BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

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DIRECTOR
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CA 13-25

December 23, 2013

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

SUBJECT: Revised Interagency Examination Procedures for Regulation Z and Applicability of CA Letter 09-12

Applicability to Community Banking Organizations: This guidance applies to all state member banks, including those with $10 billion or less in consolidated assets.

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council recently approved the attached interagency examination procedures for Regulation Z – Truth in Lending. These revised examination procedures supersede the Regulation Z interagency examination procedures transmitted with CA Letter 13-12.

The attached procedures reflect recent amendments to Regulation Z, issued by the Consumer Financial Protection Bureau (CFPB). The CFPB has published a series of rulemakings to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act, including rules regarding ability-to-repay and qualified mortgage standards (ATR/QM), loan originator compensation and qualification, servicing, loans subject to HOEPA, and escrows. These rules will generally go into effect on January 10, 2014. The attached procedures incorporate these amendments to Regulation Z finalized through October 1, 2013, as well as an interim final rule issued on October 15, 2013. The procedures also include an updated examiner points-and-fees worksheet for high-cost loans under 12 CFR § 1026.32.

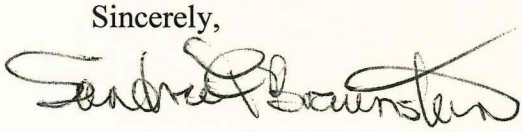
The attached procedures also incorporate interagency amendments to Regulation Z regarding appraisals finalized in January 2013 and generally effective on January 18, 2014. However, the attached procedures do not reflect revisions to the appraisals rules issued on December 12, 2013. These revisions provide additional exemptions for loans of $25,000 or less and for certain streamlined refinances. These revisions also contain special provisions applicable to manufactured home loans and extend the mandatory compliance date for those provisions until July 18, 2015. Updated procedures reflecting the December appraisals rulemaking will be forthcoming.

Separately, we have received questions about the continued application of CA Letter 09-12, which provides guidance concerning how the Board's 2009 Regulation Z repayment ability rule applies to certain higher-priced balloon mortgage loans. The CFPB's new ability-to-repay rule will replace the existing ability-to-repay rule. Accordingly, CA Letter 09-12 applies only to loans where the application was received before January 10, 2014 (the effective date of the new

ability-to-repay rules). CA Letter 09-12 will not apply to loan applications received on or after that date.

If you have any questions, please contact Dana Miller, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2751, or Amy Henderson, Managing Counsel, at (202) 452-3140.

Sincerely,



Attachment: Revised Interagency Examination Procedures for Regulation Z

Supersedes: CA 13-12 "Revised Interagency Examination Procedures for Regulation Z" (August 21, 2013)