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To: Clients and Friends

From: Daniel S. Engle

Subject: Updated Exemption Thresholds for Consumer Credit Transactions and Higher-Priced Mortgage Loan Appraisals

2905 Corporate Circle

Flower Mound, TX 75028

Phone: 972-353-4174

Fax: 972-221-9316

Partners

Thomas E. Black, Jr.*

Gregory S. Graham

Shawn P. Black **

Regina M. Uhl*** ‡

Senior Lawyers

David F. Dulock

Diane M. Gleason

Associates

Peter B. Idziak **

Daniel S. Engle**

Nick Stevens

Sydney Davis

Of Counsel

David M. Tritter

Calvin C. Mann, Jr.

Retired Partner(s)

Calvin C. Mann, Jr.

* Also Licensed in Iowa, New York, Washington and West Virginia

** Also Licensed in New York

*** Also Licensed in Kentucky and Illinois

‡ Board Certified- Residential Real Estate Law- Texas Board of Legal Specialization

In the November 30, 2016 issue of the *Federal Register* (81 FR 86260) ([click here](#)), the Board of Governors of the Federal Reserve System (“Board”) and the Bureau of Consumer Financial Protection (“CFPB”) announced the final rule updating the threshold for consumer credit transactions exempt from the Truth In Lending Act. Also in the November 30, 2016 issue of the *Federal Register* (81 FR 86250) ([click here](#)), the Board, CFPB and the Office of the Comptroller of the Treasury (“OCC”) announced the final rule updating the threshold for exemptions from required appraisals for higher-priced mortgage loans. In both instances, the final rules will take effect on January 1, 2017, and the exemption thresholds will remain the same for 2017 at greater than \$54,600 for exempt consumer credit transactions and at \$25,500 or less for the exemption to the appraisal requirement for higher-priced mortgage loans.

The final rule for the consumer credit transactions exemption threshold revises the official staff interpretations for 12 CFR Part 226 under Section 226.3 and 12 CFR Part 1026 under Section 1026.3(b). The final rule continues to base the threshold exemption off of increases to the Consumer Price Index for Urban Wage Earners and Clerical Workers (“CPI-W”). The final rule also adds new official staff interpretations that if this index decreases, that the exemption will not decrease, but future increases will be calculated based on the amount that would have resulted if decreases had been taken into account. Application of this final rule did not increase the exemption threshold for 2017 and consumer credit transactions exceeding \$54,600 will be exempt from the Truth in Lending Act for 2017. Mortgage industry stakeholders are reminded that this exemption does not apply to loans secured by real property or by personal property used as a dwelling. These loans, as well as private educational loans, will continue to be covered under TILA regardless of the loan amount.

The final rule for exemption thresholds to the appraisal requirements for higher-priced mortgage loan revises the official staff interpretations for 12 CFR Part 226 under Section 226.43(b)(2) and 12 CFR Part 1026 under Section 1026.35(c)(2)(ii). The final rule continues to set the exemption threshold from required appraisals for higher-priced mortgage loans off of increases to the CPI-W index. The final rule also adds new official staff interpretations that if the index decreases, that the exemption will not decrease, but future increases will be calculated based on the amount that would have resulted. Application of this final rule did not increase the exemption threshold for 2017 and higher-priced mortgage loans of \$25,500 or less will be exempt from the appraisal requirement for 2017.

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