

REGULATION Z HIGHER PRICED MORTGAGE LOAN ESCROW REQUIREMENTS

The Consumer Financial Protection Bureau has issued a final rule to reflect a change in the asset size threshold for certain creditors to qualify for an exemption to the requirement to establish an escrow account for a higher-priced mortgage loan based on the annual percentage change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the 12-month period ending in November 2023. The exemption threshold has been adjusted to increase from \$2.537 billion to \$2.640 billion, based on the increase in the average of the CPI-W for the 12-month period ending in November 2023.

As a result, creditors with assets of less than \$2.640 billion (including assets of certain affiliates) as of December 31, 2023, are exempt, if other requirements of Regulation Z also are met, from establishing escrow accounts for higher-priced mortgage loans in 2024. This asset limit also applies during a grace period, in certain circumstances, with respect to transactions involving applications received before April 1, 2024. The adjustment to the escrow exemption asset-size threshold will also increase a similar threshold for small-creditor portfolio and balloon-payment qualified mortgages. Balloon-payment qualified mortgages that satisfy all applicable criteria, including being made by creditors that have (together with certain affiliates) total assets below the threshold, are also exempt from the prohibition on balloon payments for high-cost mortgages.

The exemption threshold for certain insured depository institutions and insured credit unions with assets of \$10 billion or less (adjusted annually for inflation) has been adjusted to \$11.835 billion from \$11.37 billion.

The final rule became effective on January 1, 2024.

The foregoing Compliance Update is for informational purposes only and does not constitute legal advice. As a reminder, the NBA general counsel is the attorney for the Nebraska Bankers Association, not its member banks. The general counsel is available to assist members with finding resources to help answer their questions. However, for specific legal advice about specific situations, members must consult and retain their own attorney.