



CFPB Issues Proposed Rules to Clarify Regulation Z Escrow Requirements, As Required by Dodd-Frank

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On January 22, 2013, the Consumer Financial Protection Bureau (the "Bureau") published final rules (with official interpretations) (the "Final Rules") in the *Federal Register* to amend its Regulation Z (Truth in Lending) to lengthen the time that escrows have to be maintained on "higher-priced mortgage loans" secured by a first lien on a principal dwelling, and exempt certain transactions from coverage. These changes were made in order to implement changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). The Final Rules were discussed in this publication of January 29, 2013.

On Thursday, April 18, the Bureau published proposed rules (with request for public comment) in the *Federal Register* to clarify the Final Rules. In addition to making some technical corrections to the Final Rules, the Bureau is proposing to clarify one of the exemptions to the escrow requirements in the Final Rules.

There is an exemption in several provisions of the Act for loans made in "rural" or "underserved" areas. In addition to the escrow requirement exemption, there are other provisions of the Act that rely on the "rural" and "underserved" definitions:

- The allowance for balloon-payment qualified mortgages
- The exemption from the balloon-payment prohibition on high-cost mortgages
- The exemption from the second appraisal requirement for credit transactions made by creditors in a "rural" county

The Bureau proposes to determine a county's "rural" or "underserved" status by reference to currently applicable Urban Influence Codes established by the U.S. Department of Agriculture, Economic Research Service (for "rural") or based on Home Mortgage Disclosure Act data (for "underserved").

Comments on the proposed rules must be submitted by May 3, 2013. Comments must be identified by Docket Number CFPB-2013-0009, or RIN 3170-AA37. The options available for sending the comments are set forth in the notice, which is published in the *Federal Register* of April 18, 2013 (Volume 78, No. 75) at page 23171.

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