at (703) 883-4412, or by e-mail at [stephensd@fca.gov](mailto:stephensd@fca.gov).