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To: Clients and Friends

From: David F. Dulock

Subject: Regulation Z HOEPA and Qualified Mortgage Annual Threshold Adjustments

In the August 1, 2019, issue of the *Federal Register* (84 FR 37565, [click here](#)), the Consumer Financial Protection Bureau established the following 2020 thresholds for high-cost and qualified mortgages under §§1026.32 and 1026.43, respectively.

HOEPA (High-cost Mortgages) 2020 Threshold Adjustments

- Effective January 1, 2020, a consumer loan secured by the consumer's principal dwelling and not otherwise exempt is a high-cost mortgage based on the total points and fees payable by the consumer under §1026.32(a)(1)(ii) if the points and fees exceed: (A) 5 percent of the total loan amount for a loan with a loan amount of **\$21,980** or more, or (B) the lesser of 8 percent of the total loan amount or **\$1,099** for a loan with a loan amount of less than **\$21,980**. Comment 32(a)(1)(ii)-1.vi is added to reflect the new **\$1,099** threshold amount for 2020¹. Comment 32(a)(1)(ii)-3.vi is added to reflect the new **\$21,980** threshold loan amount for 2020.

Qualified Mortgages 2020 Threshold Adjustments

- Effective January 1, 2020, for purposes of determining whether a covered transaction is a qualified mortgage under §1026.43(e), a covered transaction is not a qualified mortgage unless the transaction's total points and fees in §1026.43(e)(3)(i) do not exceed: (A) 3 percent of the total loan amount for a loan amount greater than or equal to **\$109,898**; (B) **\$3,297** for a loan amount greater than or equal to **\$65,939** but less than **\$109,898**; (C) 5 percent of the total loan amount for a loan amount greater than or equal to **\$21,980** but less than **\$65,939**; (D) **\$1,099** for a loan amount greater than or equal to **\$13,737** but less than **\$21,980**; and (E) 8 percent of the total loan amount for a loan amount less than **\$13,737**. Comment 43(e)(3)(ii)-1.vi is added to reflect the new threshold amounts for 2020.

The above threshold adjustments are effective January 1, 2020, and will require updates to your software calculations for high-cost and qualified mortgages closing on and after the effective date.

¹ Comment 32(a)(1)(ii)-1.vi on page 37567 of the above cited Federal Register mistakenly states the loan amount **\$21,980** instead of the points and fees of **\$1,099**. We assume this typographical error will be corrected in a future issue of the Federal Register.

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