

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

January 15, 2014

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

CA 13-24 and CA 13-25 Revised Interagency Examination Procedures for Regulations X and Z

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

On December 23, 2013, the Federal Reserve issued two CA letters to transmit the revised interagency examination procedures for Regulations X and Z. The procedures reflect amendments to the regulations issued by the Consumer Financial Protection Bureau (CFPB) to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act.

CA 13-24 Revised Real Estate Settlement Procedures Act (RESPA) Interagency Examination Procedures

The revised RESPA procedures reflect the recent amendments to Regulation X that will generally go into effect on January 10, 2014, including rules regarding mortgage servicing and homeownership counseling requirements. The revised procedures incorporate amendments to Regulation X finalized through October 1, 2013, and an interim final rule issued on October 15, 2013. They also incorporate an advisory opinion contained in guidance issued by the CFPB on October 15, 2013, clarifying how certain provisions of the servicing rules interact with the “cease communications” requirement of the Fair Debt Collection Practices Act.

CA 13-25 Revised Interagency Examination Procedures for Regulation Z and Applicability of CA 09-12

The attached procedures reflect recent amendments to Regulation Z, 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 revised 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 examination procedures also incorporate interagency amendments to Regulation Z regarding appraisals finalized in January 2013 that are generally effective on January 18, 2014. However, these procedures do not reflect revisions to the appraisal rules issued on December 12, 2013, which revisions provide additional exemptions for loans of \$25,000 or less and for certain streamlined refinances. Additionally, the 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 appraisal rulemaking is forthcoming.

Separately, the Board has received questions about the continued application of CA 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 repayment ability rule. Accordingly, CA 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 09-12 will not apply to loan applications received on or after that date.

Resources

The CFPB established a regulatory implementation page with additional information on the 2013 RESPA and TILA Servicing Final Rules and other new mortgage rules issued by the CFPB. The site can be accessed at <http://www.consumerfinance.gov/regulatory-implementation>.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853

Attachments

[Revised RESPA Interagency Examination Procedures](#)
[Revised Interagency Examination Procedures for Regulation Z](#)

Cross Reference

[CA 09-12 "Short-Term Balloon Loans and Regulation Z Repayment Ability Requirement for Higher-Priced Mortgage Loans"](#) (November 9, 2009)