TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT
Adjustment of the Dollar Amount that
Triggers Regulation Z

DETAILS
The Board of Governors of the Federal Reserve System has published a final rule
amending the staff commentary that interprets the requirements of Regulation Z (Truth in Lend-
ing). The Board is required to annually adjust the dollar amount that triggers requirements for
certain mortgages bearing fees above a certain amount.

The Home Ownership and Equity Protection Act of 1994 sets forth rules for home-
secured loans in which the total points and fees payable by the consumer at or before loan con-
summation exceed the greater of $400 or 8 percent of the total loan amount. In keeping with this
statute, the Board has annually adjusted the $400 amount based on the annual percentage change
reflected in the Consumer Price Index that is in effect on June 1. Effective January 1, 2002, the
amount will be adjusted to $480.

ATTACHMENT
A copy of the Board’s notice as it appears on page 57849–50, Vol. 66, No. 223 of the
Federal Register dated November 19, 2001, is attached.

MORE INFORMATION
For more information, please contact Eugene Coy, (214) 922-6201, in the Banking
Supervision Department. For additional copies of this Bank’s notice, contact the Public Affairs
Department at (214) 922-5254 or access District Notices on our web site at

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal
Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch Intrastate (800) 592-1631, Interstate (800) 351-1012;
Houston Branch Intrastate (800) 392-4162, Interstate (800) 221-0363; San Antonio Branch Intrastate (800) 292-5810.
The Truth in Lending Act (TILA; 15 U.S.C. 1601 – 1666) requires creditors to disclose credit terms and the cost of consumer credit as an annual percentage rate. The act requires additional disclosures for loans secured by a consumer’s home, and permits consumers to cancel certain transactions that involve their principal dwelling. TILA is implemented by the Board’s Regulation Z (12 CFR part 226). The Board’s official staff commentary (12 CFR part 226 (Supp. I)) interprets the regulation, and provides guidance to creditors in applying the regulation to specific transactions.

In 1995, the Board published amendments to Regulation Z implementing HOEPA, contained in the Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. 103–325, 108 Stat. 2160 (60 FR 15463). These amendments are contained in §226.32 of the regulation and impose substantive limitations and additional disclosure requirements on certain closed-end mortgage loans bearing rates or fees above a certain percentage or amount. As enacted, the statute requires creditors to comply with the HOEPA rules if the total points and fees payable by the consumer at or before loan consummation exceed the greater of $400 or 8 percent of the total loan amount. TILA and Regulation Z provide that the $400 figure shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index (CPI) that was reported on the preceding June 1. (15 U.S.C. 1602(aa)(3) and 12 CFR 226.32(a)(1)(ii)). The Board adjusted the $400 amount to $465 for the year 2001.

The Board certifies that this amendment will not have a substantial effect on regulated entities because the only change is to raise the threshold for transactions requiring HOEPA disclosures.

III. Regulatory Flexibility Analysis

The Board certifies that this amendment will not have a substantial effect on regulated entities because the only change is to raise the threshold for transactions requiring HOEPA disclosures.

List of Subjects in 12 CFR Part 226

Advertising, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Truth in lending.

For the reasons set forth in the preamble, the Board amends Regulation Z, 12 CFR part 226, as set forth below:

PART 226—TRUTH IN LENDING (REGULATION Z)

1. The authority citation for part 226 continues to read as follows:


2. In Supplement I to Part 226, under Section 226.32—Requirements for Certain Closed-End Home Mortgages, under Paragraph 32(a)(1)(ii), paragraph 2.vii. is added.

SUPPLEMENT I TO PART 226—OFFICIAL STAFF INTERPRETATIONS

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SUBPART E—SPECIAL RULES FOR CERTAIN HOME MORTGAGE TRANSACTIONS

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Section 226.32—Requirements for Certain Closed-End Home Mortgages

32(a) Coverage

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Paragraph 32(a)(1)(ii)

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2. Annual adjustment of $400 amount.

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vii. For 2002, $480, reflecting a 3.27 percent increase in the CPI–U from June 2000 to June 2001, rounded to the nearest whole dollar.

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By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, November 14, 2001.

Robert deV. Frierson,
Deputy Secretary of the Board.

[FR Doc. 01–28849 Filed 11–16–01; 8:45 am]

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