PRESS RELEASES

Subcommittee Surveys Impact of CFPB Rule Change on Mortgage Settlement Process

Washington, May 14 - The Financial Services Housing and Insurance Subcommittee held a hearing on Thursday to examine how proposed changes to the mortgage settlement process are expected to impact consumers and lenders. The changes proposed by the Consumer Financial Protection Bureau (CFPB) are scheduled to take effect on August 1.

"Purchasing a home is one of the biggest and most important decisions most Americans will make. That is why we owe it to all homebuyers to hold this hearing, to continue to press the CFPB, and make sure the home buying process is as straightforward as possible. The dramatic changes to this process have the potential to unnecessarily delay closings and cause a ripple effect throughout real estate markets," said Subcommittee Chairman Blaine Luetkemeyer (R-MO).

Key Takeaways From the Hearing:

- CFPB is rolling out a very significant change to how consumer information is disclosed to potential borrowers without testing the roll-out – similar to the mistake the Administration made with the launch of the Obamacare website.
- Retrofitting forms and information technology systems so they comply with the new rule will cost an estimated $100 million that will be passed on to consumers trying to buy a home.
- It's unclear whether the proposed changes will actually simplify the mortgage closing process and provide a meaningful benefit to consumers or at least a benefit that outweighs the higher costs.
- In the midst of uncertainty over the rule's impact, Reps. Steve Pearce (R-MN) and Brad Sherman (D-CA) have introduced bipartisan legislation to provide lenders with a temporary safe harbor from enforcement of the rule until January 1. This will provide lenders with time to work out any challenges posed by the new system without potentially facing lawsuits.

Topline Quotes from Witnesses:

"The new forms remain lengthy and intimidating to average consumers. The rules that lenders must follow are still confusing and difficult to apply. Given the scope and complexity of these new rules, the implementation of this regulation will impose high costs on all lenders and consumers." – Cindy Lowman, President of United Bank Mortgage Corporation in Grand Rapids, Michigan and Chairman of the Mortgage Markets Committee of the American Bankers Association

"No one can know for sure the degree to which this new rule will increase the number of delays until the rule takes effect and is implemented. For this reason, NAR is advocating that the CFPB make the period August 1, 2015 to December 31, 2015 a restrained enforcement and liability period. During this period, industry would operate under the rule and use the new disclosure forms but be held harmless in terms of liability if acting in good faith. The industry and the CFPB can then collect data on problems and develop solutions to minimize costly and harmful impact on consumers." – Chris Polychron, Executive Broker with 1st Choice Realty in Hot Springs, Arkansas and 2015 President of the National Association of Realtors

"For the majority of real estate transaction, the rule requires a complicated formula that will disclose to consumers an inaccurate price for title insurance. Under this newrule, the CFPB actually mandates that the correct and actual price title insurance products be withheld from consumers." – Diane Evans, Vice President of Denver-based Land Title Guaranty Company and President of American Land Title Association

"The CFPB should develop and announce a plan to provide implementation support during a hold-harmless period to begin on the August 1 effective date of the regulation and continue through the end of this year. A hold-harmless period will help industry work its way through the challenges of implementation of their newprocesses without the fear of potential enforcement actions. Consumers need assurance that their transactions will not be disrupted due to the fear of unfounded enforcement of this paradigm shift for industry." – Diane Evans, Vice President of Denver-based Land Title Guaranty Company and President of American Land Title Association

"With added regulatory complexities come added problems. Since many lenders will not have a chance to test their systems prior to August 1, lenders will be more susceptible to problems which ultimately will fall on the consumer. For example, the rule is explicit about the three day settlement procedure. Should anything go awry, then the settlement will have to be delayed. A delay in settlement could be a huge imposition to a buyer." – Cindy Lowman, President of United Bank Mortgage Corporation in Grand Rapids, Michigan and Chairman of the Mortgage Markets Committee of the American Bankers Association

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