

amount in effect at the time of consummation.

5. *Qualifying for exemption—subsequent changes.* A transaction does not meet the condition for an exemption under § 1026.35(c)(2)(ii) merely because it is used to satisfy and replace an existing exempt loan, unless the amount of the new extension of credit is equal to or less than the applicable threshold amount. For example, assume a closed-end loan that qualified for a § 1026.35(c)(2)(ii) exemption at consummation in year one is refinanced in year ten and that the new loan amount is greater than the threshold amount in effect in year ten. In these circumstances, the creditor must comply with all of the applicable requirements of § 1026.35(c) with respect to the year ten transaction if the original loan is satisfied and replaced by the new loan, unless another exemption from the requirements of § 1026.35(c) applies. See § 1026.35(c)(2) and (c)(4)(vii).

\* \* \* \* \*

Dated: November 22, 2016.

**Thomas J. Curry,**

*Comptroller of the Currency.*

By order of the Board of Governors of the Federal Reserve System, November 21, 2016.

**Robert deV. Frierson,**

*Secretary of the Board.*

Dated: November 7, 2016.

**Richard Cordray,**

*Director, Bureau of Consumer Financial Protection.*

[FR Doc. 2016–28699 Filed 11–29–16; 8:45 am]

BILLING CODE 4810–33–P; 6210–01–P; 4810–AM–P

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 213

[Docket No. R–1545]

RIN 7100 AE–56

## BUREAU OF CONSUMER FINANCIAL PROTECTION

### 12 CFR Part 1013

[Docket No. CFPB–2016–0036]

RIN 3170–AA66

### Consumer Leasing (Regulation M)

**AGENCY:** 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 finalizing amendments to the official

interpretations and commentary for the agencies' regulations that implement the Consumer Leasing Act (CLA). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended the CLA by requiring that the dollar threshold for exempt consumer leases be adjusted annually by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI–W). If there is no annual percentage increase in the CPI–W, the Board and Bureau will not adjust this exemption threshold from the prior year. The final rule memorializes this as well as the agencies' calculation method for determining the adjustment in years following a year in which there is no annual percentage increase in the CPI–W. Based on the CPI–W in effect as of June 1, 2016, the exemption threshold will remain at \$54,600 through 2017. The Dodd-Frank Act also requires similar adjustments in the Truth in Lending Act's threshold for exempt consumer credit transactions. Accordingly, the Board and the Bureau are adopting similar amendments to the commentaries to each of their respective regulations implementing the Truth in Lending Act elsewhere in this issue of the **Federal Register**.

**DATES:** This final rule is effective January 1, 2017.

**FOR FURTHER INFORMATION CONTACT:**

*Board:* Vivian W. Wong, Senior 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:* Jaclyn Maier, Counsel, Office of Regulations, Consumer Financial Protection Bureau, 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 Consumer Leasing Act (CLA) for exempt consumer leases, and the threshold in the Truth in Lending Act (TILA) for exempt consumer credit transactions,<sup>1</sup> from \$25,000 to \$50,000, effective July 21, 2011.<sup>2</sup> In addition, the Dodd-Frank Act requires that, on and

<sup>1</sup> 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) (Board) and 12 CFR 1026.3(b)(1)(i) (Bureau).

<sup>2</sup> Public Law 111–203, section 1100E, 124 Stat. 1376 (2010).

after December 31, 2011, these thresholds 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 M (which implements the CLA) consistent with these provisions of the Dodd-Frank Act, along with a similar final rule amending Regulation Z (which implements TILA) (collectively, the Board Final Threshold Rules).<sup>3</sup>

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 M implementing the CLA in an interim final rule, 12 CFR part 1013 (Bureau Interim Final Rule).<sup>4</sup> The Bureau Interim Final Rule substantially duplicated the Board's Regulation M, including the revisions to the threshold for exempt transactions made by the Board in April 2011. In April 2016, the Bureau adopted the Bureau Interim Final Rule as final, subject to intervening final rules published by the Bureau.<sup>5</sup> Although the Bureau has the authority to issue rules to implement the CLA for most entities, the Board retains authority to issue rules under the CLA for certain motor vehicle dealers covered by section 1029(a) of the Dodd-Frank Act, and the Board's Regulation M continues to apply to those entities.<sup>6</sup>

<sup>3</sup> 76 FR 18349 (Apr. 4, 2011); 76 FR 18354 (Apr. 4, 2011).

<sup>4</sup> 76 FR 78500 (Dec. 19, 2011).

<sup>5</sup> 81 FR 25323 (April 28, 2016).

<sup>6</sup> 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).

Section 213.2(e)(1) of the Board's Regulation M and § 1013.2(e)(1) of the Bureau's Regulation M, 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. They further provide that 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.<sup>7</sup> If there is no annual percentage increase in the CPI-W, the Board and Bureau will not adjust the exemption threshold from the prior year. Since 2011, the Board and the Bureau have adjusted the Regulation M exemption threshold annually, in accordance with these rules.

## II. Commentary Revision

On August 4, 2016, the Board and the Bureau published a proposed rule in the **Federal Register** to memorialize the calculation method used by the agencies each year to adjust the exemption threshold. See 81 FR 51400 (Aug. 4, 2016). The proposed commentary stated that if there is no annual percentage increase in the CPI-W, the Board and Bureau will not adjust the exemption threshold from the prior year. The proposed commentary further set forth the calculation method the agencies would use in years following a year in which the exemption threshold was not adjusted because there was no increase in the CPI-W from the previous year. As the Board and the Bureau discussed in the proposal, the proposed calculation method would ensure that the values for the exemption threshold keep pace with the CPI-W as contemplated by section 1100E(b) of the Dodd-Frank Act.

The comment period closed on September 6, 2016. In response to the proposal, the Board and the Bureau received one comment from a consumer supporting the proposal. The Board and the Bureau are adopting the commentary revisions as proposed, with some minor clarifying amendments. These changes will be effective on January 1, 2017.

Specifically, the Board and the Bureau are adopting comment 2(e)-9 as proposed to move the text regarding the

threshold amount that is in effect during a particular period to a new comment 2(e)-11. The discussion of how the agencies round the threshold calculation will remain in comment 2(e)-9.

Furthermore, the Board and the Bureau are adopting new comment 2(e)-10 as proposed to provide that if the CPI-W in effect on June 1 does not increase from the CPI-W in effect on June 1 of the previous year (*i.e.*, the CPI-W in effect on June 1 is either equal to or less than the CPI-W in effect on June 1 of the previous year), the threshold amount effective the following January 1 through December 31 will not change from the previous year. As the Board and the Bureau discussed in the proposal, this position is consistent with section 1100E(b) of the Dodd-Frank Act, which states that the threshold must be adjusted by the "annual percentage *increase*" in the CPI-W (emphasis added), and the position the agencies have previously taken.<sup>8</sup> Thus, if the threshold in effect from January 1, 2019, through December 31, 2019, is \$55,500 and the CPI-W in effect on June 1 of 2019 indicates a 1.1 percent decrease from the CPI-W in effect on June 1, 2018, the threshold in effect for January 1, 2020, through December 31, 2020, will remain \$55,500.

Comment 2(e)-10 also provides that, for the years after a year in which the threshold did not change because the CPI-W in effect on June 1 decreased from the CPI-W in effect on June 1 of the previous year, the threshold is calculated by applying the annual percentage change in the CPI-W to the dollar amount that would have resulted, after rounding, if the decreases and any subsequent increases in the CPI-W had been taken into account. Comment 2(e)-10.i further states that, if the resulting amount, after rounding, is greater than the current threshold, then the threshold effective January 1 the following year will increase accordingly.

For example, assume that the threshold in effect from January 1, 2019, through December 31, 2019, is \$55,500 and that, due to a 1.1 percent decrease from the CPI-W in effect on June 1, 2018, to the CPI-W in effect on June 1, 2019, the threshold in effect from January 1, 2020, through December 31, 2020, remains at \$55,500. If, however, the threshold had been adjusted downward to reflect the decrease in the CPI-W over that time period, the

<sup>8</sup> See, e.g., 76 FR 18354, 18355 n.1 (Apr. 4, 2011) ("[A]n annual period of deflation or no inflation would not require a change in the threshold amount.").

threshold in effect from January 1, 2020, through December 31, 2020, would have been \$54,900, after rounding. Further assume that the CPI-W in effect on June 1, 2020, increased by 1.6 percent from the CPI-W in effect on June 1, 2019. The calculation for the threshold that will be in effect from January 1, 2021, through December 31, 2021, is based on the impact of a 1.6 percent increase in the CPI-W on \$54,900, rather than \$55,500, resulting in a 2021 threshold of \$55,800.

Furthermore, comment 2(e)-10.ii states that, if the resulting amount calculated, after rounding, is equal to or less than the current threshold, then the threshold effective January 1 the following year will not change, but future increases will be calculated based on the amount that would have resulted, after rounding. To illustrate, assume in the example above that the CPI-W in effect on June 1, 2020, increased by only 0.6 percent from the CPI-W in effect on June 1, 2019. The calculation for the threshold that will be in effect from January 1, 2021, through December 31, 2021, is based on the impact of a 0.6 percent increase in the CPI-W on \$54,900. The resulting amount, after rounding, is \$55,200, which is lower than \$55,500, the threshold in effect from January 1, 2020, through December 31, 2020. Therefore, the threshold in effect from January 1, 2021, through December 31, 2021, will remain \$55,500. However, the calculation for the threshold that will be in effect from January 1, 2022, through December 31, 2022, will apply the percentage change in the CPI-W to \$55,200, the amount that would have resulted based on the 0.6 percent change from the CPI-W in effect on June 1, 2019, after rounding, to the CPI-W in effect on June 1, 2020.

## III. 2017 Threshold

Based on the calculation method detailed above, the exemption threshold amount for 2017 remains at \$54,600. This is based on the CPI-W in effect on June 1, 2016, which was reported on May 17, 2016. 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 CPI-W reported on May 17, 2016 reflects a 0.8 percent increase in the CPI-W from April 2015 to April 2016. Because the CPI-W decreased from April 2014 to April 2015, the Board and the Bureau are calculating the threshold based on the amount that would have resulted had this decrease been taken into

<sup>7</sup> See comments 2(e)-9 in supplements I of 12 CFR parts 213 and 1013.

account, which is \$54,200. A 0.8 percent increase in the CPI-W applied to \$54,200 results in \$54,600, which is the same threshold amount for 2016. Thus, the exemption threshold amount that will be in effect for 2017 remains at \$54,600. The Board and the Bureau are revising the commentaries to their respective regulations to add new comment 2(e)-11.viii to state that, from January 1, 2017, through December 31, 2017, the threshold amount is \$54,600. These revisions are effective January 1, 2017.

#### IV. Regulatory Analysis

##### *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.<sup>9</sup> The 2017 threshold amount for exempt consumer leases announced in this rule, \$54,600, is technical and applies the calculation method set forth elsewhere in this final rule, for which notice and public comment were provided.<sup>10</sup> For these reasons, the Board and the Bureau have determined that publishing a notice of proposed rulemaking and providing opportunity for public comment for purposes of the 2017 threshold adjustment are unnecessary. Therefore, the amendments regarding the 2017 threshold amount for exempt consumer leases are adopted in final form.

##### *Bureau's Dodd-Frank Act Section 1022(b)(2) Analysis*

In developing the final rule, the Bureau has considered potential benefits, costs, and impacts.<sup>11</sup> In addition, the Bureau has consulted, or offered to consult with, the prudential regulators, the Securities and Exchange Commission, the Department of Housing and Urban Development, the Federal Housing Finance Agency, the Federal Trade Commission, and the Department of the Treasury, including regarding consistency with any prudential, market, or systemic objectives administered by such agencies.

The Bureau has chosen to evaluate the benefits, costs and impacts of the final

rule against the current state of the world, which takes into account the current regulatory regime. The Bureau is not aware of any significant benefits or costs to consumers or covered persons associated with the final rule relative to the baseline. The Board previously stated that if there is no annual percentage increase in the CPI-W, then the Board (and now the Bureau) will not adjust the exemption threshold from the prior year.<sup>12</sup> The final rule memorializes this in official commentary. The final rule also clarifies how the threshold is calculated for years after a year in which the threshold did not change. The Bureau believes that this clarification memorializes the method that the Bureau would be expected to use: This method holds the threshold fixed until a notional threshold calculated using the Bureau's methodology, taking into account both decreases and increases in the CPI-W, exceeds the actual threshold. The Bureau requested, but did not receive, comment on this point. Thus, the Bureau concludes that the final rule will not change the regulatory regime relative to the baseline and will create no significant benefits, costs, or impacts.

The final rule will have no unique impact on depository institutions or credit unions with \$10 billion or less in assets as described in section 1026(a) of the Dodd-Frank Act or on rural consumers. The Bureau does not expect this final rule to affect consumers' access to credit.

##### *Regulatory Flexibility Act*

*Board:* An initial regulatory flexibility analysis (IRFA) was included in the proposal in accordance with section 3(a) of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA). In the IRFA, the Board requested comments on any approaches, other than the proposed alternatives, that would reduce the burden on small entities. The RFA requires an agency to prepare a final regulatory flexibility analysis (FRFA) unless the agency certifies that the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities. In accordance with section 3(a) of the RFA, the Board has reviewed the final regulation. Based on its analysis, and for the reasons stated below, the Board believes that the rule will not have a significant economic impact on a substantial number of small entities.

1. *Statement of the need for, and objectives of, the final rule.* The final

rule memorializes the calculation method used by the Board each year to adjust the exemption threshold in accordance with section 1100E of the Dodd-Frank Act. The final rule also adopts the exemption threshold that will apply from January 1, 2017, through December 31, 2017, based on the calculation method memorialized in this final rule.

2. *Summary of issues raised by comments in response to the initial regulatory flexibility analysis.* The Board did not receive any comments on the initial regulatory flexibility analysis.

3. *Small entities affected by the final rule.* Motor vehicle dealers that are subject to the Board's Regulation M and offer consumer leases that may be exempt from Regulation M under 12 CFR 213.2(e) would be affected. While the total number of small entities likely to be affected by the final rule is unknown, the Board does not believe the final rule will have a significant economic impact on the entities that it affects.

4. *Recordkeeping, reporting, and compliance requirements.* The final rule would not impose any recordkeeping, reporting, or compliance requirements.

5. *Significant alternatives to the final revisions.* The Board has not identified any significant alternatives that would reduce the regulatory burden on small entities associated with this final rule.

*Bureau:* The RFA generally requires an agency to conduct an initial regulatory flexibility analysis (IRFA) and a final regulatory flexibility analysis (FRFA) of any rule subject to notice-and-comment rulemaking requirements.<sup>13</sup> These analyses must describe the impact of the proposed and final rules on small entities.<sup>14</sup> An IRFA or FRFA is not required if the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.<sup>15</sup> The Bureau also is subject to certain additional procedures under the RFA involving the convening of a panel to

<sup>13</sup> 5 U.S.C. 601 *et seq.*

<sup>14</sup> *Id.* at 603(a) and 604(a). For purposes of assessing the impacts of the rule on small entities, "small entities" is defined in the RFA to include small businesses, small not-for-profit organizations, and small government jurisdictions. *Id.* at 601(6). A "small business" is determined by application of Small Business Administration regulations and reference to the North American Industry Classification System (NAICS) classifications and size standards. *Id.* at 601(3). A "small organization" is any "not-for-profit enterprise which is independently owned and operated and is not dominant in its field." *Id.* at 601(4). A "small governmental jurisdiction" is the government of a city, county, town, township, village, school district, or special district with a population of less than 50,000. *Id.* at 601(5).

<sup>15</sup> *Id.* at 605(b).

<sup>9</sup> 5 U.S.C. 553(b)(B).

<sup>10</sup> See 81 FR 51400 (Aug. 4, 2016).

<sup>11</sup> Specifically, section 1022(b)(2)(A) calls for the Bureau to consider the potential benefits and costs of a regulation to consumers and covered persons, including the potential reduction of access by consumers to consumer financial products or services; the impact on depository institutions and credit unions with \$10 billion or less in total assets as described in section 1026 of the Act; and the impact on consumers in rural areas.

<sup>12</sup> 76 FR 18354, 18355 n.1 (Apr. 4, 2011) ("[A]n annual period of deflation or no inflation would not require a change in the threshold amount.")

consult with small business representatives prior to proposing a rule for which an IRFA is required.<sup>16</sup>

A FRFA is not required for this final rule because it will not have a significant economic impact on a substantial number of small entities. As discussed in the Bureau's Section 1022(b)(2) Analysis above, this final rule does not introduce costs or benefits to covered persons because it seeks only to clarify the method of threshold adjustment which has already been established in previous Agency rules. Therefore this final rule will not have a significant impact on small entities.

**Certification**

Accordingly, the Bureau Director, by signing below, certifies that this final rule will not have a significant economic impact on a substantial number of small entities.

**Paperwork Reduction Act**

In accordance with the Paperwork Reduction Act of 1995,<sup>17</sup> 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 213*

Advertising, Consumer leasing, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements.

*12 CFR Part 1013*

Advertising, Consumer leasing, Reporting and recordkeeping requirements, Truth in lending.

**Board of Governors of the Federal Reserve System**

**Authority and Issuance**

For the reasons set forth in the preamble, the Board amends Regulation M, 12 CFR part 213, as set forth below:

**PART 213—CONSUMER LEASING (REGULATION M)**

■ 1. The authority citation for part 213 continues to read as follows:

**Authority:** 15 U.S.C. 1604 and 1667f; Public Law 111–203, section 1100E, 124 Stat. 1376.

■ 2. In supplement I to part 213, under *Section 213.2—Definitions*, under *2(e) Consumer lease*, paragraph 9 is revised, and paragraphs 10 and 11 are added, to read as follows:

**Supplement I to Part 213—Official Staff Commentary to Regulation M**

\* \* \* \* \*

*Section 213.2—Definitions*

\* \* \* \* \*

2(e) Consumer Lease

\* \* \* \* \*

9. *Threshold amount.* A consumer lease is exempt from the requirements of this part if the total contractual obligation exceeds the threshold amount in effect at the time of consummation. The threshold amount in effect during a particular time period is the amount stated in comment 2(e)–11 for that period. The threshold amount is adjusted effective January 1 of each year by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI–W) that was in effect on the preceding June 1. Comment 2(e)–11 will be amended to provide the threshold amount for the upcoming year after the annual percentage change in the CPI–W that was in effect on June 1 becomes available. 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. If a consumer lease is exempt from the requirements of this Part because the total contractual obligation exceeds the threshold amount in effect at the time of consummation, the lease remains exempt regardless of a subsequent increase in the threshold amount.

10. *No increase in the CPI–W.* If the CPI–W in effect on June 1 does not increase from the CPI–W in effect on June 1 of the previous year, the threshold amount effective the following January 1 through December 31 will not change from the previous year. When this occurs, for the years that follow, the threshold is calculated based on the annual percentage change in the CPI–W applied to the dollar amount that would have resulted, after rounding, if decreases and any subsequent increases in the CPI–W had been taken into account.

i. *Net increases.* If the resulting amount calculated, after rounding, is greater than the current threshold, then the threshold effective January 1 the following year will increase accordingly.

ii. *Net decreases.* If the resulting amount calculated, after rounding, is equal to or less than the current threshold, then the threshold effective January 1 the following year will not change, but future increases will be calculated based on the amount that would have resulted.

11. *Threshold.* For purposes of § 213.2(e)(1), the threshold amount in effect during a particular period is the amount stated below for that period.

- i. Prior to July 21, 2011, the threshold amount is \$25,000.
- ii. From July 21, 2011 through December 31, 2011, the threshold amount is \$50,000.
- iii. From January 1, 2012 through December 31, 2012, the threshold amount is \$51,800.
- iv. From January 1, 2013 through December 31, 2013, the threshold amount is \$53,000.
- v. From January 1, 2014 through December 31, 2014, the threshold amount is \$53,500.
- vi. From January 1, 2015 through December 31, 2015, the threshold amount is \$54,600.
- vii. From January 1, 2016 through December 31, 2016, the threshold amount is \$54,600.
- viii. From January 1, 2017 through December 31, 2017, the threshold amount is \$54,600.

**Bureau of Consumer Financial Protection**

**Authority and Issuance**

For the reasons set forth in the preamble, the Bureau amends Regulation M, 12 CFR part 1013, as set forth below:

**PART 1013—CONSUMER LEASING (REGULATION M)**

■ 3. The authority citation for part 1013 continues to read as follows:

**Authority:** 15 U.S.C. 1604 and 1667f; Public Law 111–203, section 1100E, 124 Stat. 1376.

■ 4. In supplement I to part 1013, under *Section 1013.2—Definitions*, under *2(e)—Consumer Lease*, paragraph 9 is revised, and paragraphs 10 and 11 are added, to read as follows:

**Supplement I to Part 1013—Official Interpretations**

\* \* \* \* \*

*Section 1013.2—Definitions*

\* \* \* \* \*

2(e) Consumer Lease

\* \* \* \* \*

9. *Threshold amount.* A consumer lease is exempt from the requirements of

<sup>16</sup> *Id.* at 609.

<sup>17</sup> 44 U.S.C. 3506; 5 CFR 1320.

this part if the total contractual obligation exceeds the threshold amount in effect at the time of consummation. The threshold amount in effect during a particular time period is the amount stated in comment 2(e)-11 for that period. The threshold amount is adjusted effective January 1 of each year by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) that was in effect on the preceding June 1. Comment 2(e)-11 will be amended to provide the threshold amount for the upcoming year after the annual percentage change in the CPI-W that was in effect on June 1 becomes available. 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. If a consumer lease is exempt from the requirements of this part because the total contractual obligation exceeds the threshold amount in effect at the time of consummation, the lease remains exempt regardless of a subsequent increase in the threshold amount.

10. *No increase in the CPI-W.* If the CPI-W in effect on June 1 does not increase from the CPI-W in effect on June 1 of the previous year, the threshold amount effective the following January 1 through December 31 will not change from the previous year. When this occurs, for the years that follow, the threshold is calculated based on the annual percentage change in the CPI-W applied to the dollar amount that would have resulted, after rounding, if decreases and any subsequent increases in the CPI-W had been taken into account.

i. *Net increases.* If the resulting amount calculated, after rounding, is greater than the current threshold, then the threshold effective January 1 the following year will increase accordingly.

ii. *Net decreases.* If the resulting amount calculated, after rounding, is equal to or less than the current threshold, then the threshold effective January 1 the following year will not change, but future increases will be calculated based on the amount that would have resulted.

11. *Threshold.* For purposes of § 1013.2(e)(1), the threshold amount in effect during a particular period is the amount stated below for that period.

i. Prior to July 21, 2011, the threshold amount is \$25,000.

ii. From July 21, 2011 through December 31, 2011, the threshold amount is \$50,000.

iii. From January 1, 2012 through December 31, 2012, the threshold amount is \$51,800.

iv. From January 1, 2013 through December 31, 2013, the threshold amount is \$53,000.

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

vi. From January 1, 2015 through December 31, 2015, the threshold amount is \$54,600.

vii. From January 1, 2016 through December 31, 2016, the threshold amount is \$54,600.

viii. From January 1, 2017 through December 31, 2017, the threshold amount is \$54,600.

By order of the Board of Governors of the Federal Reserve System, November 17, 2016.

**Robert deV. Frierson,**

*Secretary of the Board.*

Dated: November 7, 2016.

**Richard Cordray,**

*Director, Bureau of Consumer Financial Protection.*

[FR Doc. 2016-28710 Filed 11-29-16; 8:45 am]

**BILLING CODE 6210-01-P; 4810-AM-P**

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 226

[Docket No. R-1546]

RIN 7100 AE-57

## BUREAU OF CONSUMER FINANCIAL PROTECTION

### 12 CFR Part 1026

[Docket No. CFPB-2016-0037]

RIN 3170-AA67

### Truth in Lending (Regulation Z)

**AGENCY:** 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 finalizing amendments to 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 the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). If there is no annual percentage increase in the CPI-W, the Board and Bureau will not adjust this exemption threshold from the prior year. The final rule memorializes this as well as the agencies' calculation method for determining the adjustment in years following a year in which there is no annual percentage increase in the CPI-W. Based on the CPI-W in effect as of June 1, 2016, the exemption threshold will remain at \$54,600 through 2017. The Dodd-Frank Act also requires similar adjustments in the Consumer Leasing Act's threshold for exempt consumer leases. Accordingly, the Board and the Bureau are adopting similar amendments to the commentaries to each of their respective regulations implementing the Consumer Leasing Act elsewhere in this issue of the **Federal Register**.

**DATES:** This final rule is effective January 1, 2017.

**FOR FURTHER INFORMATION CONTACT:**

*Board:* Vivian W. Wong, Senior 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:* Jaclyn Maier, Counsel, Office of Regulations, Consumer Financial Protection Bureau, 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,<sup>1</sup> and the threshold in the Consumer Leasing Act (CLA) for exempt consumer leases, from \$25,000 to \$50,000, effective July 21, 2011.<sup>2</sup> In addition, the Dodd-Frank Act requires that, on and after December 31, 2011, these thresholds 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

<sup>1</sup> 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) (Board) and 12 CFR 1026.3(b)(1)(i) (Bureau).

<sup>2</sup> Public Law 111-203, section 1100E, 124 Stat. 1376 (2010).