

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

June 17, 2013

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 13-9 Revised Examination Procedures for Regulation Z and Consumer Financial Protection Bureau (CFPB) Interim Examination Procedures

On June 6, 2013, the Federal Reserve Board issued [CA 13-9](#), which transmits the revised examination procedures for Regulation Z. The [revised procedures](#) reflect the following amendments and adjustments to Regulation Z:

- **Mortgage Rules** – The revisions reflect the amendments made by the CFPB that: (1) restrict mandatory arbitration agreements in mortgage loans and (2) revise existing escrow requirements for first-lien higher-priced mortgage loans (i.e., the rule extends the mandatory escrow period for these loans from one to five years). These amendments are effective for transactions for which the creditor receives an application on or after **June 1, 2013**.
- **Annual Adjustments** – The procedures also reflect annual adjustments to the threshold for exempt consumer credit transactions (to \$53,000) and to the points and fees triggers under the Home Ownership and Equity Protection Act (HOEPA) (to \$625). Both adjustments were effective on **January 1, 2013**.
- **Credit Cards** – Separately, the procedures reflect two CFPB rulemakings 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 revised Regulation Z to provide that the rule's limitation only applies 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 **March 28, 2013**. Second, the CFPB removed 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 **May 3, 2013**.

While CA 13-9 revises the examination procedures for rules that have already gone into effect, on June 4, 2013, the CFPB also revised and released interim exam procedures that take into account a number of rules that go into effect in January 2014. Specifically, the interim procedures reflect the rules on appraisals, escrow accounts, and compensation and qualification for loan originators. According to their [press release](#), the CFPB's advance provision of the exam procedures are designed to help financial institutions and mortgage companies understand how they will be examined under the CFPB rules. The CFPB will issue additional updates as procedures for the remaining mortgage rules are developed. Once all of their exam procedures have been updated with the new mortgage rule requirements, the CFPB will incorporate all of the sections into its general [supervision and examination manual](#).

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/letters>.

For additional information regarding supervisory expectations, please contact:

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