

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

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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

Truth in Lending Act (Regulation Z) Adjustment to the Asset-Size Exemption Threshold for Higher-Priced Mortgage Loans

On December 29, 2014, the Consumer Financial Protection Bureau (CFPB) amended the official commentary that interprets the requirements of Regulation Z (Truth in Lending Act) to reflect a change in the asset-size threshold for certain creditors to qualify for an exemption to the requirement to establish an escrow account for a higher-priced mortgage loan.

The exemption threshold is adjusted to increase from \$2.028 billion to \$2.060 billion. The adjustment is based on the 1.1 percent increase in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the 12-month period ending in November 2014. Therefore, creditors with assets of \$2.060 billion or less as of December 31, 2014, are exempt, if other requirements of Regulation Z are also met, from establishing escrow accounts for higher-priced mortgage loans in 2015.

The adjustment to the escrows exemption asset-size threshold will also increase a similar threshold for small-creditor portfolio and balloon payment qualified mortgages. Balloon-payment qualified mortgages that satisfy all applicable criteria, including being made by creditors that do not exceed the asset-size threshold, are also excepted from the prohibition on balloon payments for high-cost mortgages.

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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