



FEDERAL RESERVE BANK *of* KANSAS CITY

January 17, 2014

Revised Regulations X and Z Interagency Examination Procedures

Applicability of Previously Issued Guidance on Calculating Repayment Ability for Certain Higher-Priced Balloon Loans

Supervisory Expectations for the Homeownership Counseling List Requirement of Regulation X

**To the Chief Executive Officer of Each Tenth District State Member Bank, Bank Holding Company, and Savings and Loan Holding Company:**

On December 23, 2013, the Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council approved interagency examination procedures for Regulation Z – Truth in Lending and Regulation X – Real Estate Settlement Procedures Act:

- Earlier this year, the Consumer Financial Protection Bureau (CFPB) issued several mortgage-related final rules, implementing various requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The procedures have been updated to reflect these final rules, which covered such topics as loan originator compensation, appraisals, mortgage servicing, ability-to-repay and qualified mortgage standards, and escrow requirements.
- The procedures incorporate amendments to the CFPB's Regulations X and Z, finalized through October 15, 2013. Additional clarifications are expected regarding revisions to appraisal rules as reflected in Regulation Z, which are not effective until July 18, 2015.

Additionally, guidance was provided concerning the Board's 2009 Regulation Z repayment ability rule that applies to certain higher-priced balloon mortgage loans. Because the CFPB's new ability-to-repay rule will replace the existing ability-to-repay rule, the Board's 2009 guidance should no longer be used for loans where the application is received on or after January 10, 2014.

Lastly, the Federal Reserve Board issued clarification of its supervisory expectations in regards to the new homeownership counseling list requirement of Regulation X. The Board's supervisory approach will be consistent with the CFPB's guidance on providing applicants with a list of local homeownership counseling organizations.

A copy of CA 13-24, CA 13-25, and CA 13-26 is available on the Federal Reserve Board of Governors' web site at <http://www.federalreserve.gov/bankinforeg/caletters/caltr1324.htm>, <http://www.federalreserve.gov/bankinforeg/caletters/caltr1325.htm>, and <http://www.federalreserve.gov/bankinforeg/caletters/caltr1326.htm>, respectively. Please direct any questions concerning this guidance to the Consumer Affairs Department of the Federal Reserve Bank of Kansas City at (800) 333-1010, extension 881-2488, or via email at [linda.painter@kc.frb.org](mailto:linda.painter@kc.frb.org).

Sincerely,

A handwritten signature in black ink that reads "Michael R. Steckline". The signature is written in a cursive style with a prominent flourish at the end.

Michael R. Steckline  
Assistant Vice President



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

SANDRA F. BRAUNSTEIN  
DIRECTOR  
DIVISION OF CONSUMER  
AND COMMUNITY AFFAIRS

CA 13-24

December 23, 2013

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS  
SECTIONS:**

**SUBJECT: Revised RESPA Interagency Examination Procedures**

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

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council recently approved the attached interagency examination procedures for The Real Estate Settlement Procedures Act (RESPA). These revised examination procedures supersede the RESPA interagency examination procedures transmitted with CA Letter 13-13.

The attached procedures reflect recent amendments to Regulation X, issued by the Consumer Financial Protection Bureau (CFPB). The CFPB has published a series of rulemakings to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act that will generally go into effect on January 10, 2014, including rules regarding mortgage servicing and homeownership counseling requirements. The attached procedures incorporate amendments to Regulation X finalized through October 1, 2013 and an interim final rule issued on October 15, 2013. The attached procedures 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.

If you have any questions, please contact Dana Miller, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2751, or Amy Henderson, Managing Counsel, at (202) 452-3140.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra F. Braunstein".

Attachment: Revised RESPA Interagency Examination Procedures

Supersedes: CA 13-13 "Revised RESPA Interagency Examination Procedures" (August 21, 2013)



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

SANDRA F. BRAUNSTEIN  
DIRECTOR  
DIVISION OF CONSUMER  
AND COMMUNITY AFFAIRS

CA 13-25

December 23, 2013

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS  
SECTIONS:**

**SUBJECT: Revised Interagency Examination Procedures for Regulation Z and  
Applicability of CA Letter 09-12**

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

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council recently approved the attached interagency examination procedures for Regulation Z – Truth in Lending. These revised examination procedures supersede the Regulation Z interagency examination procedures transmitted with CA Letter 13-12.

The attached procedures reflect recent amendments to Regulation Z, issued by the Consumer Financial Protection Bureau (CFPB). The CFPB has published a series of rulemakings to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act, 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 attached 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 attached procedures also incorporate interagency amendments to Regulation Z regarding appraisals finalized in January 2013 and generally effective on January 18, 2014. However, the attached procedures do not reflect revisions to the appraisals rules issued on December 12, 2013. These revisions provide additional exemptions for loans of \$25,000 or less and for certain streamlined refinances. These 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 appraisals rulemaking will be forthcoming.

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

If you have any questions, please contact Dana Miller, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2751, or Amy Henderson, Managing Counsel, at (202) 452-3140.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra Bernstein". The signature is written in a cursive style with a large, stylized initial "S".

Attachment: Revised Interagency Examination Procedures for Regulation Z

Supersedes: CA 13-12 "Revised Interagency Examination Procedures for Regulation Z"  
(August 21, 2013)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20561

SANDRA F. BRAUNSTEIN  
DIRECTOR  
DIVISION OF CONSUMER  
AND COMMUNITY AFFAIRS

CA 13-26

December 23, 2013

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS  
SECTIONS:**

**SUBJECT: Regulation X Homeownership Counseling List Requirement**

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

The Federal Reserve Board is issuing this CA Letter to clarify the Board's supervisory expectations in light of guidance issued by the Consumer Financial Protection Bureau (CFPB) on November 8, 2013 relating to one of its new mortgage rules under Regulation X, 12 CFR Part 1024.

The CFPB has implemented in Regulation X a requirement in the Dodd-Frank Wall Street Reform and Consumer Protection Act that lenders provide applicants for federally-related mortgages with a list of local homeownership counseling organizations. 12 CFR 1024.20(a). The rule is effective January 10, 2014. The rule provides two alternatives for lenders to provide the counseling list: (1) obtain the list through a CFPB-created website; or (2) generate the list themselves based on specific CFPB instructions. The CFPB released its website tool and a supplemental interpretive rule providing these instructions on November 8, 2013.<sup>1</sup> Because of the time required to develop the systems necessary to comply with the second alternative, the CFPB simultaneously issued transitional supervisory guidance permitting lenders that act in good faith while building these systems (or working with vendors to build these systems) to direct borrowers to the CFPB's housing counseling agency website to obtain a list of housing counselors, using a format and language prescribed by the CFPB.<sup>2</sup> We concur with the CFPB's approach. Examiners, therefore, should take a supervisory approach consistent with the CFPB's guidance.

If you have any questions, please contact Dana Miller, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2751, or Amy Henderson, Managing Counsel, at (202) 452-3140.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra F. Braunstein", written over a horizontal line.

<sup>1</sup> <http://www.consumerfinance.gov/find-a-housing-counselor/> and 78 FR 68343 (Nov. 14, 2013).

<sup>2</sup> CFPB Bulletin 2013-13, available at: [http://files.consumerfinance.gov/f/201311\\_cfpb\\_bulletin\\_homeownership-counseling-list-requirements.pdf](http://files.consumerfinance.gov/f/201311_cfpb_bulletin_homeownership-counseling-list-requirements.pdf).