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CFPB Updates Regulation Z and Regulation M Thresholds for 2018

November 21, 2017

The Consumer Financial Protection Bureau ("CFPB") has updated the dollar threshold for exempt consumer credit transactions under Regulation Z which implements the Truth in Lending Act. This dollar threshold is for exempt consumer credit that is neither: (i) secured by real property or personal property used or expected to be used as a consumer's principal dwelling, or (ii) a private education loan. Regulation Z requires this dollar threshold to be adjusted annually by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI–W"). Based on the annual percentage increase in the CPI-W s as of June 1, 2017, the exemption threshold will increase from $54,600 to $55,800 effective January 1, 2018. Because the Dodd-Frank Act also requires similar adjustments in the Consumer Leasing Act's threshold for exempt consumer leases, similar amendments are made in Regulation M implementing this Act.

Additionally, effective January 1, 2018, the 'small-dollar' exemption threshold amount for a higher-priced mortgage loan is increased from $25,500 to $26,000. Under Regulation Z, a higher-priced mortgage loan at or below the small dollar threshold amount is exempted from the special appraisal requirements. The small-dollar exemption threshold is adjusted effective January 1 of each year based on an annual percentage increase in the CPI–W that was in effect on the preceding June 1. Any increase in the threshold amount will be rounded to the nearest $100 increment. If there is no annual percentage increase in the CPI-W, the exemption threshold will not be adjusted from the prior year.

If you have any questions regarding the updated thresholds for 2018 or the Regulation Z in general, please feel free to contact Joseph D. Simon at 516-357-3710 or via email at jsimon@cullenanddykman.com, Kevin Patterson at 516-296-9196 or via email at kpatterson@cullenanddykman.com, Elizabeth A. Murphy at 516-296-9154 or via email at emurphy@cullenanddykman.com, or Mandy Xu at 516-357-3850 or via email at mxu@cullenanddykman.com.

"Higher-priced mortgage loan" means a closed-end consumer credit transaction secured by the consumer's principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set:

- By 1.5 or more percentage points for loans secured by a first lien with a principal obligation at consummation that does not exceed the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac;
- By 2.5 or more percentage points for loans secured by a first lien with a principal obligation at consummation that exceeds the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac; or

- By 3.5 or more percentage points for loans secured by a subordinate lien.

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