

THE FINANCIAL SERVICES ROUNDTABLE



May 5, 2011

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RE: OMB Number 1505-XXXX; Qualitative Testing of
Integrated Mortgage Loan Disclosure Forms

To Whom It May Concern:

The Financial Services Roundtable and its Housing Policy Council (collectively the “Roundtable”) appreciate the opportunity to comment on the Department of Treasury and Consumer Financial Protection Bureau’s submission to the Office of Management and Budget (“OMB”) on the qualitative testing of integrated mortgage loan disclosure forms (“submission”).¹

The Roundtable supports simplifying mortgage disclosures to help ensure that consumers understand the terms of their mortgage loan. We are pleased that the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) requires the Consumer Financial Protection Bureau (“Bureau”) to combine the disclosures required under the Truth in Lending Act (“TILA”) and the Real Estate Settlement Procedures Act (“RESPA”) into a single, integrated disclosure. Moreover, the Roundtable, HPC and our member companies are committed to consumer education and financial literacy, and we look forward to working with the Bureau’s Office of Financial Education in its efforts.

The purpose of this new form should be to disclose critical information to consumers in a clear and concise manner. The form needs to disclose information that the consumer wants to know in a format the consumer can understand. Performing consumer testing and receiving feedback from the industry are critical steps towards ensuring the new form meets these goals. We have a few concerns about the process the Bureau is undertaking that we would like to bring to your attention, as discussed below.

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs. The Housing Policy Council of The Financial Services Roundtable consists of thirty-two of the leading national mortgage finance companies. HPC members originate, service, and insure mortgages. We estimate that HPC member companies originate approximately 75% and service two-thirds of mortgages in the United States. HPC’s mission is to promote the mortgage and housing marketplace interests of member companies in legislative, regulatory, and judicial forums.

I. The Model Form Needs to Be Flexible for Different Products

The Roundtable supports the qualitative and quantitative consumer testing process the Bureau is undertaking. We encourage the Bureau to design and test model forms with examples of both simple and more complex products, since what might be a clear and transparent disclosure on a 30-year fixed rate loan may not address important questions raised by other products. The final model disclosure needs to be effective for both simple loans (*e.g.*, 30-year fixed rate loans) and more complex products (*e.g.*, adjustable rate loans, interest-only loans, reverse mortgages, step products, temporary buy-downs as well as one-time close construction-permanent financing loans).

Absent the validation of a form against the more complex products, flexibility in the creation of products might be lost. It is unlikely that any form can be crafted that will fit every conceivable situation that might arise, so the model disclosure form needs to incorporate flexibility, and the accompanying regulations should offer guidance on approaches to take for more complex products that would be consistent across applicable regulations.

II. The Bureau Must Consider Issues Posed by Mandated Redisclosures

It is not clear from the submission whether the Bureau has considered the different kinds of issues posed by mandated redisclosures. Some of the most important issues the Bureau needs to consider are: a) how often a creditor must redisclose; b) what factors trigger a redisclosure; c) whether the model forms can be used when a redisclosure is made; and d) whether a closing must be delayed because of a redisclosure. We would urge the Bureau to address these issues directly since the need for redisclosures is not an uncommon occurrence.

III. The Bureau Should Engage with Compliance Experts Early in this Process

We are glad to see that the Bureau intends to involve mortgage lenders and brokers in the qualitative testing phase. However, it is important to recognize that industry-standard compliance management dictates that the disclosure process is centrally managed. While the disclosure form may be provided locally, its preparation is managed centrally with input from business and compliance specialists. Therefore, to measure the compliance burden, we encourage the Bureau to engage these individuals and functions in the testing process. Compliance experts will be able to give the Bureau important feedback on the ability of lenders to utilize the draft form. This input at an early stage will help ensure the new form “maximize[s] communication effectiveness while minimizing compliance burden.”²

IV. The Bureau Should Reach a Broad Audience in Quantitative Testing

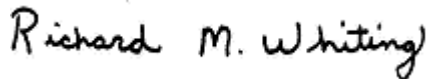
While we understand the Bureau will submit a separate document to OMB regarding the qualitative testing of the model forms, we want to raise an issue the Bureau should consider in that phase of testing. We commend the Bureau for planning to utilize the Internet, specifically social media and through the Bureau’s website, to receive feedback on the model forms from interested parties. We encourage the Bureau to take steps to ensure a broad audience, including consumers, lenders, and other interested parties, are engaged in this phase of testing. We suggest the Bureau include a few demographic questions in the online survey to better understand who is responding to the survey. We look forward to the Bureau’s submission to OMB on this phase of testing to better understand the details and methods.

² Federal Register notice April 5, 2011, <http://frwebgate3.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=LJc2Ne/1/2/0&WAIAction=retrieve>.

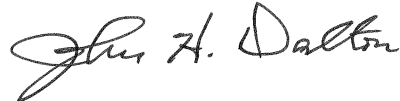
We also urge the Bureau to consider the use of pilot testing by a small group of lenders once the forms have been tentatively finalized, as permitted by section 1031(e)(1) of the Dodd-Frank Act. Realistically, it is only through the use of the forms on a daily basis over a period of time that the difficulties in forms are discovered – difficulties that frequently can be resolved once they are revealed.

We appreciate the opportunity to comment on this important process the Bureau is undertaking. We share the same goal of the Bureau in harmonizing TILA and RESPA – creating meaningful disclosures that provide critical information in a clear and concise way. We look forward to working with the Bureau in achieving this goal.

With best wishes,



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John Dalton
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