

**Secured Liabilities at Failure**

Federal Home Loan Bank advances, secured federal funds purchased and repurchase agreements are assumed to be fully secured. Foreign deposits are treated as

fully secured because of the potential for ring fencing.  
Exclude total outstanding borrowings from the Federal Reserve Banks under the Paycheck Protection Program Liquidity Facility.

**Loss Severity Ratio Calculation**

The FDIC's loss given failure (LGD) is calculated as:

$$LGD = \frac{\text{Insured Deposits}_{\text{Failure}}}{\text{Domestic Deposits}_{\text{Failure}}} \times (\text{Domestic Deposits}_{\text{Failure}} - \text{Recovery Value of Assets}_{\text{Failure}} + \text{Secured Liabilities}_{\text{Failure}})$$

An end-of-quarter loss severity ratio is LGD divided by total domestic deposits at quarter-end and the loss severity measure for the scorecard is an average of end-of-period loss severity ratios for three most recent quarters.

(b) [Reserved]

**III. Mitigating the Effects of Loans Provided Under the Paycheck Protection Program and Assets Purchased Under the Money Market Mutual Fund Liquidity Facility on the Unsecured Adjustment, Depository Institution Debt Adjustment, and the Brokered Deposit Adjustment to an IDI's Assessment Rate**

**TABLE E.5—EXCLUSIONS FROM ADJUSTMENTS TO THE INITIAL BASE ASSESSMENT RATE**

Adjustment	Calculation	Exclusion
Unsecured debt adjustment .....	The unsecured debt adjustment shall be determined as the sum of the initial base assessment rate plus 40 basis points; that sum shall be multiplied by the ratio of an insured depository institution's long-term unsecured debt to its assessment base. The amount of the reduction in the assessment rate due to the adjustment is equal to the dollar amount of the adjustment divided by the amount of the assessment base.	Exclude from the assessment base the outstanding balance of loans provided under the Paycheck Protection Program and the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility.
Depository institution debt adjustment.	An insured depository institution shall pay a 50 basis point adjustment on the amount of unsecured debt it holds that was issued by another insured depository institution to the extent that such debt exceeds 3 percent of the institution's Tier 1 capital. This amount is divided by the institution's assessment base. The amount of long-term unsecured debt issued by another insured depository institution shall be calculated using the same valuation methodology used to calculate the amount of such debt for reporting on the asset side of the balance sheets.	Exclude from the assessment base the outstanding balance of loans provided under the Paycheck Protection Program and the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility.
Brokered deposit adjustment .....	The brokered deposit adjustment shall be determined by multiplying 25 basis points by the ratio of the difference between an insured depository institution's brokered deposits and 10 percent of its domestic deposits to its assessment base.	Exclude from the assessment base the outstanding balance of loans provided under the Paycheck Protection Program and the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility.

**IV. Mitigating the Effects on the Assessment Base Attributable to Loans Provided Under the Paycheck Protection Program and Participation in the Money Market Mutual Fund Liquidity Facility**

Total Assessment Amount Due = Total Assessment Amount LESS: (SUM (Outstanding balance of loans provided under the Paycheck Protection Program and quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility) \* Total Base Assessment Rate)

Federal Deposit Insurance Corporation.  
By order of the Board of Directors.  
Dated at Washington, DC, on June 22, 2020.

**James P. Sheesley,**  
*Acting Assistant Executive Secretary.*

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**BUREAU OF CONSUMER FINANCIAL PROTECTION**

**12 CFR Part 1026**

**Truth in Lending (Regulation Z); Determining "Underserved" Areas Using Home Mortgage Disclosure Act Data**

**AGENCY:** Bureau of Consumer Financial Protection.

**ACTION:** Interpretive rule.

**SUMMARY:** This interpretive rule construes the Bureau of Consumer Financial Protection's (Bureau's) Regulation Z, which implements the Truth in Lending Act (TILA). The Bureau produces annually a list of rural and underserved counties and areas that is used in applying various Regulation Z provisions, such as the exemption from the requirement to establish an escrow account for a higher-priced mortgage loan and the ability to originate balloon-payment qualified

mortgages. Regulation Z states that an area is "underserved" during a calendar year if, according to Home Mortgage Disclosure Act (HMDA) data for the preceding calendar year, it is a county in which no more than two creditors extended covered transactions, as defined in Regulation Z, secured by first liens on properties in the county five or more times. The official commentary provides an interpretation relating to this standard that refers to certain data elements from the previous version of the Bureau's Regulation C, which implements HMDA, that were modified or eliminated in the 2015 amendments to Regulation C. The Bureau is issuing this interpretive rule to supersede that now outdated interpretation, specifically by describing below the HMDA data that will instead be used in determining that an area is "underserved."

**DATES:** This interpretive rule is effective on June 26, 2020.

**FOR FURTHER INFORMATION CONTACT:**

Waeiz Syed, Counsel, Office of Regulations, at (202) 435-7700 or <https://reginquiries.consumerfinance.gov/>. If you require this document in an alternative electronic format, please contact [CFPB\\_Accessibility@cfpb.gov](mailto:CFPB_Accessibility@cfpb.gov).

**SUPPLEMENTARY INFORMATION:****I. Discussion***A. Definition of “Underserved”*

As adopted in the Dodd-Frank Act and further amended by the Helping Expand Lending Practices in Rural Communities Act of 2015, TILA sections 129C(b)(2)(E) and 129D(c) granted the Bureau authority, among other things, to create a special provision allowing the origination of balloon-payment qualified mortgages and an exemption from the requirement to establish an escrow account for higher-priced mortgage loans.<sup>1</sup> Through these amendments, Congress limited the class of creditors to which the Bureau may grant the special provision and exemption to include only certain creditors that operate in “rural” or “underserved” areas.

Section 1026.35(b)(2)(iv)(B) of Regulation Z defines an area as “underserved” during a calendar year if, according to HMDA data for the preceding calendar year, it is a county in which no more than two creditors extended covered transactions, as defined in § 1026.43(b)(1), secured by first liens on properties in the county five or more times.<sup>2</sup> Section 1026.43(b)(1) of Regulation Z defines a “covered transaction” as a consumer credit transaction that is secured by a dwelling, as defined in § 1026.2(a)(19), including any real property attached to a dwelling, other than a transaction exempt from coverage under § 1026.43(a).<sup>3</sup> Accordingly, in determining the number of first-lien covered transactions in an area for the purposes of determining whether an area is “underserved,” the Bureau

would not count transactions that fail to meet the definition of a “covered transaction” as set forth in § 1026.43(b)(1), such as a home equity line of credit subject to § 1026.40.

The Bureau interpreted the definition of “underserved” in the official commentary to Regulation Z. In comment 35(b)(2)(iv)-1.ii, the Bureau stated that a county is an “underserved” area if, in the applicable calendar year’s public HMDA aggregate dataset, no more than two creditors have reported five or more first-lien covered transactions with HMDA geocoding that places the properties in that county. For the purposes of this determination, because only covered transactions as defined in § 1026.43(b)(1) of Regulation Z are counted, all first-lien originations (and only first-lien originations) reported in the HMDA data are counted except those for which the owner-occupancy status is reported as “Not owner-occupied,” the property type is reported as “Multifamily,” the applicant’s or co-applicant’s race is reported as “Not applicable,” or the applicant’s or co-applicant’s sex is reported as “Not applicable.” Comment 35(b)(2)(iv)-1.ii also specified HMDA codes for each of these HMDA reporting categories.

*B. Determining “Underserved” Areas Using HMDA Data*

In 2015, the Bureau issued a final rule amending Regulation C; for the most part, the 2015 amendments took effect on January 1, 2018.<sup>4</sup> Among other changes, the 2015 HMDA Final Rule amended Regulation C to include nine new data points as required by the Dodd-Frank Act; added a number of additional data points pursuant to the Bureau’s discretionary authority under HMDA section 304(b)(5) and (6); and revised certain pre-existing data points to clarify or amend their requirements.

In light of these changes, certain parts of the methodology described in comment 35(b)(2)(iv)-1.ii became obsolete, as they referred to HMDA data points replaced or otherwise modified by the 2015 HMDA Final Rule. To avoid uncertainty concerning how HMDA data is to be used to determine the underserved status of a county, the Bureau is issuing this interpretive rule to supersede the outdated portions of the commentary and identify current HMDA data points it will use to determine whether a county is underserved.

Under this interpretive rule, the determination will be made by counting

first-lien originations from HMDA data for the preceding calendar year, except those for which any of the following HMDA data points are reported with values we interpret as being inconsistent with Regulation Z’s definition of a “covered transaction.”

## 1. Construction Method and Total Units

Because a “covered transaction,” as defined in § 1026.43(b)(1) of Regulation Z, includes loans secured by residential structures that contain one to four units, the Bureau will not count first-lien originations reported in HMDA data for which the construction method status is reported as “Site-built” (HMDA Code 1) and the total units (*i.e.*, number of individual dwelling units related to the property) is reported as being greater than “4.”

## 2. Open-End Line of Credit and Reverse Mortgage

The definition of a “covered transaction” in § 1026.43(b)(1) of Regulation Z excludes specific categories of loans, such as a home equity line of credit subject to § 1026.40. The definition of a “covered transaction” also excludes, for example, a reverse mortgage subject to § 1026.33, for the purposes of § 1026.43(f), which is the provision that permits creditors operating in underserved areas to originate qualified mortgages with balloon payments.

For these reasons, the Bureau will not count first-lien originations reported in HMDA data for which the open-end line of credit status is reported as “Open-end line of credit” (HMDA Code 1) or the reverse mortgage status is reported as “Reverse mortgage” (HMDA Code 1).

## 3. Business or Commercial Purpose

Regulation Z’s “covered transaction” definition also excludes an extension of credit primarily for a business or commercial purpose. Accordingly, the Bureau will not count first-lien originations reported in HMDA data for which the business or commercial purpose status is reported as “Primarily for a business or commercial purpose” (HMDA Code 1).

## 4. Demographic Information of Applicant and Co-Applicant

As defined in § 1026.43(b)(1) of Regulation Z, a “covered transaction” is limited to transactions made to consumers, which § 1026.2(a)(11) of Regulation Z defines, in part, as a natural person to whom consumer credit is offered or extended.

Appendix B and comment 4(a)(10)(ii)-4 of Regulation C instruct covered financial institutions to report

<sup>1</sup> Public Law 111-203, sections 1412 and 1461(a), 124 Stat. 1376, 2147 and 2179 (2010); Public Law 114-94, section 89003, 129 Stat. 1312, 1800 (2015) (codified at 15 U.S.C. 1639c(b)(2)(E) and 15 U.S.C. 1639d(c)).

<sup>2</sup> Escrow Requirements Under the Truth in Lending Act (Regulation Z), 78 FR 4725, 4740-41 (Jan. 22, 2013) (noting that the Bureau adopted this definition based on HMDA data to provide an objective, easily administered rule and one that is consistent with the purpose of preserving credit access in underserved areas), as subsequently amended by Amendments to the 2013 Escrows Final Rule under the Truth in Lending Act (Regulation Z), 78 FR 30739 (May 23, 2013), and Amendments Relating to Small Creditors and Rural or Underserved Areas Under the Truth in Lending Act (Regulation Z), 80 FR 59943 (Oct. 2, 2015). 12 CFR 1026.35(b)(2)(iv)(B).

<sup>3</sup> 12 CFR 1026.43(b)(1).

<sup>4</sup> Home Mortgage Disclosure Act (Regulation C), 80 FR 66128, 66256-58 (Oct. 28, 2015).

the applicant's or co-applicant's ethnicity, race, sex, and age as "not applicable" if the applicant or co-applicant is not a natural person. For these reasons, the Bureau will not count first-lien originations reported in HMDA data for which both the applicant's and co-applicant's ethnicity, race, sex, and age *all* are reported as follows: (1) The applicant's ethnicity is reported as "Not applicable" (HMDA Code 4); (2) the applicant's race is reported as "Not applicable" (HMDA Code 7); (3) the applicant's sex is reported as "Not applicable" (HMDA Code 4); (4) the applicant's age is reported as "Not applicable" (HMDA Code 8888); (5) the co-applicant's ethnicity is reported as "Not applicable" (HMDA Code 4) or "No co-applicant" (HMDA Code 5); (6) the co-applicant's race is reported as "Not applicable" (HMDA Code 7) or "No co-applicant" (HMDA Code 8); (7) the co-applicant's sex is reported as "Not applicable" (HMDA Code 4) or "No co-applicant" (HMDA Code 5); and (8) the co-applicant's age is reported as "Not applicable" (HMDA Code 8888) or "No co-applicant" (HMDA Code 9999).

The underserved counties list, using the HMDA data described above, can be found on the Bureau's public website at <https://www.consumerfinance.gov/policy-compliance/guidance/mortgage-resources/rural-and-underserved-counties-list/>, where, consistent with past practice, the list is made available along with historical lists.

### C. Legal Authority

The Bureau is issuing this interpretive rule based on its authority to interpret Regulation Z, including under section 1022(b)(1) of the Dodd-Frank Act, which authorizes guidance as may be necessary or appropriate to enable the Bureau to administer and carry out the purposes and objectives of Federal consumer financial laws.<sup>5</sup>

By operation of TILA section 130(f), no provision of TILA sections 130, 108(b), 108(c), 108(e), or 112 imposing any liability applies to any act done or omitted in good faith in conformity with this interpretive rule, notwithstanding that after such act or omission has occurred, the interpretive rule is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.<sup>6</sup>

## II. Effective Date

Because this rule is solely interpretive, it is not subject to the 30-

day delayed effective date for substantive rules under section 553(d) of the Administrative Procedure Act.<sup>7</sup> Therefore, this rule is effective on June 26, 2020, the same date that it is published in the **Federal Register**.

## III. Regulatory Requirements

This rule articulates the Bureau's interpretation of Regulation Z and TILA. As an interpretive rule, it is exempt from the notice-and-comment rulemaking requirements of the Administrative Procedure Act.<sup>8</sup> Because no notice of proposed rulemaking is required, the Regulatory Flexibility Act does not require an initial or final regulatory flexibility analysis.<sup>9</sup>

The Bureau has determined that this interpretive rule does not impose any new requirements or revise any existing recordkeeping, reporting, or disclosure requirements on covered entities or members of the public that would be collections of information requiring approval by the Office of Management and Budget under the Paperwork Reduction Act.<sup>10</sup>

## IV. Congressional Review Act

Pursuant to the Congressional Review Act,<sup>11</sup> the Bureau will submit a report containing this interpretive rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the United States prior to the rule's published effective date. The Office of Information and Regulatory Affairs has designated this interpretive rule as not a "major rule" as defined by 5 U.S.C. 804(2).

## V. Signing Authority

The Director of the Bureau, having reviewed and approved this document, is delegating the authority to electronically sign this document to Laura Galban, a Bureau Federal Register Liaison, for purposes of publication in the **Federal Register**.

Dated: June 23, 2020.

**Laura Galban,**

*Federal Register Liaison, Bureau of Consumer Financial Protection.*

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<sup>7</sup> 5 U.S.C. 553(d).

<sup>8</sup> 5 U.S.C. 553(b).

<sup>9</sup> 5 U.S.C. 603(a), 604(a).

<sup>10</sup> 44 U.S.C. 3501 *et seq.*

<sup>11</sup> 5 U.S.C. 801 *et seq.*

<sup>5</sup> 12 U.S.C. 5512(b)(1). The relevant provisions of Regulation Z form part of Federal consumer financial law. 12 U.S.C. 5481(12)(O), (14).

<sup>6</sup> 15 U.S.C. 1640(f).

## SMALL BUSINESS ADMINISTRATION

### 13 CFR Part 120

[Docket No. SBA-2020-0039]

RIN 3245-AH53

### Business Loan Program Temporary Changes; Paycheck Protection Program—Additional Eligibility Revisions to First Interim Final Rule

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Interim final rule.

**SUMMARY:** On April 2, 2020, the U.S. Small Business Administration (SBA) posted on its website an interim final rule relating to the implementation of sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act) (published in the **Federal Register** on April 15, 2020). Section 1102 of the Act temporarily adds a new product, titled the "Paycheck Protection Program," to the U.S. Small Business Administration's (SBA's) 7(a) Loan Program. Subsequently, SBA issued a number of interim final rules implementing the Paycheck Protection Program. On June 12, 2020, SBA posted on its website an interim final rule revising the interim final rule published in the **Federal Register** on April 15, 2020 by changing the eligibility requirement related to felony convictions of applicants or owners of the applicant. This interim final rule further revises SBA's interim final rule published in the **Federal Register** on April 15, 2020, by further changing that eligibility requirement.

**DATES:**

*Effective date:* The provisions in this interim final rule are effective June 24, 2020.

*Comment date:* Comments must be received on or before July 27, 2020.

**ADDRESSES:** You may submit comments, identified by number SBA-2020-0039, through the Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

SBA will post all comments on [www.regulations.gov](http://www.regulations.gov). If you wish to submit confidential business information (CBI) as defined in the User Notice at [www.regulations.gov](http://www.regulations.gov), please send an email to [ppp-ifr@sba.gov](mailto:ppp-ifr@sba.gov). Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review the information and make the final determination whether it will publish the information.