



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

June 3, 2015

The Honorable Joe Donnelly
United States Senate
720 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Tim Scott
United States Senate
520 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Donnelly and Scott:

Thank you for your letter about implementation of the TILA-RESPA Integrated Disclosure Rule, which we finalized nineteen months ago to carry out the law enacted by Congress. We share your desire for a smooth and successful implementation of the Rule, and we continue to work closely with all stakeholders to support that goal. Like you, we recognize that successful implementation poses challenges to industry and benefits both industry and consumers, but in any event requires close collaboration between industry and the Consumer Financial Protection Bureau.

As you may know, the Bureau has taken many steps to support industry implementation and to help creditors, vendors, and others affected by the Rule to better understand, operationalize, and prepare to comply with the Rule's new streamlined disclosures. Since the Rule was first published in November 2013, we have made it a point to engage directly and intensively with financial institutions and vendors through a formal regulatory implementation project. The Bureau's regulatory implementation project for the Rule includes the following:

- **Inter-agency coordination.** In-depth exam procedures were approved by the Federal Financial Institutions Examination Council in February 2015 and published by CFPB on April 1, 2015. The Bureau's own examination procedures incorporating the FFIEC exam procedures were published on May 4, 2015.
- **Publish "readiness guide," plain-language guides, and other resources.** The "readiness guide" includes a broad check-list of things for industry to do prior to the Rule's effective date. The Bureau has also published a compliance guide, a guide to the new integrated disclosure forms, and an illustrative timeline.¹
- **Publish amendments and updates to the Rule in response to industry requests.** In January 2015, after extensive outreach to stakeholders, the Bureau adopted two minor modifications and technical amendments to the Rule to smooth compliance for industry.²

¹ These resources are available at www.consumerfinance.gov/regulatory-implementation/tila-respa/.

² 80 FR 8767 (Feb. 19, 2015).

- **Provide unofficial staff guidance.** Bureau staff attorneys have provided oral guidance in response to over 750 regulatory interpretation inquiries, received from trade associations and through the CFPB_RegInquiries@cfpb.gov email address since the Rule was issued.
- **Engage with stakeholders.** Bureau staff have provided remarks and addressed questions about the Rule and related implementation matters at over 40 formal events and over 50 informal stakeholder meetings since the Rule was issued.
- **Conduct webinars.** The Bureau has conducted a series of five free, publicly available webinars, available for viewing through the Bureau's website,³ that provide guidance on how to interpret and apply specific provisions.
- **Clarify misunderstandings.** Today we are releasing a fact sheet explaining the limited circumstances when the Rule requires that the consumer be provided an additional three-day review period. Only three specific changes require an additional three-day review period: (1) an increase in the APR of greater than 1/8 of a percentage point for a fixed-rate loan or 1/4 of a percentage point for an adjustable-rate loan (decreases in the APR based on a decrease in the interest rate or fees charged do not trigger a delay); (2) the addition of a prepayment penalty; and (3) changes in the loan product, from a fixed-rate to an adjustable-rate loan, for example. Importantly, *no other changes* require a delay for re-disclosure.

Your letter raises a further important matter. As you have suggested, the Bureau's work to support the implementation of the Rule does not end on the effective date of August 1, as we continue to work with industry, consumers, and other stakeholders to answer questions, provide guidance, and support a smooth transition for the mortgage market. As we do so, and in response to considerable input we have received from you and your constituents, I have spoken with our fellow regulators to clarify that our oversight of the implementation of the Rule will be sensitive to the progress made by those entities that have squarely focused on making good-faith efforts to come into compliance with the Rule on time. My statement here of this approach is intended to ease some of the concerns we have heard about this transition to new processes in the coming months and is consistent with the approach we took to implementation of the Title XIV mortgage rules in the early months after the effective dates in January 2014, which has worked out well.

As always, thank you for your strong interest in the Bureau's work, and I personally appreciate your oversight efforts. I hope you can see, here again, that we listen closely and consider carefully how we can best address the issues that you raise as we all pursue this important advance in consumer protection and disclosure authorized by Congress. Please contact me if you have any additional questions or Bureau staff can meet with your staff, should that be helpful to you.

Sincerely,



Richard Cordray
Director

³ These webinars are available at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>.

cc: The Honorable Michael F. Bennet, U.S. Senator
The Honorable Jeanne Shaheen, U.S. Senator
The Honorable Angus S. King Jr., U.S. Senator
The Honorable Heidi Heitkamp, U.S. Senator
The Honorable Mark R. Warner, U.S. Senator
The Honorable Gary C. Peters, U.S. Senator
The Honorable Jon Tester, U.S. Senator
The Honorable Joe Manchin III, U.S. Senator
The Honorable Christopher A. Coons, U.S. Senator
The Honorable Robert Menendez, U.S. Senator
The Honorable Mike Crapo, U.S. Senator
The Honorable David Vitter, U.S. Senator
The Honorable Patrick J. Toomey, U.S. Senator
The Honorable Dean Heller, U.S. Senator
The Honorable Tom Cotton, U.S. Senator
The Honorable Jerry Moran, U.S. Senator
The Honorable James E. Risch, U.S. Senator
The Honorable Steve Daines, U.S. Senator
The Honorable Kelly Ayotte, U.S. Senator
The Honorable Ted Cruz, U.S. Senator
The Honorable James Lankford, U.S. Senator
The Honorable Pat Roberts, U.S. Senator
The Honorable Cory Gardner, U.S. Senator
The Honorable Lindsey Graham, U.S. Senator
The Honorable Mike Rounds, U.S. Senator
The Honorable Jeff Flake, U.S. Senator
The Honorable Johnny Isakson, U.S. Senator
The Honorable Lamar Alexander, U.S. Senator
The Honorable John Boozman, U.S. Senator
The Honorable John Cornyn, U.S. Senator
The Honorable John McCain, U.S. Senator
The Honorable James M. Inhofe, U.S. Senator
The Honorable Roy Blunt, U.S. Senator
The Honorable Michael B. Enzi, U.S. Senator
The Honorable Orrin Hatch, U.S. Senator
The Honorable Mike Lee, U.S. Senator
The Honorable Deb Fischer, U.S. Senator
The Honorable John Hoeven, U.S. Senator
The Honorable Mark Kirk, U.S. Senator

Will the new mortgage disclosures delay my closing?

The answer is NO for just about everybody.

For mortgage applications submitted on or after August 1, 2015, lenders must give you new, easier-to-use disclosures about your loan three business days before closing.

This gives you time to review the terms of the deal before you get to the closing table.

Many things can change in the days leading up to closing. Most changes will not require your lender to give you three more business days to review the new terms before closing.

The new rule allows for ordinary changes that do not alter the basic terms of the deal.

Only **THREE** changes require a new 3-day review:

1. **The APR (annual percentage rate) increases** by more than 1/8 of a percent for fixed-rate loans or 1/4 of a percent for adjustable loans.¹ A **decrease in APR will not** require a new 3-day review if it is based on changes to interest rate or other fees.
2. **A prepayment penalty is added**, making it expensive to refinance or sell.
3. **The basic loan product changes**, such as a switch from fixed rate to adjustable interest rate or to a loan with interest-only payments.

¹ Lenders have been required to provide a 3-day review for these changes in APR since 2009.

NO OTHER changes require a new 3-day review:

There has been much misinformation and mistaken commentary around this point. Any other changes in the days leading up to closing do not require a new 3-day review, although the lender will still have to provide an updated disclosure.

For example, the following circumstances *do not* require a new 3-day review:

- **Unexpected discoveries on a walk-through** such as a broken refrigerator or a missing stove, even if they require seller credits to the buyer.
- **Most changes to payments made at closing**, including the amount of the real estate commission, taxes and utilities proration, and the amount paid into escrow.
- **Typos found at the closing table.**