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## Consumer Financial Protection Bureau Proposes Updates To “Know Before You Owe” Mortgage Disclosure Rule

Minor Changes Would Provide More Clarity, Preserve Protections for Consumers

JUL 29, 2016

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**Washington, D.C.** – The Consumer Financial Protection Bureau (CFPB) today proposed updates to its Know Before You Owe mortgage disclosure rule. The proposed amendments are intended to formalize guidance in the rule, and provide greater clarity and certainty. The changes proposed today would augment implementation of the Know Before You Owe rule, which took effect last year, and help facilitate compliance within the mortgage industry.

“Getting a mortgage is one of the most important financial choices a consumer will ever make. The Bureau’s rules are designed to make sure consumers have the information they need, in a form they can easily understand and use, before making the decision,” said CFPB Director Richard Cordray. “Our proposed updates will clarify parts of our mortgage disclosure rule to make for a smoother implementation process.”

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. The rule put in place requirements about when the new forms are given to the consumer and limits to changes on the original loan estimate. In addition to clarifications and technical corrections, the proposed amendments address a handful of other issues within the rule. Proposed changes include:

- **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 proposing to include tolerance provisions for the total

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of payments that parallel existing tolerances for the finance charge and disclosures affected by the finance charge. This change would make the treatment of the total of payments disclosure consistent with what it was prior to the Know Before You Owe mortgage disclosure rule.

- **Housing assistance lending:** The rule gave a partial exemption from disclosure requirements to certain housing assistance loans originated primarily by housing finance agencies. The Bureau’s proposed update would promote 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 rule would also exclude recording fees and transfer taxes from the exemption’s limits on costs. Through the proposed update, more housing assistance loans would qualify for the partial exemption, which should encourage lenders to partner with housing finance agencies to make these loans.
- **Cooperatives:** The Bureau is proposing to extend the rule’s coverage to include all cooperative units. With a cooperative, a buyer becomes a shareholder in a corporation that owns the property. The buyer is then entitled to exclusive use of a housing unit in the property. 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 would simplify compliance.
- **Privacy and sharing of information:** The 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 proposing additional commentary to clarify how a creditor may provide separate disclosure forms to the consumer and the seller.

The CFPB seeks input from a wide range of stakeholders and invites the public to submit written comments on the proposal. Comments are due Oct. 18, 2016 and will be weighed carefully before final regulations are issued.

The proposal is available at: <http://www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/amendments-federal-mortgage-disclosure-requirements-under-truth-lending-act-regulation-z/>

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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](http://consumerfinance.gov).*

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