



Regulatory Relief Measure Signed

On May 24, 2018 President Trump signed into law S. 2155 – a measure that eases some rules adopted under the Dodd-Frank Reform Act. This article highlights some of the provisions of S. 2155, the “Economic Growth, Regulatory Relief, and Consumer Protection Act” (Relief Act), that are of particular interest to BCG members. We will discuss the new law in more detail at an upcoming BCG Monthly Telephone Briefing.

Expanded small-creditor exemption for qualified mortgages. Dodd-Frank added an ability-to-repay test applicable to closed-end residential loans. Regulation Z Section 1026.43 implements the ability to repay requirements. Section 1026.43(e)(5) provides a safe harbor for small-creditor portfolio qualified mortgages. For 2018, the small creditor threshold is \$2.112 billion in assets. The Relief Act increases this threshold to \$10 billion. Thus many more institutions will be able to make QMs under the small-creditor exception. Such loans also now may be sold to other institutions having less than \$10 billion in assets.

HMDA relief for low-volume lenders. Under the new law, financial institutions originating less than 500 closed-end mortgages or 500 open-end lines of credit for each of the two preceding years are exempt from having to collect and report certain data points added by Dodd-Frank. Specifically, these institutions are exempt from reporting: (i) the unique loan identifier (ULI); (ii) total points and fees; (iii) the term of any prepayment penalty; (iv) LTV ratio; (v) introductory interest rate; (vi) term of the loan; (vii) channel through which the application was received; (viii) property address information; (ix) credit score; (x) other information the Bureau may have required.

As some in the industry noted, essentially these small volume lenders (which include many BCG members) will report HMDA data the way it used to be prior to Dodd-Frank.

TRID disclosures—rate reductions. The Relief Act amends TRID to permit a creditor that extends to a consumer a second offer of credit with a lower annual percentage rate to consummate the transaction without waiting three business days.

Restoration of tenant protections at foreclosure. The federal Protecting Tenants at Foreclosure Act (PTFA) which sunsetted in December 2014 is permanently reinstated.

Expansion of member business loans. The Relief Act amends the definition of a member business loan under the Federal Credit Union Act to remove the limitation that the loan be secured by the primary residence of a member. The new law allows member business loans to be secured by any one- to four-family dwelling (not just primary residences).

Expanded examination cycle. The new law expands the scope of eligibility for the 18-month onsite examination cycle to qualifying insured institutions with less than \$3 billion in consolidated assets. Currently, the asset threshold is \$1 billion.

Short form Call Reports for community banks. Recall that the FFIEC adopted a new streamlined Call Report form (FFIEC 051) for use by “eligible institutions,” currently defined as institution with total assets of less than \$1 billion. The new law increases the asset threshold to \$5 billion.

Capital simplification for qualifying community banks. The new law requires the banking agencies to develop a community bank leverage ratio of between eight and 10 percent for qualifying community banks. Qualifying community banks are those with total consolidated assets of less than \$10 billion.

New Volcker Rule exemption. Currently, the Volcker Rule requires all institutions, regardless of asset size, to comply with its broad mandate against proprietary trading. The new law creates a complete exemption for institutions with less than \$10 billion in total consolidated assets.