

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

July 1, 2013

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

CFPB Issues Proposed Modifications to the 2013 Mortgage Rules

On June 24, 2013, the Consumer Financial Protection Bureau (CFPB) issued a [proposal](#) to amend certain mortgage rules that were issued in January 2013. Comments on the proposal must be received on or before July 22, 2013. According to the CFPB's [press release](#), the proposal would, among other things:

- **Outline procedures for obtaining follow-up information on loss-mitigation applications** – The proposal outlines procedures for handling incomplete loss mitigation applications. Specifically, the proposal clarifies that servicers are required to seek additional information from the borrower if they cannot complete the assessment without it. In addition, the proposal requires that services ensure that the borrower does not lose certain protections under the rules, such as a foreclosure ban during the first 120 days of delinquency, until the borrower has had a reasonable time to supply the needed documents or information.
- **Facilitate servicers' offering of short-term forbearance plans** – Under the proposal, a servicer could provide a two-month forbearance to a borrower who is suffering a short-term hardship.
- **Facilitate lending by small creditors, including those in rural or underserved areas** – The proposal would extend an exception to the ban on high-cost mortgages featuring balloon payments to small creditors that do not operate in rural or underserved counties so long as the loans meet certain restrictions. The proposal would also revise the exemption from the required maintenance of escrow accounts on certain higher-priced mortgage loans for small creditors who operate primarily in rural or underserved areas. To prevent creditors from losing eligibility for the exemption in 2014 due to changes in which counties are defined as rural, the proposal would extend availability to small creditors that qualified in any of the previous three calendar years.
- **Make clarifications about financing of credit insurance premiums** – The proposal would clarify what constitutes financing of credit insurance premiums by a creditor and provide guidance on when credit insurance premiums are considered to be calculated and paid on a monthly basis for purposes of an exclusion from the statutory prohibition.
- **Clarify the definition of a loan originator** – The proposal would clarify the circumstances under which a loan originator or creditor's administrative staff acts as loan originators.
- **Revise effective dates of Loan Originator rule** – The CFPB is seeking comment on whether to change the effective date of certain provisions of the Loan Originator rule to January 1, 2014. The CFPB believes having the rule take effect at the beginning of a calendar year may help compliance since compliance plans, training, and licensing and registration are often structured on an annual basis.

We encourage bankers to understand the changes being proposed and utilize the comment period as an opportunity to influence the final rules and help prevent unintended consequences resulting from any new rules. Those wishing to submit formal comments may submit them through <http://www.regulations.gov> (Docket No. CFPB-2013-0018) or by following the instructions in the [proposal](#).

Resources

The CFPB also recently published a new Regulatory Implementation web page, which consolidates all of the new 2013 mortgage rules and related implementation materials, and can be found here: <http://www.consumerfinance.gov/regulatory-implementation>.

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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