FEDERAL RESERVE SYSTEM

12 CFR Part 226

Docket No. R-1470

BUREAU OF CONSUMER FINANCIAL PROTECTION

12 CFR Part 1026

[Docket No. CFPB-2013-0035]

Truth in Lending (Regulation Z)

AGENCIES: Board of Governors of the Federal Reserve System (Board); and Bureau of Consumer Financial Protection (Bureau).

ACTION: Final rules, official interpretations and commentary.

SUMMARY: The Board and the Bureau are publishing final rules amending the official interpretations and commentary for the agencies' regulations that implement the Truth in Lending Act (TILA). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended TILA by requiring that the dollar threshold for exempt consumer credit transactions be adjusted annually by any 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 as of June 1, 2013, the Board and the Bureau are adjusting the exemption threshold to $53,500, effective January 1, 2014.

Because the Dodd-Frank Act also requires similar adjustments in the Consumer Leasing Act's threshold for exempt consumer leases, the Board and the Bureau are making similar amendments to each of their respective regulations implementing the Consumer Leasing Act elsewhere in the *Federal Register*.

DATES: This final rule is effective January 1, 2014.

FOR FURTHER INFORMATION CONTACT: *Board:* Vivian W. Wong, Counsel, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667; for users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

Bureau: David Friend, Counsel, Office of Regulations, Bureau of Consumer Financial Protection, at (202) 435-7700.

SUPPLEMENTARY INFORMATION:

I. Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) increased the threshold in the Truth in Lending Act (TILA) for exempt consumer credit transactions[1] from $25,000 to $50,000, effective July 21, 2011.[2] In addition, the Dodd-Frank Act requires that this threshold be adjusted annually for inflation by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), as published by the Bureau of Labor Statistics. In April 2011, the Board issued a final rule amending Regulation Z (which implements TILA) consistent with these provisions of the Dodd-Frank Act.[3]

Title X of the Dodd-Frank Act transferred rulemaking authority for a number of consumer financial protection laws from the Board to the Bureau, effective July 21, 2011. In connection with this transfer of rulemaking authority, the Bureau issued its own Regulation Z

[1] Although consumer credit transactions above the threshold are generally exempt, loans secured by real property or by personal property used or expected to be used as the principal dwelling of a consumer and private education loans are covered by TILA regardless of the loan amount. *See* 12 CFR 226.3(b)(1)(i) and 12 CFR 1026.3(b)(1)(i).
[2] Pub. L. No. 111-203 § 1100E, 124 Stat. 1376 (2010).
[3] 76 FR 18354 (Apr. 4, 2011).

implementing TILA in an interim final rule, 12 CFR part 1026 (Bureau Interim Final Rule).[4] The Bureau Interim Final Rule substantially duplicated the Board's Regulation Z, including the revisions to the threshold for exempt transactions made by the Board in April 2011. Although the Bureau has the authority to issue rules to implement TILA for most entities, the Board retains authority to issue rules under TILA for certain motor vehicle dealers covered by section 1029(a) of the Dodd-Frank Act, and the Board's Regulation Z continues to apply to those entities.[5]

Section 226.3(b)(1)(ii) of the Board's Regulation Z and § 1026.3(b)(1)(ii) of the Bureau's Regulation Z, and their accompanying commentaries, provide that the exemption threshold will be adjusted annually effective January 1 of each year based on any 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. For example, if the annual percentage increase in the CPI-W would result in a $950 increase in the threshold amount, the threshold amount will be increased by $1,000. However, if the annual percentage increase in the CPI-W would result in a $949 increase in the threshold amount, the threshold amount will be increased by $900. *See* comments 3(b)-1 in Supplements I of 12 CFR part 226 and 12 CFR part 1026.

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[4] 76 FR 79768 (Dec. 22, 2011).

[5] Section 1029(a) of the Dodd-Frank Act states: "Except as permitted in subsection (b), the Bureau may not exercise any rulemaking, supervisory, enforcement, or any other authority * * * over a motor vehicle dealer that is predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both." 12 U.S.C. 5519(a). Section 1029(b) of the Dodd-Frank Act states: "Subsection (a) shall not apply to any person, to the extent that such person (1) provides consumers with any services related to residential or commercial mortgages or self-financing transactions involving real property; (2) operates a line of business (A) that involves the extension of retail credit or retail leases involving motor vehicles; and (B) in which (i) the extension of retail credit or retail leases are provided directly to consumers; and (ii) the contract governing such extension of retail credit or retail leases is not routinely assigned to an unaffiliated third party finance or leasing source; or (3) offers or provides a consumer financial product or service not involving or related to the sale, financing, leasing, rental, repair, refurbishment, maintenance, or other servicing of motor vehicles, motor vehicle parts, or any related or ancillary product or service." 12 U.S.C. 5519(b).

II. Adjustment and Commentary Revision

Effective January 1, 2014, the adjusted exemption threshold amount is $53,500. This adjustment is based on the CPI-W index in effect on June 1, 2013, which was reported on May 16, 2013. The Bureau of Labor Statistics publishes consumer-based indices monthly, but does not report a CPI change on June 1; adjustments are reported in the middle of the month. The CPI-W is a subset of the CPI-U index (based on all urban consumers) and represents approximately 28 percent of the U.S. population. The adjustment reflects a 0.9 percent increase in the CPI-W from April 2012 to April 2013 and is rounded to the nearest $100 increment. Accordingly, the Board and the Bureau are revising the commentaries to their respective regulations to add new comment 3(b)-1.v to state that, from January 1, 2014 through December 31, 2014, the threshold amount is $53,500. These revisions are effective January 1, 2014.

III. Administrative Law Matters

Administrative Procedure Act

Under the Administrative Procedure Act, notice and opportunity for public comment are not required if the Board and the Bureau find that notice and public comment are impracticable, unnecessary, or contrary to the public interest. 5 U.S.C. 553(b)(B). This annual adjustment is required by statute. The amendment in this notice is technical and non-discretionary, and it applies the method previously established in the agencies' regulations for determining adjustments to the exemption threshold. For these reasons, the Board and the Bureau have determined that publishing a notice of proposed rulemaking and providing opportunity for public comment are unnecessary. Therefore, the amendments are adopted in final form.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) does not apply to a rulemaking where a general

notice of proposed rulemaking is not required. 5 U.S.C. 603 and 604. As noted previously, the agencies have determined that it is unnecessary to publish a general notice of proposed rulemaking for this joint final rule. Accordingly, the RFA's requirements relating to an initial and final regulatory flexibility analysis do not apply.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320), the agencies reviewed this final rule. No collections of information pursuant to the Paperwork Reduction Act are contained in the final rule.

List of Subjects

12 CFR Part 226

Advertising, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements, Truth in Lending.

12 CFR Part 1026

Advertising, Consumer protection, Credit, Credit unions, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Text of Final Revisions

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:

Authority: 12 U.S.C. 3806; 15 U.S.C. 1604, 1637(c)(5), and 1639(l); Pub. L. No. 111-24 § 2, 123 Stat. 1734; Pub. L. No. 111-203, 124 Stat. 1376.

Subpart A—General

2. In Supplement I to part 226, under *Section 226.3—Exempt Transactions*, under *3(b) Credit over applicable threshold amount*, new paragraph 1.v is added effective January 1, 2014.

The addition reads as follows:

Supplement I to Part 226—Official Staff Interpretations

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SUBPART A—GENERAL

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Section 226.3—Exempt Transactions

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3(b) Credit over applicable threshold amount.

1. *Threshold amount.* * * *

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v. From January 1, 2014 through December 31, 2014, the threshold amount is $53,500.

BUREAU OF CONSUMER FINANCIAL PROTECTION

Authority and Issuance

For the reasons set forth in the preamble, the Bureau amends Regulation Z, 12 CFR part 1026, as set forth below:

PART 1026—TRUTH IN LENDING (REGULATION Z)

1. The authority citation for part 1026 continues to read as follows:

Authority: 12 U.S.C. 2601, 2603-2605, 2607, 2609, 2617, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 et seq.

2. In Supplement I to part 1026, under *Section 1026.3—Exempt Transactions*, under *3(b)* Credit Over Applicable Threshold Amount, new paragraph 1.v is added effective January 1, 2014.

The addition reads as follows:

Supplement I to Part 1026—Official Interpretations

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SUBPART A—GENERAL

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Section 1026.3—Exempt Transactions

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3(b) Credit Over Applicable Threshold Amount

1. *Threshold amount.* * * *

* * * * *

v. From January 1, 2014 through December 31, 2014, the threshold amount is $53,500.

By order of the Board of Governors of the Federal Reserve System, November 19, 2013.

Robert deV. Frierson

Robert deV. Frierson

Secretary of the Board.

[THIS SIGNATURE PAGE PERTAINS TO THE FINAL RULE TITLED "TRUTH IN LENDING (REGULATION Z)"]

Dated: November 17, 2013.

Richard Cordray

Director, Bureau of Consumer Financial Protection.

Billing Code: 6210-01-P; 4810-AM-P