

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

October 30, 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

CFPB Finalizes Minor Changes to the 2013 Mortgage Rules

On October 22, 2014, the Consumer Financial Protection Bureau (CFPB) finalized minor adjustments to its mortgage rules, which were proposed in April 2014, incorporating changes that address concerns about origination and servicing issues, including those of nonprofit housing providers. The changes include:

- **Defining Nonprofit Small Servicers** – The amendment provides an alternative definition of the term “small servicer,” which would apply to certain 501(c)(3) nonprofit entities, so they can continue servicing loans, for a fee, for other nonprofit chapters of the same organization and still maintain their exemption from some of the servicing rules. In particular, a “small servicer” is exempt from certain requirements that apply to servicers under Regulations Z (12 CFR Part 1026) and X (12 CFR part 1024). The CFPB proposed this change in Regulation Z, but the change would also affect several provisions of Regulation X, which cross-reference the Regulation Z small servicer definition.
- **Nonprofit Ability-to-Repay Exemption Amendment** – The amendment expands the Ability-to-Repay Rule exemption to provide that certain non-interest bearing, contingent subordinate lien loans originated by nonprofit creditors will not be counted towards the 200-mortgage loan limit that applies to the nonprofit exemption from the ability-to-repay requirements.
- **Refunding Excessive Points and Fees** – The amendment provides a limited, post-consummation cure mechanism for loans that exceed the points and fees limit for qualified mortgages, but that meet the other requirements for being a qualified mortgage at consummation. In particular, excess points and fees must be refunded within 210 days of making a loan and before certain cut-off events described in Regulation Z. This provision will expire on January 10, 2021.

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:

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Federal Register Notice

[Amendments to the 2013 Mortgage Rules under the Truth in Lending Act \(Regulation Z\)](#)