

CFPB Finalizes Updates to "Know Before You Owe" Mortgage Disclosure

Changes Will Provide More Clarity, Preserve Protections for Consumers

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today finalized updates to its “Know Before You Owe” mortgage disclosure rule with amendments that are intended to formalize guidance in the rule, and provide greater clarity and certainty. The changes will facilitate implementation of the Know Before You Owe rule by the mortgage industry. The CFPB is also releasing a limited follow-up proposal to address an additional implementation issue.

“A mortgage is one of the largest financial decisions a consumer will ever make, and CFPB’s rules help ensure consumers have the easy-to-understand information they need before making a decision that will significantly impact their financial lives,” said CFPB Director Richard Cordray. “Our updates will clarify parts of our mortgage disclosure rule to make for a smoother implementation process for lenders and consumers.”

The Know Before You Owe mortgage disclosure rule took effect Oct. 3, 2015. The CFPB’s rule created new, streamlined forms that consumers receive when applying for and closing on a mortgage. In addition to clarifications and technical corrections, the amendments that the Bureau is finalizing today address a handful of other issues within the rule, including:

- **Tolerances for the total of payments:** Before the Know Before You Owe mortgage disclosure rule, the total of payments disclosure was determined using the finance charge as part of the calculation. The Know Before You Owe mortgage disclosure rule changed the total of payments calculation so that it did not make specific use of the finance charge. The Bureau is now finalizing updates to include tolerance provisions for the total of payments that parallel the tolerances for the finance charge and disclosures affected by the finance charge.
- **Housing assistance lending:** The Know Before You Owe mortgage disclosure rule gave a partial exemption from disclosure requirements to certain housing assistance loans, which are originated primarily by housing finance agencies. The Bureau’s update, as finalized, promotes housing assistance lending by clarifying that recording fees and transfer taxes may be charged in connection with those transactions without losing eligibility for the partial exemption. The update also excludes recording fees and transfer taxes from the exemption’s limits on costs. Through the update, more housing assistance loans will qualify for the partial exemption, which should encourage these loans.
- **Cooperatives:** The Bureau is finalizing updates to extend the rule’s coverage to include all cooperative units. Currently, the rule only covers transactions secured by real property, as defined under state law. Cooperatives are sometimes treated as personal property under state law and sometimes as real property. By including all cooperatives in the rule, the Bureau is simplifying compliance and ensuring that more consumers benefit from the rule.
- **Privacy and sharing of information:** The Know Before You Owe mortgage disclosure rule requires creditors to provide certain mortgage disclosures to the consumer. The Bureau has received many questions about sharing the disclosures provided to consumers with third parties to the transaction, including the seller and real estate brokers. The Bureau understands that it is usual, accepted, and appropriate for creditors and settlement agents to provide a Closing Disclosure to consumers, sellers, and their real estate brokers or other agents. The Bureau is finalizing additional commentary to clarify how a creditor may provide separate disclosure forms to the consumer and the seller.

The finalized amendments are available at:

http://files.consumerfinance.gov/f/documents/201707_cfpb_Final-Rule_Amendments-to-Federal-Mortgage-Disclosure-Requirements_TILA.pdf

In addition to the final rule, the CFPB is issuing a proposal addressing when a creditor may use a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith and within tolerance. Comments are due 60 days after the proposal's publication in the Federal Register and will be weighed carefully before a final regulation is issued.

The proposal is available at:

http://files.consumerfinance.gov/f/documents/201707_cfpb_Proposed-Rule_Amendments-to-Federal-Mortgage-Disclosure-Requirements_TILA.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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