CU policy PRO Newsletter

December 2016

Dear CU PolicyPro Client,

In our last newsletter, we highlighted some of the changes that will be effective on January 1, 2017 including the **NCUA's Member Business Lending rules** and one small piece of the CFPB's revisions to the **Home Mortgage Disclosure Act (HMDA)** that may impact your credit union's requirement to report and collect data.

However, in addition to those changes, each year the CFPB is required to change the dollar amounts for several thresholds within their regulations, including Regulation Z (TILA) and Regulation C (HMDA). Not to be outdone, the Federal Reserve Board also makes annual threshold changes for Regulation D and the IRS makes annual changes that may impact credit unions' Health Savings Accounts (HSAs).

While we continue to work on the release of the next set of policy revisions, which should be released for our users in mid-January, we wanted to highlight all of the annual threshold changes that will impact your credit union's policies, procedures and systems.

Happy New Year!

In this edition:

Monthly OPS Notes Release: Annual Threshold Changes

Regulation Z – Ability-to-Repay

As noted above, each year the CFPB is required to calculate the dollar amounts for several provisions within Regulation Z. The changes made to the points and fees thresholds within the Ability-to-Repay requirements are recalculated for inflation, using the Consumer Price Index for All Urban Consumers Index. In order to comply with these changes effective on January 1, 2017, the credit union must have points and fees *below* these new thresholds in order for the mortgage to be a "qualified mortgage" with the safe harbor protections.

- 3 percent of the total loan amount for a loan greater than or equal to **$102,894**;
- **$3,087** for a loan greater than or equal to **$61,737** but less than **$102,894**;
- 5 percent of the total loan amount for a loan greater than or equal to **$20,579** but less than **$61,737**;
- **$1,029** for a loan greater than or equal to **$12,862** but less than **$20,579**; or
- 8 percent of the total loan amount for a loan less than **$12,862**

Regulation Z – High Cost Mortgage

Similar to the changes made above under the Ability-to-Repay rules, the CFPB also amended the points and fees thresholds for determining whether a loan is considered a "high cost mortgage" and therefore subject to the relevant protections under the applicable rules.

A covered loan will be considered a high-cost mortgage if the points and fees *exceed* the following thresholds:

- 5 percent of the total loan amount for a loan amount greater than or equal to **$20,579**;
- 8 percent of the total loan amount or **$1,029** (whichever is less) for a loan amount less than **$20,579**.

Regulation Z – Higher-Priced Mortgage Loan Escrow Exemption and Small Creditor Exemption for Portfolio and Balloon Payment Qualified Mortgages.

The CFPB adjusted their asset size threshold for credit unions to qualify for an exemption to the escrow account requirements for higher-priced mortgages. The same asset size threshold will also determine eligibility for small-creditor portfolio and balloon-payment qualified mortgages. Therefore credit unions (among a few other criteria) with assets below $2.069 billion as of December 31, 2016, may be exempt from the HPML escrow requirements and also eligible for small creditor status.

Regulation Z – Credit Cards

Credit unions should be aware that the safe harbor penalty fees for credit cards under Regulation Z have been updated and are listed below:

- **$27** for the first late payment fee; and
- **$38** for each subsequent violation within the following six months.

Regulation C - HMDA

Each year the CFPB evaluates the asset size exemption under HMDA as compared with the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This year, based on the Index, the CFPB did not make any changes to the asset size. Therefore, credit unions with assets of $44 million or less as of December 31, 2016, are exempt from collecting data for HMDA in 2017.

Regulation D – Reserve Requirements

Each year, the Federal Reserve Board makes adjustments to the reserve thresholds within Regulation D using statutory formulas specified in the Federal Reserve Act. Credit unions must maintain reserves based on the mix of deposits. Below are the thresholds for 2017:

- The first **$15.5** million is exempt from the reserve requirement;
- Transaction accounts between **$15.5** million and **$115.1** million will have a 3 percent reserve requirement; and
- Transaction accounts over **$115.1** million will have a 10 percent reserve for amounts over **$115.1** million plus **$2.988** million.

IRS Rules – Health Savings Accounts

Credit unions should also be aware of the change in contribution limits to health savings accounts for both individuals and families effective on January 1, 2017:

Contributions must be no more than **$3,400** in 2017 for an individual health plan or **$6,750** in 2017 for a family health plan. These figures may be adjusted annually, based on cost of living increases. Members over the age of 55 may make an additional "catch-up" contribution of **$1,000**.

Content FAQs

Question: Our lending platform automatically indicates if a loan is considered a qualified mortgage or a high cost mortgage under the rules. Aside from updating our policy, what else should we be doing?

Answer: If your credit union has a lending platform that has indicators of high-cost mortgage or qualified mortgage status, you should ensure that those systems are prepared to be updated with the new thresholds as of January 1st. While they weren't significant changes, it only takes $1 to be off and potentially not have the safe harbor protections of a qualified mortgage.

However, if the credit union determines after a loan closes that the points and fees exceed the points and fees thresholds, there are limited circumstances where the credit union can refund the excess amount with interest to the borrower to have the loan still meet the requirements of a Qualified Mortgage. If this situation were to occur, credit unions should review section 1026.43 to ensure compliance with the requirements for the refund.

Technical FAQs

Below are Top 5 Most Frequently Asked Questions for 2016! You can click on any of these questions to view the answer.

- How do I remove the URL from the bottom of the printed policies?
- How often should a credit union's policies be reviewed by the Board?
- How can I tell if a policy in my CU Policies Manual is out of date?
- In the model policies, what is the difference between published date, revised date, and reviewed date?
- Is there anything in CU PolicyPro that I can use to track when our board needs to review our policies?

If you have any questions or need more information, please don't hesitate to contact our support staff at policysupport@cusolutionsgroup.com.

Questions?

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, or if you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact policysupport@cusolutionsgroup.com.

Thanks and have a very Happy New Year!