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SANDRA F. BRAUNSTEIN
DIRECTOR
DIVISION OF CONSUMER
AND COMMUNITY AFFAIRS

CA 13-9

June 6, 2013

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS:**

SUBJECT: Revised Examination Procedures for Regulation Z

The attached revised procedures replace the Regulation Z – Truth in Lending interagency examination procedures transmitted as part of CA 12-13.

The attached procedures primarily reflect recent amendments to Regulation Z, issued by the Consumer Financial Protection Bureau (CFPB). The Regulation Z examination procedures related to mortgages were developed on an interagency basis and were recently approved by the Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council. Specifically, the procedures reflect amendments implementing revisions to the Truth in Lending Act under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that: (1) restrict mandatory arbitration agreements in mortgage loans; and (2) revise existing escrow requirements on first-lien higher-priced mortgage loans. These amendments are effective with respect to transactions for which the creditor receives an application on or after June 1, 2013.

The attached procedures also reflect annual adjustments to the threshold for exempt consumer credit transactions (to \$53,000) and to the points and fees coverage trigger under the Home Ownership and Equity Protection Act of 1994 (HOEPA) (to \$625). Both adjustments were effective on January 1, 2013.

Separately, the attached procedures reflect two recent rulemakings by the CFPB under Regulation Z concerning requirements for credit card accounts. First, Regulation Z limits certain credit card fees to 25 percent of an account's initial credit limit. The CFPB has revised Regulation Z to provide that the rule's limitation applies only during the first year after account opening, and not to fees the consumer is required to pay prior to account opening. This amendment was effective on March 28, 2013. Second, the CFPB has revised Regulation Z to remove a requirement that credit card issuers consider the "independent" ability of an applicant who is 21 or older to make minimum payments, and to permit issuers to consider income and assets to which such a consumer has a reasonable expectation of access. The rule also makes other clarifications regarding the ability to pay analysis for consumers who are not yet 21. This amendment was effective on May 3, 2013.

The CFPB has issued additional mortgage rules implementing the Dodd-Frank Act that will go into effect in January 2014, including rules regarding ability-to-repay standards and qualified mortgages, loan originator compensation and qualification, servicing, and loans subject to HOEPA. Interagency appraisal rules will also go into effect January 2014. We expect to issue corresponding interagency revisions to the Regulation Z examination procedures to reflect these new rules later this year.

If you have any questions, please contact Dana Miller, Senior Supervisory Consumer Financial Services Analyst, (202) 452-2751, or Carol Evans, Assistant Director, at (202) 452-2051.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra Brewster". The signature is written in a cursive, flowing style.

Attachment: Revised Regulation Z Interagency Examination Procedures

Supersedes: CA 12-13