Consumer Financial Protection Bureau
1700 G Street NW, Washington, DC 20552

Proposed rule to strengthen consumer protections for high-cost mortgage loans

WHAT THE PROPOSAL WOULD MEAN FOR CONSUMERS

The Consumer Financial Protection Bureau (Bureau) invites you to comment on a proposed rule about high-cost mortgage loans. The goal of the proposal is to strengthen consumer protections for high-cost mortgage loans and give consumers information about homeownership counseling. Please submit your comments online at www.regulations.gov. You have until September 7, 2012 to review and provide comments on the Bureau's proposal. Comments on the Paperwork Reduction Act analysis, however, are not due until 60 days after the proposal is published in the Federal Register.

In response to the recent mortgage crisis, Congress expanded consumer protections for mortgage loans with high interest rates, fees, or prepayment penalties. The Bureau is proposing a rule to implement these changes. This proposal puts limits on certain fees, risky loan terms, and lender practices. The rule would also require consumers to receive housing counseling before a creditor can make a high-cost mortgage loan or certain other mortgages with potentially risky features. The Bureau is also proposing to make sure that consumers who apply for mortgage loans get a list of local housing counselors or counseling organizations. This would give consumers information on where to get help when deciding which loan is best for them.

The potential benefits of the new proposed rules include:

- Extending consumer protections to a broader range of high-cost transactions, including:
    - Loans to purchase a home and home-equity lines of credit, in addition to mortgage refinancings and home-equity loans, and
    - Loans with certain "prepayment penalties." Prepayment penalties are money penalties borrowers have to pay when they pay off their loan early.

- Strengthening consumer protections that apply to high-cost mortgages, such as:

  - Generally banning balloon payments, which are very large payments that are usually due later in the loan period. Often a balloon payment means the borrower has to pay a large, lump sum payment that pays off the balance at the end of the loan. This can be hard for consumers to afford and may force them to refinance their loans at even higher cost.
  - Banning prepayment penalties, which are charges that can make it harder for consumers to refinance into lower-cost loans.
  - Capping late fees, banning fees for modifying loans, and restricting the charging of fees when consumers ask for a payoff statement. A payoff statement tells borrowers how much they need to pay off the loan.
  - Prohibiting certain practices, such as encouraging a consumer to default on an existing loan to be refinanced by a high-cost mortgage loan.

- Ensuring that borrowers get counseling from a federally certified or approved homeownership counselor before taking out a high-cost mortgage.

- Ensuring that first-time mortgage borrowers get counseling from a federally certified or approved homeownership counselor or counseling organization before taking out a mortgage with a payment schedule that could cause the mortgage loan balance to increase over time.

- Requiring lenders to provide a list of federally certified or approved homeownership counselors or counseling organizations to consumers shortly after they apply for a mortgage loan.