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Regulation Z Threshold Adjustments for 2015

Regulation Z implements the Truth in Lending Act. This regulation contains various exemptions, one of which is based on a specific threshold, which is subject to adjustment. The regulation also contains other thresholds which relate to specific regulatory requirements. The Consumer Financial Protection Bureau (CFPB) has published final rules amending these thresholds, which become effective in 2015.

Updated Alert Date: December 31, 2014

Status: Effective January 1, 2015

Links: [Final Rule \(HOEPA & ATR/QM\) - 08/15/2014](#)
[Final Rule \(general exemption\) - 09/22/2014](#)
[Final Rule \(escrow accts\) - 12/29/2014](#)
[Final rule \(appraisals & HPMLs\) - 12/30/2014](#)

The CFPB has issued final rules amending Regulation Z. These rules communicate annual adjusted applicability thresholds for 2015. Credit card information is not discussed in this Compliance Alert.

How is the general Regulation Z exemption threshold changing?

Regulation Z contains information that outlines transactions that are exempt. **One particular factor is the loan amount for consumer credit transactions.** This particular threshold is to be adjusted annually by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers. **The CFPB has changed this threshold from \$53,500 to \$54,600 effective January 1, 2015.**

Keep in mind, this particular exemption threshold is not applicable to some types of credit, as follows:

- Loans secured by any real property, or by personal property used or expected to be used as the principal dwelling of the consumer, or
- Private education loans.

Note: Since the threshold does not apply to these types of credit, these particular loans are always covered by the Regulation regardless of loan amount.

What other Regulation Z thresholds are changing?

HOEPA Threshold Adjustments - This section of the regulation contains a points and fees coverage test for use in calculating whether a transaction is a high cost mortgage. When effective, the total points and fees thresholds are adjusted as follows:

- 5% of the total loan amount – for loans greater than or equal to **\$20,391**
- 8% of the total loan amount or **\$1,020**, whichever is less – for loans less than **\$20,391**

Ability to Repay / Qualified Mortgages (ATR/QM) – This section of the regulation contains standards for determining whether a transaction is a QM. In part, a transaction is not a QM if the transaction's total points and fees exceed certain thresholds, based on specific loan amounts. When effective, the thresholds are adjusted as follows:

- Points and fees may not exceed **3%** - for a loan amount greater than or equal to **\$101,953**
- Points and fees may not exceed **\$3,059** - for loans greater than or equal to **\$61,172**, but less than **\$101,953**
- Points and fees may not exceed **5%** - for loans greater than or equal to **\$20,391** but less than **\$61,172**
- Points and fees may not exceed **\$1,020** – for loans greater than or equal to **\$12,744** but less than **\$20,391**
- Points and fees may not exceed **8%** - for loans less than **\$12,744**

Escrow Requirements for Higher Priced Mortgage Loans (HPMLs) – This section of the regulation contains criteria for determining whether an institution can be exempt from certain escrow account requirements. One criterion is the asset size of the institution. **The CFPB has adjusted this threshold from \$2.028 billion to \$2.060 billion effective January 1, 2015.**

Appraisal Requirements for Higher Priced Mortgage Loans (HPMLs) – This section of the regulation contains appraisal requirements for HPML transactions. It also contains a list of transactions that are specifically exempted from these requirements. One such exemption is based on the amount of the extension of credit. **The CFPB has adjusted this threshold from \$25,000 to \$25,500 effective January 1, 2015.**

Recommendations for Next Steps

By January 1, 2015:

1. Update any lending-related policy that references these particular thresholds for consumer credit transactions.
2. As needed, update any existing loan procedures that monitor these thresholds.
3. Alert staff regarding the new thresholds that will be in effect for 2015.