

September 2015

The CFPB Dodd-Frank mortgage rules readiness guide

Version 4.0



Introduction

The CFPB Dodd-Frank Mortgage Rules Readiness Guide

The Consumer Financial Protection Bureau (CFPB or Bureau) is updating the CFPB Dodd-Frank Mortgage Rules Readiness Guide (Guide) to help financial institutions come into and maintain compliance with the mortgage rules outlined in the Summary of the Rules in this Guide. The CFPB has designed this Guide for use by institutions of all sizes.

This Guide summarizes mortgage rules published by the CFPB through July 24, 2015, but it is not a substitute for the rules. Only the rules and their official interpretations (also known as commentary) can provide complete and definitive information regarding their requirements. You can find these rules at <http://www.consumerfinance.gov/regulatory-implementation/>. Each rule description below includes a hyperlink with additional information, including Small Entity Compliance Guides, which may make each rule easier to digest.

This Guide consists of:

1. Summary of the Rules
2. Readiness Questionnaire
3. Frequently Asked Questions
4. Tools

The Readiness Questionnaire in Part 2 is intended to serve as a guide in preparing for implementation of the mortgage rules and performing a self-assessment. It is not intended to encompass all details of a comprehensive compliance program, nor is it a replacement for the examination procedures or regulations.

If, after reviewing the resources on the [CFPB Regulatory Implementation page](#) and the related regulations and commentary, you have a question regarding regulatory interpretation; please

email CFPB_reinquiries@cfpb.gov with your specific question, including a reference to the applicable regulation section(s).

This Guide is available online only and is updated periodically. We invite your feedback on this Guide. Please send feedback on its usefulness or suggestions for improvement to:

CFPB_MortgageRulesImplementation@cfpb.gov.

For more information about the CFPB's supervision policies and procedures, please refer to the CFPB's website at consumerfinance.gov, and, if you need further information, please contact CFPB_Supervision@CFPB.gov. If your company is supervised by an agency other than the CFPB, please contact that agency with questions about supervision policies and procedures.

Table of contents

Introduction	1
Table of contents.....	3
1. Summary of the Rules.....	4
1.1 Title XIV Rules.....	4
1.2 Know Before You Owe Mortgage Rule	8
1.3 Your Home Loan Toolkit: A Step-by-Step Guide	9
2. Readiness questionnaire	10
2.1 Developing an Implementation Plan.....	10
2.2 Policies and procedures	13
2.3 Training.....	21
2.4 Monitoring and corrective action	22
2.5 Complaints	23
2.6 Compliance Audit	23
2.7 Service Provider oversight	24
3. Frequently asked questions	26
4. Tools	29

1. Summary of the Rules

Beginning in 2013, the Bureau issued several final rules concerning mortgage markets in the United States pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Public Law 111-203, 124 Stat. 1376 (2010). The rules amend several existing regulations, including Regulations B, X, and Z. Below are summaries of the principal changes to these rules. A more detailed plain-language summary of each rule's content is available in the applicable Small Entity Compliance Guide (see the last page for links to these guides). Updates will be posted as needed, along with a summary of the changes, on the [CFPB Regulatory Implementation page](#).

1.1 Title XIV Rules

[Ability to Repay Standards \(Regulation Z\)](#)

The CFPB amended Regulation Z, which implements TILA, to generally require creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan), and establish certain protections from liability under this requirement for "Qualified Mortgages." The amendments also implement Section 1414 of the Dodd-Frank Act, which limits prepayment penalties. Finally, the amendments require creditors to retain evidence of compliance with the rule for three years after a covered loan is consummated.

The amendments were effective for transactions for which the creditor received an application on or after January 10, 2014.

Note: On July 8, 2014, the Bureau [clarified](#) that the ability to repay requirements do not apply to certain successors in interest where the transaction does not qualify as an assumption under Regulation Z.

[Escrow Requirements under the Truth in Lending Act \(Regulation Z\)](#)

Amendments to Regulation Z implement statutory changes made by the Dodd-Frank Act that extend the time required to maintain a mandatory escrow account established for a higher-priced mortgage loan to five years from one year. The rule also exempts certain transactions from the statute's escrow requirement. The primary exemption applies to mortgage transactions extended by creditors that

- have operated predominantly in rural or underserved areas for the preceding three years,
- together with their affiliates originate a limited number of first-lien covered transactions,
- have assets below a certain threshold adjusted annually, and
- together with their affiliates do not maintain escrow accounts on extensions of consumer credit secured by real property or a dwelling that they currently service (subject to certain exceptions).

The amendments were generally effective June 1, 2013 (the amendment applying the rural or underserved test above to the preceding three years was effective January 1, 2014).

[High-Cost Mortgage and Homeownership Counseling \(Regulations X and Z\)](#)

The CFPB amended Regulations X and Z by expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protection Act of 1994 (HOEPA), revising and expanding the tests for coverage under HOEPA, and imposing additional restrictions on mortgages that are covered by HOEPA, including a pre-loan counseling requirement. The amendments also impose certain other requirements related to homeownership counseling, including a requirement that consumers receive information about homeownership counseling providers.

The amendments were effective for transactions for which the creditor received an application on or after January 10, 2014.

Interpretive rules issued by the CFPB in 2013 and 2015 provide instructions for generating a list of homeownership counseling organizations using data provided by the CFPB or the Department of Housing and Urban Development and guidance on qualifications for providing high-cost mortgage counseling and on lender participation in such counseling.

[Mortgage Servicing Rules \(Regulations X and Z\)](#)

The CFPB amended Regulations X and Z, to implement provisions of the Dodd-Frank Act regarding mortgage loan servicing.

Specifically, the Regulation X amendments implement Dodd-Frank Act sections addressing servicers' obligations to correct errors asserted by mortgage loan borrowers; to provide certain information requested by such borrowers; and to provide protections to such borrowers in connection with force-placed insurance. Additionally, the amendments require servicers to establish reasonable policies and procedures to achieve certain delineated objectives, to provide information about mortgage loss mitigation options to delinquent borrowers, and to establish policies and procedures for providing delinquent borrowers with continuity of contact with servicer personnel capable of performing certain functions. The amendments set forth procedures for the review of borrowers' applications for available loss mitigation options. Further, the amendments modify and streamline certain existing servicing-related provisions of Regulation X.

The amendments to Regulation Z implement Dodd-Frank Act sections addressing initial rate adjustment notices for adjustable-rate mortgages, periodic statements for residential mortgage loans, prompt crediting of mortgage payments, and responses to requests for payoff amounts. The amendments also include rules governing the scope, timing, content, and format of disclosures to consumers regarding the interest rate adjustments of their variable-rate transactions.

The amendments were effective January 10, 2014.

[ECOA Valuations for Loans Secured by a First Lien on a Dwelling \(Regulation B\)](#)

The CFPB amended Regulation B, which implements the Equal Credit Opportunity Act (ECOA), and the Bureau's official interpretations to implement the Dodd-Frank Act changes to ECOA concerning appraisals and other valuations. In general, the revisions to Regulation B require creditors to provide applicants with free copies of all appraisals and other written valuations developed in connection with an application for a loan to be secured by a first lien on a dwelling, and require creditors to notify applicants in writing that copies of appraisals will be provided to them promptly.

The amendments were effective for loans to be secured by first liens on dwellings for which the creditor received an application on or after January 18, 2014.

[TILA Appraisals for Higher-Priced Mortgage Loans \(Regulation Z\)](#)

The CFPB issued final rules to amend Regulation Z jointly with the Federal Reserve Board, FDIC, FHFA, NCUA, and OCC. These rules require creditors to obtain a full interior appraisal by a certified or licensed appraiser for non-exempt “higher-priced mortgages.” The Bureau applied these rules to all higher-priced mortgage loans (HPMLs). HPMLs are closed-end consumer credit transactions secured by a consumer’s principal dwelling with annual percentage rates that exceed the average prime offer rate by a specified percentage. The rule also requires a second such appraisal at the creditor’s expense for certain properties held for 180 days or less. Exemptions generally include qualified mortgages, reverse mortgages, bridge loans, construction loans of transactions of \$25,000 (which may be adjusted annually) or less, and certain “streamlined” refinancings.

The amendments were generally effective January 18, 2014, and amendments related to certain manufactured homes were effective on July 18, 2015.

[Loan Originator Compensation Requirements \(Regulation Z\)](#)

The CFPB amended Regulation Z to implement mandated requirements and restrictions on: loan originator compensation; qualifications of, and registration or licensing of loan originators; compliance procedures for depository institutions; mandatory arbitration; and the financing of credit insurance. The amendments revise or provide additional commentary on Regulation Z’s definition of a loan originator; restrictions on loan originator compensation, including prohibitions on dual compensation and compensation based on a term of a transaction or a proxy for a term of a transaction,; and recordkeeping requirements. The rule also establishes tests for when loan originators can be compensated through certain profits-based compensation arrangements. The rule did not prohibit payments to and receipt of payments by loan originators when a consumer pays upfront points or fees in the mortgage transaction. Instead the Bureau will first study how points and fees function in the market and the impact of this and other mortgage-related rulemakings on consumers’ understanding of and choices with respect to points and fees.

The amendments were effective on three separate dates: the prohibition on mandatory arbitration was effective June 1, 2013; the provisions on financing credit insurance and

including the loan originator's name and Nationwide Mortgage Licensing System and Registry (NMLSR) ID on loan documents were effective January 10, 2014; and the loan originator compensation provisions were effective January 1, 2014.

[Policy Guidance on Supervisory and Enforcement Considerations Relevant to Mortgage Brokers Transitioning to Mini-Correspondent Lenders](#)

The Bureau issued [policy guidance](#) on July 11, 2014, expressing its concerns about mortgage brokers that have set up arrangements with wholesale lenders in which they purport to act as mini-correspondent lenders. The policy guidance points out that the requirements and restrictions that RESPA and TILA and their implementing regulations impose on compensation paid to mortgage brokers do not depend on the labels that parties use in their transactions.

1.2 Know Before You Owe Mortgage Rule

As directed by the Dodd-Frank Act, the CFPB finalized the Know Before You Owe mortgage rule that integrates the mortgage loan disclosures required under TILA and sections 4 and 5 of RESPA. This rulemaking was part of the Bureau's Know Before You Owe Mortgage Initiative, which aims to help consumers shop for and compare mortgage loans. The Know Before You Owe mortgage rule contains new requirements and two disclosure forms that consumers will receive in the process of applying for and consummating a mortgage loan. The rule also explains in detail how to fill out and use the forms.

First, the **Loan Estimate** combines two existing forms, the Good Faith Estimate (GFE) and the initial Truth-in Lending disclosure (initial TIL), into one form. The **Loan Estimate** must be delivered or placed in the mail to consumers no later than the third business day after the creditor receives a loan application. The rule defines a loan application as having six of the seven elements that RESPA included in the definition of an application: consumer's name, consumer's income, consumer's social security number to obtain a credit report, property address, estimate of the value of the property, and mortgage loan amount sought. The definition that applies to loans covered by the Know Before You Owe rule does not include RESPA's seventh, catch-all element, "any other information deemed necessary by the loan originator."

Second, the **Closing Disclosure** combines two existing forms, the Settlement Statement (HUD-1) and Truth-in-Lending disclosures (final TIL) into one form. The **Closing Disclosure** must be provided to consumers at least three business days before consummation of the loan.

The Loan Estimate and Closing Disclosure use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments, and costs to close the loan. The forms also provide more information to help consumers decide whether they can afford the loan, and to facilitate comparison of the cost of different loan offers, including the cost of the loans over time.

The rule revises the tolerance limits on fee increases for certain settlement costs and- restricts fees and certain actions taken before the consumer has received the Loan Estimate and indicated the intent to proceed with the transaction.

The Know Before You Owe rule applies to most closed-end consumer mortgages. It does not apply to home equity lines of credit (HELOCs), reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property. The rule also does not apply to loans made by persons who are not considered “creditors” under TILA.

Regulatory implementation support materials on the Know Before You Owe disclosures can be found at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>. There you will find a Compliance Guide, a Guide to Forms, loan disclosure forms and samples with blank model loan estimates and closing disclosures with fields annotated to show rule citations, disclosure timeline and Spanish language samples.

The amendments are generally effective for transactions for which the creditor receives an application on or after October 3, 2015.

1.3 Your Home Loan Toolkit: A Step-by-Step Guide

The Bureau has updated the Special Information Booklet, formerly known also as the home buying information booklet or the settlement costs booklet, that creditors must send consumers within three days of receiving a mortgage loan application; the booklet is titled “Your Home Loan Toolkit: A Step-by-Step Guide.”

2. Readiness questionnaire

This questionnaire should be used as a self-assessment in determining your progress towards compliance with the new mortgage rules. This document is not an examination tool and will not be added to the Examination Manual. It is intended to be a voluntary guide for preparation. It can also serve as a guide for discussions with examiners. The extent of those discussions may be determined by your institution's size, products offered, risk mitigation, and overall strength of your compliance management system. You may find it helpful to refer to [CFPB's Examination Manual](#) to see what our examiners look at when they review compliance management systems and mortgage origination and servicing. However, if your company is supervised by an agency other than the CFPB, our Examination Manual may not directly apply to your company.

2.1 Developing an Implementation Plan

2.1.1 Evaluate the current products or services you offer to determine applicability:

- Do you offer mortgage loans to consumers?
- Do you offer any of the following mortgage products:
 - Closed-end credit secured by a dwelling?
 - Mortgages that qualify as high-cost mortgages under section 1026.32 of Regulation Z?
 - Mortgages that qualify as higher-priced mortgages under section 1026.35 of Regulation Z?
 - Loans that are intended to meet the criteria for Qualified Mortgages under section 1026.43 of Regulation Z?

- Second mortgages that meet the requirements of 1026.32 or 1026.35 of Regulation Z?
- Home equity lines of credit secured by a dwelling (*i.e.*, HELOCs)?
- Do you service mortgage loans or own servicing rights?
 - Have you sold servicing rights to mortgage notes that you own?

2.1.2 Based on the products or services you offer, determine which regulatory amendments impact them.

- What are the requirements that apply for each of your products?
- Have you obtained, reviewed, and considered the various rules, bulletins, updates to rulemakings, and guidance related to the final rules summarized in this Guide, as well as relevant public information on supervisory or enforcement actions?
- Do you qualify for any exemptions? (Refer to the Small Entity Compliance Guides listed at the end of this document or the rules themselves for additional information on exemptions.)
- Have you discussed which rules apply to your products and services and any potential exemptions with your compliance counsel or regulator?

2.1.3 Have you developed an implementation plan?

- Have you performed an assessment to determine what business, operational, and automated transaction processes need to change to comply with the new rules?
- Has the plan been developed in consultation with or reviewed by key internal stakeholders, such as legal, compliance, and information technology?
- Does it contain key milestones, dates for completion of required steps for compliance, testing plans, progress tracking mechanism and progress reports?
- Does it identify who reviews progress reports?
- Have you identified the changes that you can implement in advance of the rule's effective date?

- Do you plan to phase in activities that the rules allow you to implement before the effective date??
- Does your plan include all steps necessary to update automated tools and ensure they reflect your new policies and procedures?
- Do you have a testing schedule for using appropriate data standards and implementing the required format?
- Does the plan include appropriate review by compliance, legal counsel, and senior management or the board?
- Does the plan include a review of disclosures and contractual terms by compliance and legal counsel?
- Does the plan include an audit review?
 - Have testing procedures been defined?
 - Are results and progress tracked?
- Does the plan identify the responsible parties for developing the plan, ensuring adherence to the plan, and overseeing future compliance?
 - Is progress reported to senior management or the board (or similar oversight functions), as applicable?
- Has the plan been approved by senior management and the board (or similar oversight functions), as appropriate?
- Is your plan on schedule?
 - If not, has the deviation from schedule been approved by the board, or similar oversight function, or senior management, as appropriate, and discussed with regulators?
- Have you discussed your implementation plan with your regulators and compliance counsel, as applicable?
- Do you have contracts with any service providers related to mortgage activities?

- If so, have you discussed and evaluated their implementation plans?
- Do you have a back-up plan should any or all service providers not be ready to fully implement the necessary changes prior to the effective dates?
- Have your revised policies and procedures been reviewed by the board (or similar oversight functions) and senior management as appropriate, the compliance officer, or legal counsel?
 - Were any concerns identified at this level?
 - If yes, have they been resolved?
 - If no, what is your plan to resolve them?

Additional questions regarding this topic can be found in the section below titled Service Provider Oversight.

2.2 Policies and procedures

2.2.1 Do your policies and procedures reflect the applicable provisions in the following rules?

Note: The list below does not encompass all possible provisions that may apply to your institution. For more information on the Title XIV Rules and the TILA-RESPA Integrated Disclosure Rule please visit <http://www.consumerfinance.gov/regulatory-implementation/>

Note also: CFPB's [Examination Manual](#) covers reviews of Compliance Management Systems, and includes a section on Policies and Procedures. However, if your company is supervised by an agency other than the CFPB, note that our Examination Manual may not directly apply to you.

[Ability-to-Repay Standards \(Reg Z 1026.43\)](#)

- Do your policies and procedures address the key components of the ability-to-repay provisions, including:

- Obtaining and verifying certain financial information related to the consumer(s)?
- Ensuring that borrowers have sufficient assets or income to pay back the mortgage?
 - For adjustable-rate mortgages, that the monthly payment is calculated using either a fully indexed rate or an introductory rate, whichever is higher?

Qualified Mortgages

- If you comply with the ability-to-repay provisions by making qualified mortgages, do your policies and procedures address the key components of the qualified mortgage provisions, including:
 - Documenting, where applicable, that loans were eligible for purchase or guarantee by Fannie Mae or Freddie Mac or other federal agencies, or that they were insured or guaranteed by FHA or VA?
 - Restrictions on charging points and fees and prohibition of certain risky loan features (as applicable)?
 - Limits on debt-to-income ratios (as applicable)?
 - Full descriptions of qualifications for any qualified mortgage provisions (e.g., if the loan is made by a smaller creditor)?

[Escrow Requirements under TILA \(Reg Z 1026.35\)](#)

- Do your policies and procedures address the key components of the higher-priced mortgage loan escrow provisions, including but not limited to:
 - Requirements to establish and maintain escrow accounts for at least five years after consummating a higher-priced mortgage loan?
 - Whether you qualify for any exemptions and a full description why (e.g., if you are a smaller creditor operating predominantly in rural or underserved areas and meet the other elements of that exemption)?
 - Limited exemptions for “common interest communities”?

High-Cost Mortgage and Homeownership Counseling (Reg Z 1026.32 and Reg X 1024.20)

- Do your policies and procedures address the key components of the High-Cost Mortgage provisions, including:
 - Identifying high-cost mortgages under the revised HOEPA coverage tests?
 - Determining the applicable average prime offer rate.
 - Determining points and fees thresholds.
 - Determining prepayment penalty triggers.
 - Imposing limitations and restrictions on certain loan terms for HOEPA loans?
- Do your policies and procedures address the key components of the Homeownership Counseling provisions, including:
 - Identifying when homeownership counseling is required?
 - Providing a list of homeownership counseling agencies to applicants within three business days after they apply for a federally-related mortgage loan?
 - Receiving confirmation that borrowers have received the appropriate counseling before you make a high-cost loan or a loan that provides for or permits negative amortization?

Mortgage Servicing Rules (Regulations X and Z)

- Do your policies and procedures address the key components of the Mortgage Servicing provisions, including:
 - Periodic billing statements
 - Interest-rate adjustment notices for ARMs
 - Prompt payment crediting and payoff statements
 - Force-placed insurance
 - Error resolution and information requests

- **General servicing policies, procedures, and requirements**
 - **Accessing and providing timely and accurate information**
 - **Properly evaluating loss mitigation applications**
 - **Facilitating oversight of, and compliance by, service providers, including attorneys handling foreclosures**
 - **Facilitating transfer of information during servicing transfers**
 - **Informing borrowers of the written error resolution and information request procedures**
- **Early intervention with delinquent borrowers**
- **Continuity of contact with delinquent borrowers**
- **Loss mitigation procedures**

[Valuations for First Lien Loans Secured by a Dwelling \(Reg B 1002.14\)](#)

- **Do your policies and procedures address the key components of the ECOA Valuations provisions, including:**
 - **Notifying applicants of their right to receive copies of all valuations and appraisals developed in connection with the application, along with other information required in the notice?**
 - **Providing applicants a copy of each appraisal and other written valuation “promptly upon their completion” or three business days prior to consummation (for closed-end credit) or account opening (for open-end credit), whichever is earlier?**
 - **That fees cannot be charged in connection with providing a copy of the appraisal or valuation?**

[Appraisals for Higher-Priced Mortgage Loans \(Reg Z 1026.35\)](#)

- **Do your policies and procedures address the key components of the higher-priced mortgage loan appraisal provisions, including:**

- For all higher-priced mortgage loans that are not eligible for at least one of the several exemptions from the rule:
 - Notifying applicants of their right to receive copies of any written appraisal developed, along with other information required in the notice?
 - Obtaining a written appraisal (including a physical visit of the interior of the property) performed by a certified or licensed appraiser?
 - Obtaining an additional written appraisal (including a physical visit of the interior of the property), at no cost to the borrower, in connection with certain “flipped” properties?
 - Providing consumer a free copy of all written appraisals for the transaction at least three business days before consummation?

[Loan Originator Compensation Requirements \(Reg Z 1026.36\)](#)

- Do your policies and procedures address the key components of the Loan Originator Compensation provisions, including:
 - Requirements prohibiting a loan originator’s compensation from being based on any of the transaction’s terms?
 - Requirements that your individual loan originators be licensed or registered as applicable under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) and other applicable laws?
 - Requirements that your loan originators provide their name and unique identifier under the Nationwide Mortgage Licensing System and Registry on loan documents?
 - Requirements for maintaining records concerning loan originator compensation for at least three years?
 - Assuring that a loan originator that receives compensation directly from a consumer cannot receive compensation from another person in connection with the same transaction unless there is an exemption?
 - Requirements for establishing both written policies and written procedures to ensure and monitor compliance of the depository institution, its employees, its subsidiaries,

- and its subsidiaries' employees, with provisions relating to loan originator compensation, steering prohibitions, loan originator qualification requirements, and loan originator identification requirements?
- Assuring compliance with RESPA and TILA regulatory requirements relating to compensation paid to parties that act as mortgage brokers (even if they are not called brokers)?

Mandatory Arbitration, Financed Credit Insurance and Waiver of Federal Statutory Rights (Reg Z 1026.36(h) and (i))

- Do your policies and procedures address provisions that:
 - Prohibit contracts or agreements from requiring consumers to submit disputes concerning a residential mortgage loan or home equity line of credit to arbitration?
 - Prohibit applying or interpreting contracts or agreements to waive federal statutory causes of action?
 - Prohibit financing of any premiums or fees for credit insurance or debt cancellation or suspension in connection with a consumer credit transaction secured by a dwelling? (Note: Credit insurance can be paid on a monthly basis and some unemployment insurance is excluded.)

Know Before You Owe Rule (various sections in Regs X and Z)

- If you make closed-end credit transactions secured by real property, do your policies and procedures:
 - Identify covered transactions?
 - Identify transactions (such as reverse mortgages) for which you must continue to use the existing disclosures (GFE, initial and final TIL, and the HUD-1) under TILA and RESPA after the effective date of the Know Before You Owe rule.
 - Establish requirements for pre-consummation, post-consummation, and tolerances?
 - Require the provision of the Loan Estimate, the “Your Home Loan Toolkit: A Step-by-Step Guide” (i.e., the special information booklet), the Closing Disclosure, the

- post-consummation escrow cancellation notice (Escrow Closing Notice), and the post-consummation mortgage servicing transfer notice, and partial payment notice?
- Prohibit requiring consumers to submit documents verifying information related to the consumers' applications prior to issuing a Loan Estimate (while still permitting consumers to voluntarily submit such documentation)?
 - Provide for issuing revised Loan Estimates to reset tolerances, where permissible, within appropriate timeframes?
 - Require disclaimers for written estimates provided prior to the consumer receiving the Loan Estimate?
 - Restrict the imposition of fees (except for credit reports) in connection with a consumer's mortgage loan application prior to providing the Loan Estimate and where consumer has not indicated an intent to proceed with the transaction?
 - Require the retention of evidence of compliance for the required period of time?

Loan Estimate

- If you make closed-end credit transactions secured by real property, that require that you provide a Loan Estimate, do your policies and procedures:
 - Outline the six pieces of information that constitutes the submission of an "application"?
 - Describe what is necessary for a consumer to indicate an intent to proceed?
 - Require that you deliver or place in the mail the Loan Estimate no later than 3 business days (days when your offices are open to the public for carrying out substantially all of your business functions) after application receipt and any revised Loan Estimate no later than 4 business days (all calendar days except Sundays and legal public holidays) before consummation (unless the consumer waives the review period due to a personal emergency)?
 - Require that the Loan Estimate is completed in good faith and that any errors are within tolerance thresholds?

- **Require that the disclosures are accurate, and that you limit the circumstances in which you may revise the Loan Estimate?**
- **Require that, no later than three business days after receiving the application, you must provide a written list of services for which the consumer may shop and identify at least one provider for each service? (Note: For services for which the consumer may shop, the consumer may choose a different provider than what is on the list).**
- **Require that a revised Loan Estimate or issuance of a new Loan Estimate comply with timing and other regulatory requirements?**
- **Require that a mortgage broker who provides the Loan Estimate must comply with all requirements?**

Closing Disclosure

- **If you make closed-end credit transactions secured by real property, that require that you provide a Closing Disclosure, do your policies and procedures:**
 - **Require that the consumer receives the Closing Disclosure at least 3 business days (all calendar days except Sundays and legal public holidays) prior to consummation?**
 - **Require that you provide a corrected Closing Disclosure, if necessary, that complies with the requirements for timing, corrections due to subsequent changes, and new 3-business-day review period, if applicable?**

2.2.2 Have you established controls to satisfy the timing and method of delivery requirements for all relevant disclosures?

2.2.3 Do you retain copies of the disclosures for each of the applicable time periods required by the new rules?

2.2.4 Have you established a system for retaining evidence of compliance for the necessary period?

2.3 Training

Note: CFPB's [Examination Manual](#) covers reviews of Compliance Management Systems, and includes a section on Training. However, if your company is supervised by an agency other than the CFPB, our Examination Manual may not directly apply to you.

2.3.1 Have you determined who needs training?

- What functions, and therefore which individuals, are affected by the regulatory changes?
- Does this include your loan officers, processors, closing agents and compliance teams?
- Have you discussed the training needs of any vendors or service providers you contract with to comply with these regulations?

2.3.2 Have you determined what information will be covered in the new training?

- What information do employees need to implement the new rules properly?
- How will training vary based on job duties?
- Have the changes to the training program been fully integrated into your training program and ongoing schedule?

2.3.3 How will you roll out the changes to your training program?

- When will training be completed?
- Do training timelines allow for enough time for staff to fully understand the requirements of each rule prior to their effective dates?
- Have you done any testing of training program changes?

2.3.4 How will you ensure that affected employees receive the necessary information and complete their training?

- Does this include monitoring the training your service providers are providing for their staff, especially where you may have some responsibility for their actions?

2.3.5 Has training been conducted? If so, do you anticipate offering refresher training?

2.4 Monitoring and corrective action

Note: CFPB's [Examination Manual](#) covers reviews of Compliance Management Systems, and includes a section on Monitoring and Corrective Action. If your company is supervised by an agency other than the CFPB, our Examination Manual may not directly apply to you.

2.4.1 Have you updated your procedures for monitoring and corrective action to reflect the regulatory changes?

- Have the updated procedures been tested?
- Have you tested your calculation methods for accuracy?
- Has the updated monitoring and corrective action program been approved by the board (or similar oversight function) and senior management, as appropriate?
- Have you scheduled monitoring and corrective action follow-up for new procedures?

- Have you developed a process for post-consummation review to ensure that you provide corrected Closing Disclosures for non-numerical clerical errors and any estimates above allowable thresholds and that you make refunds to consumers within 60 calendar days of consummation?

2.4.2 Have you conducted any pre-implementation reviews? If so, have you adjusted appropriate elements of your compliance management program where you've identified weaknesses?

2.5 Complaints

Note: CFPB's [Examination Manual](#) covers reviews of Compliance Management Systems, and includes a section on Complaints. However, if your company is supervised by an agency other than the CFPB, our Examination Manual may not directly apply to you.

2.5.1 Have you considered what changes may be necessary as a result of changes to the rules?

2.6 Compliance Audit

Note: CFPB's [Examination Manual](#) covers reviews of Compliance Management Systems, and includes a section on Compliance Audit. However, if your company is supervised by an agency other than the CFPB, our Examination Manual may not directly apply to you.

2.6.1 Did you conduct a compliance audit of your implementation process?

- Are any action items outstanding?
 - How are they being tracked?
 - Will enhancements be made prior to the rule effective date?

2.6.2 Have you scheduled a compliance audit of your actual implementation of the new mortgage rules?

2.6.3 Do you have a post-implementation audit plan to confirm that your actual practices conform to the policies?

2.7 Service Provider oversight

Note: CFPB Bulletin 2012-03, Service Providers, provides information on how CFPB expects institutions to oversee their business relationships with service providers. However, if your company is supervised by an agency other than the CFPB, our bulletin may not directly apply to you.

2.7.1 What arrangements, agreements, or contracts exist with vendors and other service providers related to mortgage products or servicing?

- Do you have changes planned for service provider practices as a result of the new rules?
- Have you evaluated current integrations between your technology platforms and those of your relevant service providers, such as document generators and settlement service providers, to determine what updates are necessary?
- Will your service providers deliver compliant application technology releases and/or fully tested process updates in time for the effective dates?
- If your service providers will not be compliant by the effective dates, do you have an alternate plan in place to ensure compliance?
- If no such plan exists, when will such a plan be established?

2.7.2 What changes have been made or need to be made to the above arrangements, agreements, or contracts to ensure that service providers comply with new

regulations and all legal obligations?

2.7.3 If service provider employees will perform tasks related to the new regulatory requirements will you review training procedures and materials for those service providers?

2.7.4 Will you provide training for any service providers?

3. Frequently asked questions

3.1 How do I contact the CFPB about the new mortgage rules?

For more information regarding using this readiness guide, you may contact the CFPB Office of Supervision by email at CFPB_Supervision@CFPB.gov.

For questions regarding regulatory interpretation, please email CFPB_reinquiries@cfpb.gov with your specific question, including reference to the applicable regulation section(s).

For more information on Regulatory Implementation materials, please contact CFPB_MortgageRulesImplementation@cfpb.gov. We invite your feedback to make these materials and this page as helpful as possible.

3.2 Who must comply with the rules?

Please review the details of the new requirements to determine coverage. You can find additional information about coverage and exemptions found in the small entity [compliance guides](#) listed at the end of this Readiness Guide.

3.3 What does the CFPB expect of institutions when a regulation becomes effective?

The CFPB expects institutions to comply with all relevant provisions by the effective date of each rule. In addition, necessary information system changes, policies, procedures, and training should be updated to ensure that employees fully understand the changes prior to the effective dates.

3.4 When will the CFPB start examining for compliance with recent rule changes?

The CFPB will assess compliance with rule changes in a timely fashion which will generally include transaction testing and a review of the entity's compliance management system. However, transaction testing will not take place until after the effective date of each rule and enough time has passed to allow for an adequate sample of transactions. You should be prepared to discuss your implementation plan and compliance management system changes prior to the effective date of the rule.

3.5 What will CFPB look for when it begins examining entities for recent rule changes?

The CFPB will be sensitive to the progress made by those entities that have been squarely focused on making good-faith efforts to come into compliance with the rule on time. Good faith efforts would include implementing the regulatory requirements, providing technological and infrastructure changes needed for compliance, conducting testing and implementing necessary corrective action, hiring necessary staff, and providing training for compliance.

3.6 Will the CFPB coordinate and communicate supervisory activities with other regulatory agencies?

Yes. In accordance with the Dodd-Frank Act and its routine practice, the CFPB will coordinate with other regulators. Regulators will communicate examination plans and findings with each other. When appropriate, the regulators will coordinate examination efforts in order to reduce regulatory burden.

3.7 Where can I find CFPB examination procedures and other information?

The examination procedures and links to revised examination procedures that will be incorporated into the full examination manual in the future, can be found on the CFPB website. <http://www.consumerfinance.gov/guidance/supervision/manual/>

3.8 Where can I find examination procedures for other regulators?

For examination procedures outside the CFPB, you should consult the regulatory agencies' websites.

www.occ.gov

www.fdic.gov

www.federalreserve.gov

www.ncua.gov

www.csbs.org

3.9 Where do I find additional resources to assist in implementation?

For additional information, you may use the CFPB developed tools and compliance guides. Many of the tools developed by the CFPB can be accessed on our website,

<http://www.consumerfinance.gov/regulatory-implementation/>, or in the **Tools** section of this document, below.

For the Know Before You Owe rule, regulatory support materials can be found at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>. There, you will find a Compliance Guide, a Guide to Forms, Integrated loan disclosure forms and samples with blank model loan estimates and closing disclosures showing fields annotated to show rule citations, alternative loan type, and Spanish language samples.

4. Tools

Below you will find links to further information and CFPB-prepared tools to assist you in complying with the new mortgage rules.

[CFPB Regulatory Implementation Webpage](#)

Title XIV Rules

[Title XIV Rule Implementation](#)

[Title XIV Mortgage Rules at a Glance](#)

[Mortgage Origination Rules: Transaction Coverage and Exemption Chart](#)

[Ability-to-Repay and Qualified Mortgage Rule Small Entity Compliance Guide](#)

[Ability-to-Repay Requirements with Qualified Mortgages Comparison Chart](#)

[Small Creditor Qualified Mortgages Flowchart](#)

[Loan Originator Compensation Requirements Small Entity Compliance Guide](#)

[TILA Higher-Priced Mortgage Loans \(HPML\) Escrow Rule Small Entity Compliance Guide](#)

[High-Cost Mortgage and Homeownership Counseling Small Entity Compliance Guide](#)

[ECOA Valuations Rule Small Entity Compliance Guide](#)

[TILA Appraisals for Higher-Priced Mortgage Loans Small Entity Compliance Guide](#)

[TILA and RESPA Servicing Small Entity Compliance Guide](#)

[TILA and RESPA Servicing Coverage Chart](#)

Know Before You Owe Mortgage Disclosure Rule

[TILA-RESPA Integrated Disclosure Rule Regulatory Implementation](#)

[TILA-RESPA Integrated Disclosure Rule Small Entity Compliance Guide](#)

[TILA-RESPA Integrated Disclosure Guide to the Loan Estimate and Closing Disclosure forms](#)

[Annotated forms for TILA RESPA Integrated Disclosure – Loan Estimate Disclosure](#)

[Annotated forms for TILA RESPA Integrated Disclosure – Closing Disclosure](#)

[TILA-RESPA Integrated Disclosure timeline example](#)

[Recorded webinars on TILA-RESPA Integrated Disclosure rule](#)

[Question Index to the recorded webinars on TILA-RESPA Integrated Disclosure rule](#)

Your Home Loan Toolkit: A Step-by-Step Guide

[CFPB Announces New 'Know Before You Owe' Mortgage Shopping Toolkit, March 31, 2015](#)