

REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: May 2016 **NO:** 16-RA-05

TO: Federally Insured Credit Unions

SUBJ: Amendments Relating to Small Creditors and Rural or Underserved Areas under the Truth in Lending Act

ENCL: 1) [Charts of Changes Relating to Small Creditors and Rural or Underserved Areas under the Truth in Lending Act](#)
2) [Summary of Changes Relating to Small Creditors and Rural or Underserved Areas under the Truth in Lending Act](#)

Dear Board of Directors and Chief Executive Officer:

We are providing you this alert because the Consumer Financial Protection Bureau (CFPB) has issued three final rules amending Regulation Z, which implements the Truth in Lending Act. The amendments apply to credit unions that originate or service closed-end mortgages secured by a dwelling, including small creditors operating in rural or underserved areas. They affect some special provisions and exemptions related to the ability to repay/qualified mortgage rule, balloon-payment high-cost mortgages, and escrow requirements for higher-priced mortgage loans.

Taken together, the changes made by these final rules may give you more flexibility in complying with applicable standards by making it more likely your credit union can be considered to be a small creditor or to be operating in a rural or underserved area. The one exception is a provision requiring you to count the assets of an affiliate originating covered mortgages toward the asset threshold for small creditor status. The main changes made by the final rules:

- Revise the definition of “small creditor” to—
 - Increase the number of mortgage loans you and your affiliates can make and still maintain small creditor status, and
 - Count the assets of mortgage-originating affiliates towards the asset limit for small creditor status;
- Revise the definition of “rural area” to include a census block that is not in an urban area;
- Establish a process for applying to CFPB to have an area designated as “rural”;
- Provide that creditors operate in a rural or underserved area if they make one loan in such an area, changing the previous standard of making more than 50 percent of loans in rural or underserved areas; and
- Make technical changes and clarifications to Regulation Z and the related commentary.

The three final rules have different effective dates, but the changes were fully effective on March 31, 2016. The enclosed chart and summary explain the changes, and the summary discusses steps to take if your credit union relies on provisions applicable to small creditors or creditors operating in a rural or underserved area. If you have questions, please contact NCUA's Office of Consumer Protection at (703) 518-1140 or ComplianceMail@ncua.gov, your regional office, or state supervisory authority.

Sincerely,

/s/

Rick Metsger
Chairman

Enclosures