

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Consumer Financial Protection Bureau (CFPB) Considers Rules Relating to Mortgage Points and Fees and Mortgage Loan Originator Qualifications and Compensation

On May 9, 2012, the CFPB announced that they are considering a number of [new rules](#) relating to mortgage points and fees and mortgage loan originators' qualifications and compensation. As indicated in their [press release](#), the CFPB expects to propose these rules over the summer and finalize them by January 2013.

In relation to mortgage points and fees, the CFPB is considering rules in the following areas:

- Discount Points – Proposals under consideration would require that any discount point must be “bona fide” and translate to a certain minimum reduction of the interest rate in return for paying the point.
- No-Discount-Point Loan Option – Creditors that charge discount points would also be required to offer a no-discount-point loan option.
- Origination Charges – The CFPB is considering rules that would require origination fees to be “flat” and not vary with the size of the loan.

The CFPB is also considering the following proposals that would address mortgage loan originators' qualifications and compensation:

- Setting Qualification and Screening Standards – The CFPB is considering rules to implement the Dodd-Frank Act requirements that all loan originators be qualified. The proposal would include:
 - Character and Fitness Requirements;
 - Criminal Background Checks; and
 - Training Requirements.
- Prohibiting the Payment of Steering Incentives to Mortgage Loan Originators – The CFPB's proposal would clarify certain issues in the existing loan originator compensation rules.

In developing a formal proposal, the CFPB indicated they will engage with consumers and industry members, including a [Small Business Review Panel](#) that will meet with a group of representatives of small financial services providers that would be directly affected by the proposals under consideration.

As the CFPB announcement is designed to provide details about the proposals under consideration, we encourage bankers to understand the standards being considered and utilize future comment periods as an opportunity to influence final rules and help prevent unintended consequences resulting from any new rules.

Resources

Bank management is encouraged to remain apprised of the Bureau's activities by referencing their website at <http://www.consumerfinance.gov>.

The Federal Reserve Bank of St. Louis has also established a regulatory reform rules website that tracks the progress of more than 200 proposals and rules that will be written by the various Federal agencies to implement the Dodd-Frank Act. The site is located at: <http://www.stlouisfed.org/regreformrules/>.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information regarding supervisory expectations, please contact:

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