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**B. Dan Berger**
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The Honorable Judy Biggert
Chairman
Subcommittee on Insurance, Housing & Community Opportunity
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Luis Gutierrez
Ranking Member
Subcommittee on Insurance, Housing & Community Opportunity
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Biggert and Ranking Member Gutierrez:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nations federal credit unions, I write with respect to tomorrow's hearing, "Mortgage Disclosures: How Do We Cut Red Tape for Consumers and Small Businesses?" NAFCU member credit unions appreciate the timeliness of the hearing given the work the Consumer Financial Protection Bureau (CFPB) has undertaken to consolidate the disclosures required under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). As members of the Subcommittee are aware, July 21 is the statutory deadline for the CFPB to publish a proposed form and accompanying rule on this issue.

As households regain economic footing since the worst financial crisis since the Great Depression, it is critical that no adverse actions are taken resulting in a prolonged recovery of the fragile housing market. As community-based financial service providers, our nation's credit unions play an important role in meeting the mortgage lending needs of nearly 94 million Americans. NAFCU appreciates the CFPB's recognition of the importance of credit unions operating mortgage lending portfolios by including credit union representation on the Bureau's Small Business Review Panel in advance of the rule making aimed at streamlining the residential mortgage loan origination process.

Consolidating disclosures relating to both the lending transaction and purchase transaction aspects of home buying is a major undertaking that must be done right from the onset. Statutory requirements prescribed by Congress to review and combine parts of two statutes with differing, and often times competing, policy rationales is a very difficult starting point. While NAFCU believes that draft TILA/RESPA forms produced by the CFPB to-date represent an improvement from the current cumbersome process, concerns remain about some aspects of the project. In addition to participating in the Small Business Review Panel, NAFCU has communicated directly with the CFPB on the RESPA-TILA integration process on a number of occasions.

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Among NAFCU's chief concerns about the streamlining of these forms is the shear pace at which the CFPB is simultaneously working on other Dodd-Frank prescribed mortgage lending rules. A comprehensive and coordinated effort in rulemakings, including those pertaining to Qualified Mortgage (QM) and Qualified Residential Mortgage (QRM), is critical. Smaller entities such as credit unions simply do not have the economies of scale to come into compliance with one rule, and then as others are finalized, reconfigure their internal processes, potentially several times, to again accommodate rules they have already come into compliance with once. As an issue of fairness, Congress should address the ordering and pace of CFPB rulemaking where appropriate.

In addition, the draft TILA/RESPA combination proposal seems to be asking lenders to do considerably more with considerably less information. For example, currently under the definition of "application" lenders are permitted to ask for a certain set of criteria plus any other information the lender deems necessary. The CFPB is considering eliminating this open-ended question, which currently helps lenders inquire about the borrower's assets and liabilities. Yet at the very same time, the CFPB expects that lenders will be able to provide early cost disclosures to consumers. Altering the definition of "application" as described above, will be a major stumbling block for credit unions and their member-owners.

NAFCU is also concerned with the potential for the CFPB to lower the tolerances for certain settlement costs currently included in the Good Faith Estimate (GFE), which are expected to be included in the new early disclosure form under the new rule. NAFCU questions the wisdom of holding lenders to even tighter standards, especially with respect to third party settlement service providers, while also reducing the amount of time and information lenders have to review applications. Community-based financial institutions would be particularly impacted by this considering many do not have the affiliated outside settlement service providers that banks often times have at their disposal.

Lastly, I would like to mention NAFCU's concerns about the potential for the CFPB to require the settlement disclosures three days before closing on a home. This could result in the borrower having two similar yet slightly different sets of documents – one provided three days before closing and a second provided some time shortly after closing. The conflicting set of disclosures could be confusing for consumers. The three day requirement also accentuates the problems credit unions could face providing settlement documents as third party providers may fail to supply the lender necessary information in time to meet the three day turn around.

It is with the above concerns in mind that NAFCU would again like to thank the Subcommittee for holding this important hearing on mortgage disclosures. NAFCU is fully engaged with Congress and the Consumer Financial Protection Bureau on this issue and welcomes any questions that you might have moving forward. Should you have any questions or require additional information, please do not hesitate to contact myself or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,

B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity