Fast Facts: Proposed LIBOR Transition Rule

Proposed Rule: The LIBOR Transition Proposed Rule would amend certain provisions in Regulation Z, 12 CFR Part 1026, which implements the Truth in Lending Act (TILA). The rule would make changes to facilitate the LIBOR transition.

Proposed effective date: Generally, March 15, 2021. The change-in-terms notice provisions are proposed to apply as of October 1, 2021, but early compliance is permitted.

Comments due: August 4, 2020. Detailed information on how to submit comments can be found in the proposal.

Available at: www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/amendments-facilitate-libor-transition-regulation-z/.

About this document: The Bureau has issued a proposal to amend Regulation Z to facilitate the LIBOR transition for open-end and closed-end credit. This document generally provides a high-level overview of the topics covered in the proposal.

Key proposed revisions: open-end products

Applicable products	Proposed rule revisions	Location in rule
HELOCs, Open-End Reverse Mortgages, Credit Cards	The proposed rule would amend the open-end change-in-terms notice provisions to ensure that for the LIBOR transition, creditors are required to include in the change-in-terms notice the replacement index and any adjusted margin, regardless of whether the margin is being reduced or increased. The proposal would allow creditors to optionally comply with this provision between the issuance of the final rule and the provision effective date, October 1, 2021.	1026.9(c)

Applicable products	Proposed rule revisions	Location in rule
HELOCs, Open-end Reverse Mortgages	In order to change the index for HELOC accounts, the current rule requires that a) the *original index* be "no longer available" and b) the *replacement index* meet certain requirements. The proposed rule would add a LIBOR-specific provision that would allow the LIBOR transition to occur on or after March 15, 2021 (instead of using the "no longer available" standard). Additionally, the proposed LIBOR-specific provisions would retain similar *replacement index* requirements to the current rule, including that the replacement index has historical fluctuations that are substantially similar and that the new rate selected is substantially similar. The proposed rule would generally identify December 31, 2020, as the date used for selecting the index values for the LIBOR index and the replacement index to compare the rates, rather than using the index values on the date the original index becomes unavailable. The proposed rule identifies two example replacement indices for LIBOR that meet the proposed exception requirements.	1026.40(f)(3)(ii)(B)
Credit Cards	In order to substitute the index for credit card accounts, the current rule requires that a) the *original index* be "unavailable" and b) the *replacement index* meet certain requirements. The proposed rule would add a LIBOR-specific provision that would allow the LIBOR transition to occur on or after March 15, 2021 (instead of using the "unavailable" standard). Additionally, the proposed LIBOR-specific provision would retain similar *replacement index* requirements as in the current rule, including that the replacement index has historical fluctuations that are substantially similar and that the new rate selected is substantially similar. The proposed rule generally would identify December 31, 2020, as the date used for selecting the index values for the LIBOR index and the replacement index in comparing the	1026.55(b)(7)(ii)

Applicable products	Proposed rule revisions	Location in rule
	rates when using the LIBOR exception, rather than using the index values on the date the original index becomes unavailable. The proposed rule identifies two example replacement indices for LIBOR that meet the proposed exception requirements.	
Credit Cards	In the current rule, if the LIBOR transition results in an APR increase, a card issuer is required to complete an analysis reevaluating the rate on that account every 6 months until certain requirements are met. The rate reevaluations must use LIBOR as the comparison index. The proposed rule would create an exception for those card issuers that transitioned from LIBOR using the proposed LIBOR-specific provision in proposed § 1026.55(b)(7)(ii) or the current rule's unavailable provision (proposed to be moved to § 1026.55(b)(7)(i)). Where the transition results in an APR increase, no analysis reevaluating the rate would be required. The proposal also would provide instructions on how to replace LIBOR as a benchmark for comparison for card issuers who were already required to perform a § 1026.59 review as of March 15, 2021.	1026.59

Key proposed revisions: closed-end products

Applicable products	Proposed rule revisions	Location in rule
Closed-End Mortgages, Student Loans, and Other Closed-end Consumer Loans	Under the current rule, if a "comparable index" is not chosen when the index of a variable rate closed-end loan is changed, the index change may constitute a refinancing for purposes of Regulation Z. The proposed rule would provide an example of an index that is a "comparable index" to LIBOR for closed-end products.	1026.20(a); Comment 20(a)-3.ii.

Additional resources

Find more implementation information and sign up for updates about LIBOR transition rule implementation at www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/amendments-facilitate-libor-transition-regulation-z/.