Banking and Finance Law Daily Wrap
Up,MORTGAGES—CFPB soothes concerns over ‘Know Before You Owe’ compliance; promises regulatory clarity,(Apr. 28, 2016)

By John M. Pachkowski, J.D.

In an April 28, 2016, letter, the Consumer Financial Protection Bureau has informed a number of trade groups of its efforts to address the groups’ concerns regarding compliance with the “Know Before You Owe” mortgage disclosure forms. The industry groups receiving the letter were: the American Bankers Association, Consumer Bankers Association, Credit Union National Association, Financial Services Roundtable-Housing Policy Council, Independent Community Bankers of America, Mortgage Bankers Association, National Association of Federal Credit Unions, and Structured Finance Industry Group.

The CFPB’s Know Before You Owe initiative was designed to help consumers understand their loan options, shop for the mortgage that’s best for them, and avoid costly surprises at the closing table. It culminated in the final rule that integrated a number of disclosure forms required by the Real Estate Settlement Procedures Act and the Truth and Lending Act. The mortgage lending industry commonly refers to the integrated disclosure requirements as TRID.

In its letter, the CFPB recognized that “the implementation of the Know Before You Owe rule poses many operational challenges” and will “continue the collaboration and engagement toward solutions and provide guidance where we have to the ability to do so.” The bureau added that its regulatory implementation page is “designed to be responsive to industry concerns.”

Finally, the CPFB noted that it has begun to draft a Notice of Proposed Rulemaking on the Know Before You Owe rule to provide “greater certainty and clarity” and hopes to issue the proposal in late July. As part of this process, the bureau intends to have one or two meetings before the proposal is issued.

Commenting on the CFPB’s letter, Rob Nichols, ABA president and CEO, said, “We appreciate Director Cordray’s responsiveness to our concerns” and added “we agree that several issues will be best resolved in the rule-making process that is being initiated.”

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