



CFPB Proposes Changes to Assist Small Lenders with Mortgage Rules

The CFPB is requesting comments on a proposal that is aimed at assisting smaller institutions, including those in rural areas, in complying with its mortgage rules. The proposal, issued on January 29, 2015, would amend Regulation Z in several respects.

Currently, Regulation Z defines a small creditor as one that, among other conditions, meets certain asset-size and loan-origination thresholds. A creditor is a “small creditor” if it had assets of less than \$2.060 billion as of December 31, 2014 (for 2015) and, together with its affiliates, originated 500 or fewer first-lien covered mortgage loans. This “small creditor” definition applies in connection with the exemption from the escrow account requirements for higher-priced mortgage loans (HPML) under Section 1026.35(b), as well as in several qualified mortgage categories in the Ability-to-Repay (ATR) Rule under Section 1026.43.

Proposed changes to loan origination threshold. The Bureau proposes to raise the loan origination threshold from 500 first-lien covered mortgage loans to 2,000 first-lien covered mortgage loans. Loans held in portfolio by the creditor and its affiliates would be excluded in determining the number of originated loans.

Proposal to include affiliate’s assets. What the Bureau gives with one hand, it always seems to take away with the other. As noted above, a creditor must have assets of less than \$2.060 billion as of December 31, 2014 in determining small-creditor status for 2015. The proposal would require that in calculating a creditor’s asset size for small-creditor status, the creditor would have to include the assets of its affiliates that originate mortgage loans.

Proposed grace period for small creditors. The Bureau proposes to permit creditors that exceeded the asset-size or loan origination thresholds in the preceding calendar year to operate, under certain limited circumstances, as a small creditor with respect to applications received prior to April 1 of the current calendar year.

Other revisions are being proposed to the definition of rural and underserved areas. Comments on the proposed rule are being solicited until March 30, 2015.