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To: Clients and Friends

From: Daniel S. Engle

Subject: CFPB Introduces Application Process to Designate Additional Rural Areas for Purposes of Federal Consumer Financial Law

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On March 3, 2016, in order to comply with the requirements of the Helping Expand Lending Practices in Rural Communities Act, the CFPB adopted a procedural rule, published in the March 3, 2016 issue of the *Federal Register* (81 FR 11099, [click here](#)), that will allow mortgage lenders and other interested parties to request areas to be designated as rural for the purposes of federal consumer financial laws. These newly designated rural areas will be in addition to current rural areas, which are determined via a county-by-county basis or by census tracts.

This rule is designed to increase the amount of small lenders that qualify for specific exemptions under federal consumer financial laws. These exemptions, designated for small lenders that originate a significant amount of transactions in rural or underserved areas, include eligibility to generate qualified mortgages that contain balloon-payments and exemptions from required escrow accounts for higher-priced mortgage loans. Eligibility requirements and the specifics for these exemptions are listed in Sections 1026.35(b)(2)(iii) ([click here](#)) and 1026.43(f) ([click here](#)) of 12 CFR Part 1026 (Regulation Z).

The CFPB will start accepting applications to designate areas as rural on March 31, 2016. They will fully review and render decisions on applications submitted before April 8, 2017. Applications received on or after April 8, 2017 will be reviewed upon the CFPB's discretion. This procedural rule and the application process mandated by the Helping Expand Lending Practices in Rural Communities Act will sunset on December 4, 2017.

The submission and content requirements and procedures for submitting an application to the CFPB to designate an area as rural is contained in the above hyperlinked issue of the *Federal Register*.

In addition, the CFPB also announced that a forthcoming notice will be made in relation to other provisions of the Helping Expand Lending Practices in Rural Communities Act, which amended the Truth in Lending Act and authorized the CFPB to expand eligibility for small lenders originating loans in rural area to qualify for the escrow exemption and the permission to originate balloon-payment qualified mortgages.

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