
Summary of Content Changes 2021.6 Update – December 2021

General Notes

As usual, this quarterly update contains policy revisions related to threshold changes that occur every year, as further outlined in more detail below:

1. [Regulation Z – Appraisals for HPMLs Exemption Threshold](#) is reviewed each year and is typically adjusted based on inflation. HPMLs under this threshold are not required to have an appraisal conducted under the rules. The loan amount for 2022 increased to \$28,500.
2. [Regulation Z – Credit Card Annual Adjustments](#). Each year the safe harbor fees for a first violation penalty fee and subsequent violations for credit cards are reviewed and typically adjusted based on inflation. For 2022, the thresholds will be \$30 and \$41, respectively.
3. [Regulation Z – High-Cost Mortgage Loan Fee Threshold](#). Credit unions originating a high-cost mortgage have loans with points and fees that exceed thresholds established by the CFPB. These are adjusted annually. Effective on January 1, 2022, a transaction is high-cost if its points and fees exceed:
 - a. 5% of the total loan amount for a loan greater than or equal to \$22,969.
 - b. 8% of the total loan amount or \$1,148 (whichever is less) for a loan amount less than \$22,969.
4. [Regulation Z – Qualified Mortgage Thresholds](#). Under the ability to repay rules, credit unions are provided with a safe harbor if they originate a qualified mortgage. Among other criteria, the loan is considered a qualified mortgage if the loan's points and fees are below certain thresholds. Those thresholds are adjusted annually. Effective on January 1, 2022:

Loan Amount	Points and Fees Limit
\$114,847 or more	3%
\$68,908 - \$114,846	\$3,445
\$22,969 - \$68,907	5%
\$14,356 - \$22,968	\$1,148

Less than \$14,356	8%
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In addition, for the “general qualified mortgage” category, the credit union can have a loan with an APR that exceeds the APOR for a comparable transaction as of the date by which the interest rate is set:

- A. 2.25% or more for a first-lien loan with an amount greater than or equal to \$114,847;
 - B. 3.5% or more for a first-lien loan with an amount equal to \$68,908 but less than \$114,847;
 - C. 6.5% or more for a first-lien loan with an amount less than \$68,908;
 - D. 6.5% or more for a first-lien loan secured by a manufactured home with a loan amount less than \$114,847;
 - E. 3.5% or more for a subordinate-lien loan with an amount greater than or equal to \$68,908; or
 - F. 6.5% or more for a subordinate-lien loan with an amount less than \$68,908.
5. [IRS – Health Savings Accounts \(HSA\) Contribution Limits](#). These limits are adjusted by the IRS annually. Credit unions should ensure contributions to HSAs do not exceed these limits. For January 1, 2022, contributions must be no more than \$3,650 for an individual plan and \$7,300 for a family plan. This is an increase from 2021.
 6. [Regulation M – Consumer Leasing](#). The threshold for determining if a contract is considered a consumer lease is adjusted annually. While there are not policies within CU PolicyPro to reflect this threshold, we are providing the reference for information only. The amount will increase from the prior year for 2022 to \$61,000
 7. [Regulation Z – Asset Size Exemption](#) There is a threshold change for credit unions that qualify for an exemption to the requirement for establishing an escrow account for higher-priced mortgage loans (HPMLs). This asset size threshold is \$2.336 billion for 2022. Credit unions under this asset size and that meet other criteria, may be exempt from this requirement.
 8. [Regulation C – Home Mortgage Disclosure Act Asset Size Exemption Threshold](#) is \$50 million for 2022. Credit unions are exempt from the HMDA reporting requirements if they have assets below this threshold.
 9. [Regulation D – Reserve Requirements of Depository Institutions](#) have been updated for 2022, even though the reserve ratios are still set at zero.

In addition to the annual updates that take place as a result of the consumer price index, we also have a few other regulatory changes becoming effective and corresponding policy changes have been made. The NCUA's Risk Based Capital rule becomes effective on January 1, 2022. [Final changes](#) were recently made that classify "complex" credit unions as those with total assets over \$500 million. A complex credit union that meets other qualifying criteria is eligible to opt into the complex credit union leverage ratio framework if they have a minimum net worth ratio of 9%. A new policy (5401 – Capital Management for Complex Credit Unions) was created to accommodate this change, specifically for credit unions over \$500 million in assets.

We are also getting closer to the effective date of CECL. Accordingly, we have started making corresponding changes to our existing Allowance for Loan and Lease Losses (7615) policy and have created model policy 7715 – Allowance for Credit Losses (CECL) for those credit unions ready to adopt the new accounting standard. Changes have also been made to create policy 7700 – Loan Review and Classification (CECL) to comply with the CECL adoption. Credit unions will continue to use existing policy 7600 – Loan Review and Classification until CECL is adopted.

Last, but not least, credit unions considering an investment or issuance of [subordinated debt](#) will be happy to find a new model policy and procedure, Policy 6400 and 6400.1, to assist with compliance.

Policy 2214 – Health Savings Accounts

2021-6

Each year the [IRS changes](#) the contribution limits that can be made to health savings accounts for both individual and family plans. Those changes for 2022 are reflected in the policy revisions. **(Required)**

Policy 3165 – Loan Workouts and Nonaccrual Standards

2021-6

This policy was revised to incorporate the contents of *Model Policy 7616 – Loan Extensions*. Information in both policies was duplicative and in order to provide more precise content for credit unions, this policy was revised and Policy 7616 will be retired. *Note: prior to deleting a policy we recommend searching your CU Policies Manual for any references to the policy being deleted and update as needed.* **(Required)**

Policy 3170 -Troubled Debt Restructure

2021-6

This policy was revised to incorporate additional language regarding capitalization of interest for loan modifications when the borrower has the ability to repay the debt, [effective on July 30, 2021](#) (previously prohibited). Policy 3165 was already amended with this content, but additional language was also added to this policy to reflect that change. **(Required)**

Policy 5400 – Capital Management

2021-6

This policy was updated for credit unions that are under \$500 million in assets to utilize and customize. These credit unions are not deemed to be “complex” under the [NCUA’s Risk Based Capital rule](#) that becomes effective on January 1, 2022. **(Required for credit unions under \$500 million)**

****Policy 5401 – Capital Management for Complex Credit Unions** New Policy**

2021-6

This policy was updated using *Model Policy 5400 – Capital Management* as a template, for credit unions that are over \$500 million in assets and deemed to be “complex” under the [NCUA’s Risk Based Capital rule](#) that becomes effective on January 1, 2022. There are two Key Fields in this policy which should be defined. Note: We are providing both a redlined version so users can see how Policy 5400 was adjusted to create this policy, as well as a “New” policy version with no redlines. **(Required for CU’s over \$500 million)**

****Policy 6400 – Subordinated Debt** New Policy &**

****Procedure 6400.1 – Subordinated Debt Procedure** New Procedure**

2021-6

This policy was created in response to the [NCUA Subordinated Debt Rule](#) that becomes final, effective on January 1, 2022. A corresponding model procedure was also created for credit unions that are pursuing the issuance/investment in subordinated debt. **(Required if offered)**

Policy 7210 – Credit Cards

2021-6

Each year the CFPB adjusts the safe harbor fees for a first violation penalty fee and subsequent violations for credit cards. For 2022, the thresholds will be \$30 and \$41, respectively. Policy 7210 was updated accordingly. **(Required)**

Policy 7330 – Residential Real Estate Loans

2021-6

This policy was revised to adjust the [asset-based threshold](#) for determining if a credit union is a small creditor under the rules. **(Required)**

Policy 7350 – Ability to Repay

2021-6

Policy 7350 was revised to comply with the annual changes made to the [points and fee thresholds](#) to determine if a mortgage is considered a qualified mortgage under the rules, based on the Consumer Price Index. These changes become effective on January 1, 2022. Changes were also made to reflect the price-based thresholds for the general qualified mortgage definition, that becomes mandatory for compliance on October 1, 2022. The Qualified Mortgage Cure Provision was also removed based on the January 10, 2021 expiration.

(Required)

Policy 7351 – Small Creditor Ability to Repay

2021-6

Similar to Policy 7350, this policy was also revised to comply with the annual changes made to the [points and fee thresholds](#) based on the Consumer Price Index and the [asset-based threshold](#) for determining if a credit union is a small creditor under the rules. The Qualified Mortgage Cure Provision was also removed based on the January 10, 2021 expiration.

(Required)

Policy 7362 – Temporary Policy for Loan Modifications and Reporting COVID-19

2021-6

Policy 7362 was revised to incorporate the most recent guidance from the [NCUA](#) on COVID-19 relief extensions. **(Required)**

Policy 7370 – HOEPA Rule Requirement

2021-6

The [thresholds for determining if a loan is covered under HOEPA](#) were also adjusted for January 1, 2022 and these amounts were updated in the policy accordingly. **(Required)**

Policy 7616 – Loan Extensions ~~DELETED**~~**

2021-6

Since loan extensions are a type of loan workout, this policy is being retired and incorporated into model policy 3165 – Loan Workouts and Nonaccrual Standards. While some of the applicable key fields will be maintained, the content was duplicative and results in a more comprehensive policy with the combination. **(Recommended)**

****Policy 7700 – Loan Review and Classification ~~**New Policy**~~**

2021-6

This is a new policy being created through revisions to existing Policy 7600 (Loan Review and Classification) to comply with the new requirements under CECL. References have been changed and this policy should be adopted when credit unions are ready to adopt the new 7715 – Allowance for Credit Losses policy in compliance with CECL (effective for credit unions on January 1, 2023). There is one Key Field in this policy which should be defined. Note: We are providing both a redlined version so users can see how Policy 7600 was adjusted to create this policy, as well as a “New” policy version with no redlines. **(Required on effective date)**

****Policy 7715 – Allowance for Credit Losses ~~**New Policy**~~**

****7715.1 Allowance for Credit Losses Methodology ~~*NEW*~~**

2021-6

This is a new policy being created through revisions to the existing Policy 7615 (Allowance for Loan Lease and Losses) to comply with the new requirements under CECL. While we expect this

policy (and its corresponding methodology) to continue to evolve, we wanted to provide a model and support for those credit unions hoping to start preparations for transition (effective for credit unions on January 1, 2023). Note: We are providing both a redlined version so users can see how Policy 7615 was adjusted to create this policy, as well as a “New” policy version with no redlines. **(Required on effective date)**

Policy 9120 – Fair Debt Collection Practices Act

2021-6

This policy had a minor update to provided clarification on the components deemed to be harassment or abuse related to telephone conversations. Credit unions are encouraged to adopt this revision if it helps provide clarity to credit union employees. **(Recommended)**

Policy 9200 – Home Mortgage Disclosure Act

2021-6

This policy was updated to reflect the [annual threshold change](#) to determine asset size coverage for the rule, which has increased to \$48 million. Credit unions below this asset size, will not be required to report HMDA data. In addition, effective on January 1, 2022 the open-end threshold for reporting loans is being reduced from 500 to 200. **(Required)**

Policy 9220 – Home Ownership and Equity Protection Act

2021-6

Similar to the changes made to Policy 7370, this policy was also revised to adjust the [thresholds for determining if a loan is covered under HOEPA](#), effective January 1, 2022. **(Required)**

Policy 9420 – Regulation D – Monetary Control Act

2021-6

Even though the reserves requirements are still set at zero, the [reserve requirements thresholds](#) amounts are updated each year. These changes are now reflected within the policy. **(Required)**