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

Proposed rule to simplify and improve mortgage disclosure forms

WHAT THE PROPOSAL WOULD MEAN FOR CONSUMERS

The Consumer Financial Protection Bureau ("the Bureau") invites the public to comment on a proposed rule that will simplify and improve disclosure forms for mortgage transactions. Please submit your comments online at www.regulations.gov. You have until November 6, 2012 to review and provide comments on most of the proposal. However, comments are due for two parts on September 7, 2012: the changes to the calculation of the finance charge and Annual Percentage Rate (APR) and they delay of the effective date for certain disclosures required by the Dodd-Frank Act.

Mortgages are complex transactions that may include risky features. Consumers currently receive different, but overlapping, Federal disclosure forms with the terms and costs of mortgage loans. Because these differences are confusing for consumers, Congress directed the Bureau to create new forms. The Bureau wants consumers to use the new forms to inform themselves as they consider different loans. Specific potential benefits of the new proposed forms and rules include:

- Combining several forms into two. This will reduce paperwork and consumer confusion.

- Using clear language and design that will help consumers understand complicated loan and real estate transactions.

- Highlighting the information we believe is most important to consumers. On the new forms, the interest rate, the monthly payments, and the closing costs will be clearly presented on the first page. This will make it easier for consumers to compare loans and choose the one that is right for them.

- Providing more information about the cost of taxes and insurance and how the interest rate and payments may change in the future. This information will help consumers decide whether they can afford the loan and the home, now and in the future.

- Warning consumers about features they may want to avoid, like penalties for paying off the loan early.

- Making the cost estimates consumers receive for services required to close a loan more reliable, for example, appraisal or pest inspection fees. The proposed rule prohibits increases in charges from lenders, their affiliates, and for services for which the lender does not permit the consumer to shop unless a specific exception applies. Examples of the specific exceptions include when information provided by the consumer at application was inaccurate or becomes inaccurate, or when the consumer asks for a change in the services.

- Requiring that consumers generally receive the final loan terms and costs at least three business days before closing on the loan. Currently, consumers often receive this information at or shortly before closing. This additional time will allow consumers to compare the final terms and costs to the terms and costs they received in the estimate. That will better equip them to raise any questions before they go to the closing table.

- Providing new and better measures to help consumers compare the cost of different loans offers, including the costs of the loans over time.

- Improving regulators' ability to monitor compliance by requiring lenders to retain the new forms electronically.