

September 10, 2012

Ms. Monica Jackson  
Office of the Executive Secretary  
The Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

Re: Docket No. CFPB-2012-0028 or RIN 3170-AA28

Dear Ms. Jackson:

The undersigned trade associations appreciate the opportunity to write to you on the proposed rule amending Regulation Z and Regulation X to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. This letter is in addition to the individual comments that our associations will submit on these rulemakings.

At the outset, we thank you for your September 6<sup>th</sup> Federal Register announcement to extend the comment period for these important regulatory changes. Our associations believe that the current reform process poses a unique opportunity to modernize the mortgage lending regulations and achieve effective and lasting consumer protections. The new regulatory system requires proper balance, and must avoid confusion and uncertainty. We question, therefore, the wisdom and practicality of also injecting new requirements for the so-called “All In” annual percentage rate or APR into the rulemaking. On balance, we strongly believe that aspect of the proposal should be dropped.

As the CFPB and other agencies have documented and industry can attest, the current APR is of little value to consumers. It neither enhances a borrower’s understanding of the obligation they are undertaking, nor serves as an accurate shopping tool. The Bureau’s own research indicates that consumers confuse the APR with the note rate; this confusion has nothing to do with what is in or out of the APR calculation. Simply adding additional fees to an unhelpful formulation that consumers do not use or understand will add significant costs and complications to the rulemaking effort, with no measurable benefit to the borrower.

The APR is embedded in numerous other mortgage finance rules as a trigger for additional compliance requirements, many of which are associated with steep legal, compliance and reputational risks. However, it is entirely unclear how the reconfigured APR will impact or relate to these other rules, such as the yet to be finalized Ability to Repay/Qualified Mortgage rule and the HOEPA rule, to name two. The CFPB has suggested the possibility of a separate transaction coverage rate (TCR), but that approach will require yet another new calculation and additional burdens for industry and costs that are passed on to consumers.

It is critical to note that Dodd-Frank itself does not require wholesale changes to the APR. To the contrary, the statute relies on this figure by using it as a measurement for a number of new provisions. The sheer magnitude of regulatory changes coming forth has the potential to impose enormous confusion and cost to both industry and consumers. For these reasons, we urge the CFPB to simplify its approach to forthcoming RESPA and TILA rulemakings by focusing only on those elements that are truly needed to implement Dodd-Frank requirements and will have maximum impact on promoting consumer understanding.

Finally, there are several outstanding proposed rules making changes to Regulation Z. These proposals cross-reference provisions in each other, making it difficult to tell what each references and what Regulation Z would look like if all of these proposals are finalized. In addition, there are conflicts among the proposals. For example, the proposed Ability to Repay rule would remove § 1026.35 because Dodd-Frank made it obsolete, but the proposed HOEPA rule would retain it. We respectfully request that the CFPB publish a single version of Regulation Z as it would be amended by all of the pending rulemakings as soon as possible. This would improve our ability to provide input that CFPB will need before the comment periods close.

Thank you for this opportunity to comment. We stand ready to assist you as you endeavor to meet the charge provided to you by Dodd-Frank.

Sincerely,

American Bankers Association  
American Escrow Association  
American Land Title Association  
Community Mortgage Banking Project  
Consumer Mortgage Coalition  
Consumer Bankers Association  
Housing Policy Council  
Independent Community Bankers of America  
Mortgage Bankers Association of America  
National Association of Federal Credit Unions  
National Association of Home Builders  
National Association of Mortgage Brokers  
National Association of Realtors  
Real Estate Services Providers Council, Inc. (RESPRO®)  
Real Estate Valuation Advocacy Association  
The Realty Alliance