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Regulation Z Threshold Adjustments for 2022

Regulation Z implements the Truth in Lending Act. This regulation contains various exemptions and requirements, some of which are based on specific thresholds that are subject to adjustment. The Bureau of Consumer Financial Protection, and other agencies as applicable, will publish final rules amending these thresholds typically on an annual basis. This Alert is focused on those changes that have been announced and will become effective in 2022.

Updated Alert Date: December 28, 2021

Status: Effective January 1, 2022

Links: [Final Rule \(CARD HOEPA & QMs\) - 11/02/2021](#)
[Final Rule \(general exemption\) - 11/30/2021](#)
[Final Rule \(appraisals & HPMLs\) - 11/30/2021](#)
[Final Rule \(escrows & HPMLs\) - 12/23/2021](#)

Final rules have been issued amending Regulation Z. The rules communicate adjusted applicability thresholds for 2022. *Credit card information is not discussed in this Compliance Alert.*

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 subject to annual adjustment by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). **Based on that criteria, the exemption threshold will be adjusted from \$58,300 to \$61,000 in 2022.**

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 or remaining the same?

HOEPA Threshold Adjustments - Section 1026.32 of the regulation contains a points and fees coverage test for use in calculating whether a transaction is a high cost mortgage. In 2022, the total points and fees thresholds are adjusted as follows:

- 5% of the total loan amount – for loans greater than or equal to **\$22,969**
- 8% of the total loan amount or **\$1,148**, whichever is less – for loans less than **\$22,969**

Ability to Repay / Qualified Mortgages (ATR/QMs) – Another 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. Effective in 2022, the thresholds are adjusted as follows:

- Points and fees may not exceed **3% of the loan amount** - for a loan amount greater than or equal to **\$114,847**
- Points and fees may not exceed **\$3,445** - for loans greater than or equal to **\$68,908**, but less than **\$114,847**
- Points and fees may not exceed **5% of the loan amount** - for loans greater than or equal to **\$22,969** but less than **\$68,908**
- Points and fees may not exceed **\$1,148** – for loans greater than or equal to **\$14,356** but less than **\$22,969**
- Points and fees may not exceed **8% of the loan amount** - for loans less than **\$14,356**

General QMs - The General QM provisions contain price-based limits, which are subject to adjustment for inflation. Under the General QM definition, the annual percentage rate (APR) may not exceed the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set, by certain amounts. Effective in 2022, the price-based limits are adjusted as follows:

Transaction	General QM Threshold Limit
First-lien covered transaction with a loan amount greater than or equal to \$114,847	2.25 percentage points
First-lien covered transaction with a loan amount greater than or equal to \$68,908 but less than \$114,847	3.5 percentage points
First-lien covered transaction with a loan amount less than \$68,908	6.5 percentage points
First-lien covered transaction secured by a manufactured home with a loan amount less than \$114,847	6.5 percentage points
Subordinate-lien covered transaction with a loan amount greater than or equal to \$68,908	3.5 percentage points
Subordinate-lien covered transaction with a loan amount less than \$68,908	6.5 percentage points

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. **Based on the CPI-W, the exemption threshold will be adjusted from \$27,200 to \$28,500 in 2022.**

Minimum Interest Charge – Under the open-end credit rules, section 1026.6(b)(2)(iii) provides that the minimum interest charge threshold will be re-calculated periodically. It has been determined that there will be no amendment and the minimum interest charge threshold of at least \$1.00 will remain unchanged in 2022.

Escrow Requirements for Higher Priced Mortgage Loans (HPMLs) – Another section of the regulation contains criteria for determining whether an institution can be exempt from certain escrow account requirements. In two exemptions, a criterion is based on the asset size of the institution, and is adjusted in the Reg. Z official interpretations, effective January 1, 2022, as follows:

- The exemption threshold for creditors and their affiliates that regularly extended covered transactions secured by first liens is adjusted from **\$2.230 billion** to **\$2.336 billion** (1026.35(b)(2)(iii)(C))
- The exemption threshold for certain insured depository institutions and insured credit unions with assets of \$10 billion or less is adjusted from **\$10 billion** to **\$10.473 billion** (1026.35(b)(2)(vi)(A))

Recommendations for Next Steps

By January 1, 2022:

1. Review the final rules and update any lending-related policy, as needed, which references these particular annual thresholds for consumer credit transactions.
2. As needed, update any existing loan procedures that monitor these thresholds.
3. As needed, alert staff regarding the new thresholds that will be in effect for 2022.