BUREAU OF CONSUMER FINANCIAL PROTECTION | OCTOBER 2020

Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) Rule Assessment

Message from the Director

The Bureau of Consumer Financial Protection (Bureau) is pleased to publish this report containing the results of its assessment of the Bureau's Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act and the Truth in Lending Act Rule (the "TRID Rule"). The purposes of the Rule are facilitating compliance with disclosure requirements and helping borrowers better understand mortgage transactions.

Section 1022(d) of the Dodd-Frank Act requires the Bureau to conduct an assessment of each significant rule and publish a report within five years of the rule's effective date. This places a responsibility on the Bureau to take a hard look at each significant rule it issues and evaluate whether the rule is effective in achieving its intended objectives, and the purposes and objectives of Title X of the Dodd-Frank Act. We also look for evidence of whether the rule is having unintended consequences. I see assessments as valuable opportunities to ensure that public policy is being pursued in an efficient and effective manner and to facilitate making evidence-based decisions in the future on whether changes are needed.

The Bureau issued the TRID Rule in November 2013, and the Rule took effect on October 3, 2015. The Rule's "Loan Estimate" and "Closing Disclosure" forms integrated several preexisting mortgage loan disclosures required by TILA and RESPA and various new disclosures required by Title XIV of the Dodd-Frank Act. The TRID Rule requires that both a Loan Estimate and a Closing Disclosure be provided for most closed-end consumer mortgage loans.

An assessment team led by the Bureau's Office of Research began work on this assessment report in early 2019. The Bureau then solicited public comment on its research plan and other questions in November 2019. Much of the data the Bureau used in the assessment it already had, including the National Mortgage Database and the National Survey of Mortgage Originations. The Bureau also conducted three industry surveys as part of this assessment.

Through rigorous analysis and review of data, the Bureau has produced this comprehensive assessment report.

Although the Dodd-Frank Act does not require assessments to include a cost-benefit analysis, it has been one of my priorities to include such an analysis to accurately and transparently judge the performance of our regulations and to inform our policy decisions. Despite our best efforts, the Bureau was unable to obtain or generate the data necessary to do such an analysis of the TRID Rule. To the extent possible, the report documents the benefits and costs of the Rule where it can. The Bureau will continue its efforts to build cost-benefit analysis into future assessments, including by considering and establishing the necessary baseline data during development of significant rules.

What were some of the key findings and conclusions of the report? In laboratory testing, borrower understanding of mortgage transactions has improved due to their receipt of the required disclosures.

The TRID Rule appears to have created sizeable implementation costs for lenders and closing companies. Based on the industry surveys, a typical cost for a lender to implement the TRID Rule was $146 per mortgage originated in 2015, or roughly 2.0 percent of the average cost of originating a mortgage. Similarly, a typical cost for a closing company to implement the TRID Rule was $39 per closing in 2015, or about ten percent of the average cost of closing.

The TRID Rule's effects on ongoing costs is less clear. Industry data indicate that mortgage lending costs have steadily increased over the past decade. However, the Bureau does not have any data that demonstrates how much, if any, of these increased costs are attributable to the TRID Rule. Establishing a relationship between the TRID Rule and these increased costs is particularly challenging given that the Bureau implemented other mortgage rules at roughly the same time as the TRID Rule that also may have affected costs.

The TRID Rule appears to have decreased mortgage originations and increased closing times, but these measures returned to pre-TRID Rule levels in a relatively short period of time.

The Bureau is committed to mortgage disclosures that provide consumers with the information they need to make better-informed mortgage decisions without imposing unnecessary or undue regulatory burdens on firms. The issuance of this assessment furthers that commitment. But its issuance is not the end of the agency's mortgage disclosure work. The Bureau is interested in hearing reactions from stakeholders to the report's findings and conclusions. The agency also encourages stakeholders to explore the use of the Bureau's innovations policies, like our Trial Disclosure Policy and Compliance Assistance Sandbox Policy, to improve mortgage disclosures. Finally, the Bureau will evaluate what it learned in the assessment to identify the need for and scope of future rulemaking or guidance activities. The Bureau looks forward to continuing to work with stakeholders on mortgage disclosures.

Sincerely,

Kathleen L. Kraninger

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Executive summary

The process of taking out a home mortgage loan (mortgage) can be complex. Disclosures provided throughout the mortgage origination process can help borrowers navigate the complexity by informing them about loan terms, settlement costs, and sources of those costs, among other things. On the other hand, producing and providing disclosure forms may be costly to firms.

To assist consumers in making decisions relating to mortgages and to facilitate compliance with the disclosure requirements, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directed the Consumer Financial Protection Bureau (CFPB or Bureau) to publish rules and disclosure forms that combine previously separate mortgage disclosures given to consumers under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act of 1974 (RESPA).[1] The Bureau's 2013 final rule to implement the Dodd-Frank Act's integrated disclosure mandate and certain amendments to that final rule, which this report refers to collectively as the TRID Rule or the Rule, came into effect in October 2015.[2]

Before the TRID Rule, Federal law generally required that consumers applying for mortgages receive two different forms, one with disclosures regarding the cost of credit and another concerning real estate settlement costs—the early TILA disclosure and the Good Faith Estimate (GFE), respectively. Shortly before closing on the loan, consumers received two additional forms; again, one regarding the cost of credit and another concerning real estate settlement costs—the final TILA disclosure and the RESPA settlement statement (HUD-1), respectively. The TRID Rule's Loan Estimate form integrates the GFE and the early TILA disclosure as well as certain Title XIV Disclosures.[3] The TRID Rule's Closing Disclosure form integrates the HUD-1 and final TILA disclosure as well as certain Title XIV Disclosures.

Section 1022(d) of the Dodd-Frank Act requires the Bureau to conduct an assessment of each of its significant rules and orders adopted under Federal consumer financial law and to publish a report of each assessment within five years of the rule or order's effective date.[4] The assessment

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[1] Sections 1098 and 1100A of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 2103, 2108 (2010), (codified at 12 U.S.C. § 2603(a) and 15 U.S.C. § 1604(b)).

[2] For a more specific description of the 2013 TRID Rule, as well as the January 2015 Amendments and July 2015 Amendments, see Chapter 1: Introduction and Chapter 2: The TRID Rule.

[3] 78 Fed. Reg. 79730, 79750 (Dec. 31, 2013).

[4] For more information on how the Bureau determines a rule's significance for purposes of section 1022(d) of the Dodd-Frank Act, *see* U.S. Gov't Accountability Office, Dodd-Frank Regulations: Consumer Financial Protection

must address, among other relevant factors, the Rule's effectiveness in ensuring well-regulated consumer financial products and services per the purposes and objectives of title X of the Dodd-Frank Act and in meeting the goals of the Rule, such as aiding consumers ability to find and compare information in mortgage disclosure forms.[5] The assessment must "reflect available evidence and any data that the Bureau reasonably may collect."[6]

The Bureau determined that the TRID Rule is a significant rule, and this report assesses its effectiveness. The Dodd-Frank Act does not require the assessment to include a cost-benefit analysis, but such an analysis is permissible, and the Bureau previously indicated interest in doing such analysis, if practicable, in its assessments and published reports. Despite its best efforts here, as described in detail below in the report, the Bureau did not obtain or generate the data that would be necessary to do such an analysis of the TRID Rule. Nevertheless, to the extent possible based on the data the Bureau has (or could reasonably collect), the report documents the benefits and costs of the Rule.

The Bureau expects that this report will inform the public about the effects of the Rule and help inform the Bureau's future policy decisions concerning mortgage disclosures. This report will help the Bureau decide what issues to consider in a future rulemaking to make the TRID Rule more effective.

The report begins by providing background on the TRID Rule, the mortgage process, and mortgage disclosures. The remaining chapters consider the TRID Rule's effects on consumers, firms, and the mortgage marketplace.

Chapter 1 describes the requirement to conduct an assessment, provides an overview of the goals of the Rule, and discusses the methodology and data used in the report. As described in detail in Chapter 1, the goals of the Rule were: 1) to facilitate compliance with the disclosure requirements of TILA and RESPA; 2) to ensure that information about mortgages is disclosed to consumers fully and accurately, and to simplify the technical nature of mortgage disclosure; 3) to make it easier for consumers to locate key information; 4) to help consumers to compare the cost of different mortgage offers; 5) to aid consumers in comparing estimated and actual loan terms and costs; 6) to aid consumers in understanding mortgages they are applying for, and to

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Bureau Needs a Systematic Process to Prioritize Consumer Risks, December 2018, https://www.gao.gov/assets/700/696200.pdf.

[5] For a full list of purposes and objectives of title X of the Dodd-Frank Act, see Section 1.1.6. For a list of goals of the TRID Rule, see Section 1.1.7.

[6] 12 U.S.C. § 5512(d)(1).

aid consumers in understanding mortgage transactions; and 7) to help consumers decide whether they can afford a mortgage.

Chapter 2 discusses the scope and requirements of the TRID Rule, including relevant definitions and exceptions to the Rule. Chapter 2 also describes the benefits and cost-savings—as suggested from historical materials—of both the TRID Rule and select relevant statutes and rules that preceded the TRID Rule. As further discussed in Chapters 1 and 2, expected major benefits and cost-savings of the TRID Rule included: (1) enabling consumers to choose loans that are better for them in terms of price or loan features; (2) enabling consumers to know whether they actually got the price and loan terms that they expected; (3) better enabling consumers to compare competing offers (and therefore potentially increasing comparison shopping); (4) giving consumers more time to ask questions, negotiate with respect to terms that have changed (between application and settlement), and otherwise adjust the loan terms or settlement costs prior to consummation; (5) more efficient closings; and (6) net savings due to fewer different required forms resulting in lower paperwork burdens.[7]

Chapter 3 analyzes the effects of the Rule on consumers. Because many of the Rule's goals related to consumers, Chapter 3 directly considers the effectiveness of the Rule in meeting several goals of the Rule. Key findings include:

- The TRID disclosure forms improved prospective borrowers' abilities to locate key mortgage information.[8]

- The TRID disclosure forms improved prospective borrowers' abilities both to compare the features and costs of different mortgage offers and to compare estimated and actual loan terms and costs.[9]

- Two of three sources of evidence used in this study indicate the TRID disclosure forms improved prospective borrowers' ability to understand loan estimates and loan transactions. Data collected in a laboratory setting show that the TRID disclosure forms improved participants' understanding.[10] Similarly, respondents to the National Survey of Mortgage Originations (NSMO) who took out a mortgage after the TRID Rule's

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[7] *See* 78 Fed. Reg. 79730, 80073-76 (Dec. 31, 2013).

[8] The data used for this analysis were collected in a controlled laboratory setting, however, so their applicability in the marketplace may be limited.

[9] *See supra* note 8.

[10] *See supra* note 8.

effective date were more likely than those who got a mortgage before TRID to say their disclosure forms were easy to understand and contained valuable information.[11] In contrast, respondents to the TRID Assessment Survey of Loan Officers (Loan Officer Survey) reported that the TRID disclosure forms were harder for consumers to understand.[12]

- Evidence was mixed regarding whether the Rule increased consumer shopping for mortgages. Respondents to the NSMO who got a mortgage after the Rule took effect were more likely to report applying for a mortgage from more than one lender or broker (although most borrowers still reported applying for only one mortgage). In contrast, respondents to the NSMO who took out a mortgage after the TRID Rule took effect were less likely to shop for a closing agent.[13]

Chapter 4 considers the potential effects of the Rule on lenders and settlement agents, focusing on firms' costs to implement the Rule as well as changes in firms' ongoing costs. The chapter also considers potential costs to firms in the secondary market. Key findings include:

- The TRID Assessment Survey of Mortgage Originators (Lender Survey) asked representatives of companies that originate mortgages to estimate their one-time costs of implementing the Rule. The median response was roughly $146 per mortgage originated in 2015.[14] This represents 2.0 percent of the average cost of originating a mortgage for that year. By comparison, the Rule's benefit-cost analysis estimated an average implementation cost of about $135 per mortgage originated in 2015.[15] Participants in the Lender Survey reported their largest implementation costs to be new information technology systems, policies, and training.[16]

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[11] The NSMO results are sampled from a representative population of consumers but are correlational and cannot be said to be caused by the TRID Rule.

[12] The Loan Officer Survey was voluntary, so the results are likely not representative of all loan officers. It also asked respondents to recall events that happened at least four years earlier, so the results may be imprecise or incorrect.

[13] *See supra* note 11.

[14] The median can be thought of as the "middle" of an ordered list. The median of a survey question such as this is a value such that half of all responses are greater than (or equal to) the median, and half of all responses are less than (or equal to) the median.

[15] The average and the median are both statistical measures of a "typical" value in a distribution, but they are not directly comparable. These two estimates are presented not to demonstrate the precise difference between the Rule's estimate and the survey data, but to demonstrate that the two estimates of cost are broadly consistent.

[16] The Lender Survey was voluntary, so the results are likely not representative of all loan originators. It also asked respondents to recall events that happened at least four years earlier, so the results may be imprecise or incorrect.

- The TRID Assessment Survey of Closing Companies (Closing Company Survey) asked representatives of companies that conduct real estate closings to estimate their one-time costs of implementing the Rule. The median response was roughly $39 per closing conducted in 2015. This represents somewhat under ten percent of the median cost of conducting a closing for that year. The Rule's benefit-cost analysis, by comparison, estimated an average implementation cost of about $45 per closing. Closing Company Survey respondents reported that these costs largely stemmed from efforts to understand the requirements of the Rule and from new information technology systems, policies, and training.[17]
- How lenders' ongoing costs changed after the Rule took effect is unclear. Data from the Mortgage Bankers Association Quarterly Performance Reports (MBA data) show ongoing costs for nonbank lenders increased steadily over the last decade. This pattern is consistent with qualitative evidence from the Lender Survey, in which most respondents reported increases in a range of cost categories between the year before the effective date and 2018. Although lenders' costs have increased steadily over the last decade, the data do not show a clear increase in such costs at the time the TRID Rule took effect. It therefore is not clear whether the TRID Rule, other factors, or both, caused increases in ongoing costs after the TRID Rule took effect.[18]
- The median respondent to the Closing Company Survey reported facing additional ongoing operational costs of $100 per closing. This contrasts with the Rule's benefit-cost analysis, which predicted that ongoing costs due to the Rule would be negligible relative to the baseline of existing regulatory requirements.[19]
- TRID-related guidance inquiries to the Bureau increased sharply beginning in early 2015, peaking around the Rule's effective date, and have since steadily declined. This general pattern is similar to the pattern of guidance inquiries the Bureau received regarding several other Rules. In this case, the pattern may indicate that firms' uncertainty surrounding how to comply with the Rule similarly peaked around the Rule's

[17] The Closing Company Survey was voluntary, so the results are likely not representative of all companies that conduct real estate settlement. It also asked respondents to recall events that happened at least four years earlier, so the results may be imprecise or incorrect.

[18] The MBA data are mainly comprised of information from nonbanks and therefore do not include depository institutions, which might have had different costs than nonbanks. In addition, submissions to the MBA database are voluntary, so the data may not be representative of all nonbank mortgage originators.

[19] *See supra* note 17.

effective date and has since declined. It may instead indicate, however, that inquiries declined for other reasons.

- According to data from a mortgage quality control software provider, the share of mortgages with at least one critical defect (a defect that would result in the mortgage being uninsurable as part of a security or ineligible for sale to its intended recipient on the secondary market) was about 1.8 percent in the second quarter of 2015, 0.8 percent in the third quarter of 2015, 1.2 percent in the fourth quarter of 2015, and 1.9 percent in the first quarter of 2016. Thus, the share increased from the third quarter to fourth quarter of 2015 as the Rule took effect (2015 Q4), but the increase only resulted in the share being roughly the same as it previously was in the second quarter of 2015.[20]

Chapter 5 considers market-level measures (such as interest rates and mortgage volumes), with a particular focus on how these measures changed around the TRID Rule's effective date. Key findings include:

- The Bureau's Home Mortgage Disclosure Act (HMDA) database indicates daily application volume for purchase and refinance mortgages deviated slightly from trend in the week leading up to the effective date before roughly doubling on the day before the Rule's effective date. This bunching suggests lenders may have encouraged prospective clients to submit applications sooner in anticipation of the effective date. However, given how small the deviation in trend was, it suggests that, overall, the Rule did not cause significant disruptions to application volumes. Indeed, monthly application volumes did not change notably around the Rule's effective date.[21]

- According to HMDA data, purchase closing times lengthened by about 13 percent after the Rule took effect but returned to typical pre-Rule durations within two years. Closing times for refinance mortgages also lengthened, by about 10 percent, after the Rule took effect, but refinance closing times have varied greatly, historically, and a change in

[20] The second quarter of 2015 is the first quarter in which these data are available to the Bureau, and it is therefore difficult to infer whether the Rule itself affected the share of loans with a critical defect. In addition, these data may not be representative of the market as a whole because they come from a select sample of lenders. Furthermore, the select sample varies over time, so time variations in the data may be due in part to changes in the sample.

[21] Although HMDA data cover over 90 percent of all residential mortgage originations, they may not be representative of the market as a whole because small financial institutions and those exclusively in non-metropolitan areas are not required to report data for HMDA.

refinance closing times of this amount (or more) over a short period of time is not unusual.[22]

- Originations of home purchase mortgages and refinance mortgages dropped notably in the first two months after the Rule's effective date (roughly 14 percent and eight percent, respectively) before recovering quickly. This pattern may be explained by the above-noted increase in typical closing times, which would have pushed back the origination dates for some mortgages from the months immediately after the Rule's effective date to subsequent months.[23]

- Very few respondents to the Closing Company Survey indicated that the share of consumers who bought owner's title insurance policies decreased or that owner's title insurance premiums decreased.[24] This suggests that the Rule did not decrease consumer demand for owner's title policies, as might be expected if the TRID disclosures regarding title insurance confused consumers or otherwise made owner's title policies appear unnecessary.[25]

The remainder of this report describes these and other findings in greater depth. The Appendices include a review of the report's findings as they relate to the purposes and objectives of the Dodd-Frank Act and the goals of the Rule, detailed descriptions of the data sources, a comprehensive summary of comments to the RFI, technical details of selected analyses, and a glossary of common terms.

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[22] *See supra* note 21.

[23] *See supra* note 21.

[24] Owner's title insurance is insurance protecting the consumer's property investment (sometimes referred to as "equity") from title issues.

[25] *See supra* note 17.

1. Introduction

Choosing a mortgage loan (mortgage) is highly consequential for most consumers, with housing debt accounting for more than 80 percent of the average mortgage borrower's total debt balance, and nearly 70 percent of total consumer debt.[26, 27] Choosing a mortgage can also be complex—a mortgage applicant must consider a large amount of information about loan terms, settlement costs, and other details.

To provide consumers information about mortgages, Federal law evolved to generally require creditors and settlement agents to provide two different sets of disclosure forms to consumers both when applying for a mortgage and when consummating consumer mortgage transactions. Two different Federal agencies, the U.S. Department of Housing and Urban Development (HUD) and the Board of Governors of the Federal Reserve System (Board), separately developed these disclosure forms under two distinct Federal statutes: the Truth in Lending Act (TILA)[28] and the Real Estate Settlement Procedures Act of 1974 (RESPA).[29] The information on these forms was overlapping, and the language was inconsistent. The overlap and inconsistency were long recognized as inefficient and confusing for both consumers and industry.[30] In 2010, through Dodd-Frank Act sections 1098 and 1100A, Congress directed the Consumer Financial

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[26] *See*, Bd. of Governors of the Fed. Reserve Sys., *Mortgage Debt Outstanding,* Table 1.54, (released Mar. 2020), https://www.federalreserve.gov/data/mortoutstand/current.htm (as of the third quarter of 2019) (last updated Mar. 13, 2020). Total debt balance includes, includes, for example, auto loans, credit cards, student loans, etc. CFPB Consumer Credit Panel (as of the first quarter of 2020). The mortgage choice is also important for the economy at large—with $11 trillion in consumer mortgages outstanding, the mortgage market is the largest among all consumer financial products and services in the United States.

[27] In this report, "mortgage" is used in place of "mortgage loan," defined to be a loan secured by real property. *See* Appendix F: Glossary for a full list of defined terms.

[28] 15 U.S.C. § 1601 *et seq*. For closed-end credit secured by a consumer's dwelling and subject to RESPA, TILA generally requires disclosing credit terms "not later than three business days after the creditor receives the consumer's written application, which shall be at least 7 business days before consummation of the transaction" (early TILA disclosure). 15 U.S.C. § 1638(b)(2)(A). If the annual percentage rate (APR) disclosed in this early TILA disclosure statement becomes inaccurate, "the creditor shall furnish an additional, corrected statement to the borrower, not later than 3 business days before the date of consummation of the transaction" (final TILA disclosure). 15 U.S.C. § 1638(b)(2)(D).

[29] 12 U.S.C. § 2601 *et seq*. Section 4 of RESPA generally requires that a disclosure form, including a "real estate settlement cost statement," be prepared and made available to the borrower for inspection at or before settlement and "conspicuously and clearly itemize all charges imposed upon the borrower and all charges imposed upon the seller in connection with the settlement" (HUD-1). 12 U.S.C. § 2603. Section 5 of RESPA generally requires that disclosures, including "a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement," be provided not later than three business days after the lender receives an application (GFE). 12 U.S.C. § 2604.

[30] 78 Fed. Reg. 79730, 79738 (Dec. 31, 2013).

Protection Bureau (CFPB or Bureau) to integrate the TILA and RESPA mortgage disclosures.[31] At the same time, as discussed in Chapter 2 of this report, Congress also enacted other new provisions governing disclosures related to origination and servicing of consumer mortgages, including several new disclosure requirements added to TILA.[32]

In November 2013, the Bureau issued a final rule titled "Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)"[33] to implement sections 1098 and 1100A of the Dodd-Frank Act as well as many of the new provisions enacted by Congress. As discussed in Chapter 2 of this report, the Bureau amended the 2013 final rule on two occasions before its effective date, and the amended rule took effect on October 3, 2015.[34] The Bureau subsequently amended the 2013 final rule in July 2017 and April 2018.[35] The July 2017 Amendments took effect on October 10, 2017,[36] and the April 2018 Amendments took effect on June 1, 2018.[37]

1.1 Purpose and scope

1.1.1 The TRID Rule

This report refers to the "Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)" rule as the "2013 Final Rule." This report refers to the rule as amended when it took effect on October 3, 2015, as the "TRID Rule" or the "Rule." This report refers collectively to the amendments issued in

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[31] Pub. L. No. 111-203, 124 Stat. 1376, 2103, 2108 (2010) (codified at 12 U.S.C. § 2603(a) and 15 U.S.C. § 1604(b)).

[32] In this report, a "disclosure(s)" refers to any specific piece(s) of required information provided or communicated to a consumer, and a "disclosure form" or "form" refers to the document by which disclosures are made in writing to a consumer. *See* Appendix F: Glossary for a full list of defined terms.

[33] 78 Fed. Reg. 79730 (Dec. 31, 2013).

[34] *See* 80 Fed. Reg. 8767 (Feb. 19, 2015) (Jan. 2015 Amendments); 80 Fed. Reg. 43911 (July 24, 2015). (July 2015 Amendments).

[35] *See* 82 Fed. Reg. 37656 (Aug. 11, 2017) (July 2017 Amendments); 83 Fed. Reg. 19159 (May 2, 2018) (Apr. 2018 Amendments).

[36] *Id.* The July 2017 Amendments were effective Oct. 10, 2017, but the July 2017 Amendments had an optional compliance period in effect until Oct. 1, 2018. 82 Fed. Reg. 37656, 37762-65. (Aug. 11, 2017).

[37] 83 Fed. Reg. 19159 (May 2, 2018).

January 2015 and July 2015 as the "2015 Amendments" and to the amendments issued in July 2017 and April 2018 as the "2017 and 2018 Amendments."

This report assesses the TRID Rule. It considers the 2017 and 2018 Amendments only when using data collected after the effective dates of the 2017 and 2018 Amendments, as these data naturally reflect both the effect of the Rule and those amendments.

1.1.2 Statutory requirement for assessments

Section 1022(d) of the Dodd-Frank Act requires the Bureau to conduct an assessment of each significant rule or order adopted by the Bureau under Federal consumer financial law.[38] The Bureau must publish a report of the assessment not later than five years after the effective date of such rule or order. The assessment must address, among other relevant factors, the Rule's effectiveness in meeting the purposes and objectives of title X of the Dodd-Frank Act and the specific goals stated by the Bureau. The assessment must reflect available evidence and any data that the Bureau reasonably may collect. Before publishing a report of its assessment, the Bureau must invite public comment on recommendations for modifying, expanding, or eliminating the significant rule or order.[39]

This report documents evidence relevant to the purposes and objectives of title X and the specific goals stated by the Bureau. However, the report generally is not organized according to these purposes, objectives, and goals. Therefore, Appendix A of this report summarizes this evidence of the Rule's effectiveness in the framework of the purposes, objectives, and goals. Appendix B describes the public comments the Bureau received and summarizes the information received on certain topics.[40]

1.1.3 Cost-Benefit Analysis

The Dodd-Frank Act does not require the assessment to include a cost-benefit analysis, but such an analysis is permissible, and the Bureau previously indicated interest in doing such analysis, if

[38] 12 U.S.C. § 5512(d).

[39] 12 U.S.C. § 5512(d)(3).

[40] Request for Public Comment Regarding the Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) Rule Assessment, 84 Fed. Reg. 64436 (Nov. 22, 2019), Full comments can be accessed here: https://www.regulations.gov/docketBrowser?rpp=25&so=DESC&sb=docId&po=0&dct=PS&D=CFPB-2019-0055.

practicable, in its assessments and published reports. Despite its best efforts here, the Bureau did not obtain or generate the data that would be necessary to do such an analysis of the TRID Rule. Nevertheless, to the extent possible based on the data the Bureau has (or could reasonably collect), the report documents the benefits and costs of the Rule. Challenges related to estimating costs and benefits are described below in section 1.2.

1.1.4 Finance charge

In its initial TRID notice of proposed rulemaking, the Bureau proposed redefining the term "finance charge."[41] The Bureau did not finalize this proposal and instead stated, in the preamble of the 2013 Final Rule, that it would study the issue in conjunction with this assessment.[42] The finance charge appears on a loan's Closing Disclosure and is also incorporated into the calculation of the loan's annual percentage rate (APR), which appears both on the Loan Estimate and on the Closing Disclosure.

As of now, the Bureau has not concluded that it is appropriate to modify the definition of the finance charge, but the Bureau will continue to consider stakeholders' input on this issue. In the event the Bureau concludes that it may be appropriate to move forward with a modified finance charge definition, the Bureau would issue a proposed rule and invite public comment before issuing a final rule.

1.1.5 Determination that the TRID Rule is significant

The Bureau determined that the TRID Rule is a significant rule for purposes of section 1022(d) of the Dodd-Frank Act.[43] As discussed in the Bureau's November 2019 Request for Information (November 2019 RFI),[44] the Bureau made this determination based on several factors, including the following. First, the Bureau considered the estimated aggregate cost to industry of

[41] 77 Fed. Reg. at 51, 143-146 (Aug. 23, 2012).

[42] 78 Fed. Reg. 79730, 79780 (Dec. 31, 2013).

[43] *See supra* note 4.

[44] Request for Information Regarding the Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) Rule Assessment, 84 Fed. Reg. 64436 (Nov. 22, 2019).

complying with the Rule. In the 1022(b)(2) analysis that accompanied the 2013 Final Rule, the Bureau estimated that the primary costs of the Rule would be one-time implementation costs, primarily labor costs, which creditors, settlement agents or third-party providers would incur to update systems and procedures to comply with the Rule. Specifically, the Bureau estimated that the Rule would impose one-time costs of approximately $1 billion on creditors and approximately $340 million on settlement agents. In its analysis, the Bureau amortized all costs over five years using a simple straight-line amortization, resulting in an estimate of approximately $275 million per year for each of the five years.[45]

Another factor that contributed to the significant rule determination was the fact that the Rule significantly altered the practices and features of mortgage origination. For covered mortgages, the TRID Rule changed what information must be disclosed to consumers, how the disclosed information may be formatted, and the timeframes in which disclosures could be provided to consumers.[46]

Finally, the Bureau expected that the Rule likely necessitated changes in mortgage origination business operations. First, the TRID Rule reallocated responsibility for providing certain disclosures to consumers from settlement agents to creditors. Second, the Bureau believed the TRID Rule may have affected creditor quality control operations because the Rule transferred certain liabilities from settlement agents to creditors, among other reasons.[47]

1.1.6 Purposes and objectives of Title X of the Dodd-Frank Act

The purposes and objectives of title X of the Dodd-Frank Act include the Bureau's purposes and objectives as set out in sections 1021(a) and 1021(b) of the Act. Pursuant to section 1021(a), the purpose of the Bureau is to implement and, where applicable, enforce Federal consumer financial law consistently to ensure that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive.[48] Section 1021(b) lists the objectives of the Bureau and,

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[45] *Id.* at 64438; 78 Fed. Reg. 79730, 80076 (Dec. 31, 2013).

[46] 84 Fed. Reg. 64436, 64437-38 (Nov. 22, 2019); *see* also 78 Fed. Reg. 79730, 80077-88. (Dec. 31,2013).

[47] *Id.*

[48] 12 U.S.C. § 5511(a).

more specifically, provides that the Bureau is authorized to exercise its authorities under Federal consumer financial law to ensure that, with respect to consumer financial products and services:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;

2. Consumers are protected from unfair, deceptive, or abusive acts and practices and discrimination;

3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;

4. Federal consumer financial law is enforced consistently, without regard to the status of a person as a depository institution, in order to promote fair competition; and

5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.[49]

1.1.7 Goals of the TRID Rule

The goals of the TRID Rule can be found in relevant statutes and the preambles to the TRID final rulemaking documents as published in the *Federal Register* and were highlighted in the Bureau's public statements about the TRID Rule. There are seven goals of the Rule:

To facilitate compliance with the disclosure requirements of TILA and RESPA.

> Dodd-Frank Act section 1098(2)(A) amends RESPA section 4(a) to require that the Bureau, "publish a single, integrated disclosure for mortgage loan transactions… to facilitate compliance with the disclosure requirements of this title and [TILA]…"[50] Similarly, Dodd-Frank Act section 1100(A)(5) amends TILA section 105(b) to require

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[49] 12 U.S.C. § 5511(b).

[50] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, section 1098(2)(A), § 4(a), 124 Stat 1376, 22103 (2010). (Section 4(a) of RESPA was amended by section 1098(2)(A), of the Dodd-Frank Act). (codified at 12 U.S.C. § 2603(a)).

that the Bureau, "publish a single, integrated disclosure for mortgage loan transactions… to facilitate compliance with the disclosure requirements of this title and [RESPA]…" [51]

To ensure that information about mortgages is disclosed to consumers fully and accurately, and to simplify the technical nature of mortgage disclosures.

The preamble to the 2013 Final Rule states that the Loan Estimate and Closing Disclosure forms, or elements thereof, are intended to provide full and accurate information.[52] In addition, Dodd-Frank Act section 1032(a) states: "The Bureau may prescribe rules to ensure that the features of any consumer financial product or service… are fully [and] accurately… disclosed to consumers…"[53] Further, both Dodd-Frank Act section 1098(2)(A) and Dodd-Frank Act section 1100(A)(5) state, "The Bureau shall publish a single, integrated disclosure for mortgage loan transactions… utilizing readily understandable language to simplify the technical nature of the disclosures."[54]

To make it easier for consumers to locate key information.

In describing the Loan Estimate and Closing Disclosure forms, the preamble to the 2013 Final Rule states, "The forms use clear language and design to make it easier for consumers to locate key information…"[55]

To help consumers to compare the cost of different mortgage offers.

In describing the Loan Estimate and Closing Disclosure forms, the preamble to the 2013 Final Rule states, "The forms also provide more information to help consumers… to compare the cost of different loan offers…"[56]

To aid consumers in comparing estimated and actual loan terms and costs.

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[51] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, section 1100A(5), § 105(b), 124 Stat 1376, 22108 (2010). (Section 105(b) of TILA was amended by section 1100A(5) of the Dodd-Frank Act). (codified at 15 U.S.C. § 1604(b)).

[52] 78 Fed. Reg. 79730, 79885, 79891, 79944, and 79945 (Dec. 31, 2013).

[53] Section 1032(a) of the of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (codified at 12 U.S.C. § 5532(a)).

[54] Sections 1098(2)(A) and 1100A(5) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (codified at 12 U.S.C. § 2603(a) and 15 U.S.C. § 1604(b)).

[55] 78 Fed. Reg. 79730 (Dec. 31, 2013).

[56] Id.

The preamble to the 2013 Final Rule states, "The Bureau has developed the Loan Estimate and Closing Disclosure to match closely to enable consumers to easily compare their estimated and actual loan terms and costs."[57]

To aid consumers in understanding mortgages they are applying for, and to aid consumers in understanding mortgage transactions.

Regarding understanding mortgages generally, Dodd-Frank Act section 1032(a) states that "The Bureau may prescribe rules to ensure that the features of any consumer financial product or service... are fully, accurately, and effectively disclosed to consumers in a manner that permits consumers to understand the costs, benefits, and risks associated with the product or service..."[58] In addition, in public statements issued around the release of the 2013 Final Rule and the January 2015 Amendments, respectively, the Bureau stated, "the forms help consumers better understand key information: risk factors, short-term and long-term costs, and monthly payments,"[59] and "One of our main goals with the Loan Estimate and Closing Disclosure is to improve consumer understanding."[60]

Regarding mortgages for which consumers are applying, the preamble to the 2013 Final Rule states, "The [Loan Estimate] ... is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage for which they are applying."[61]

Regarding mortgage transactions, Dodd-Frank Act sections 1098(2)(A) and 1100(A)(5) each state, "The Bureau shall publish a single, integrated disclosure for mortgage loan transactions... to aid the borrower or lessee in understanding the transaction."[62] Further, the preamble to the 2013 Final Rule states, "The [Closing Disclosure]... is

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57 *Id.* at 79841, 79847, 79849.

58 *See supra* note 53.

59 *See* Press Release, Bureau of Consumer Fin. Prot., *CFPB Finalizes "Know Before You Owe" Mortgage Forms* (Nov. 20, 2013), https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-know-before-you-owe-mortgage-forms/.

60 Id.

61 78 Fed. Reg. 79730. (Dec. 31, 2013).

62 *See supra* note 54.

> designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction."[63]

To help consumers decide whether they can afford a mortgage.

> The preamble to the 2013 Final Rule states, "The forms… provide more information to help consumers decide whether they can afford the loan."[64]

Generally speaking, the Bureau was able to collect considerable evidence regarding the effectiveness of the Rule in meeting each of goals one through six. These data are presented and analyzed throughout the report and summarized in Appendix A. The Bureau does not have evidence that speaks directly to the effectiveness of the Rule in meeting goal seven. Indirect evidence regarding goal seven is summarized in Appendix A.

1.2 Methodology, data sources, and plan for assessing effectiveness

In general, the Bureau's methodology for the assessment consisted of three steps:

- First, the Bureau considered the potential effects of the Rule, including those relevant to whether the Rule was effective in meeting the goals of the Rule and the purposes and objectives of the Dodd-Frank Act. These include both the intended and unintended consequences of the Rule.
- Second, the Bureau considered the empirical implications of the Rule's potential effects, and identified relevant data that could be used to measure them.
- Third, the Bureau analyzed available data, collected new data, and considered whether (and with what certainty) measured changes could reasonably be attributed to the TRID Rule.

[63] 78 Fed. Reg. 9730 (Dec. 31, 2013).

[64] Id.

The Bureau decided not to conduct new tests of consumers' abilities to use the Rule's disclosure forms as part of this assessment. This decision was influenced by the facts that new consumer testing would have been costly, and consumer testing was already conducted during the TRID Rule's rulemaking process.[65] Although the previous study was conducted using a preliminary version of the forms, the tested forms were substantially similar to the finalized forms, and the Bureau, therefore, judged the results of the Quantitative Study to be relevant to assessing the Rule.

1.2.1 Research questions and potential effects of the Rule

This report's research questions are organized into three broad categories: (i) effects on consumers (Chapter 3), (ii) effects on firms (Chapter 4), and (iii) effects on markets related to mortgage origination (Chapter 5).[66] The specific research questions are described in the relevant chapters of this report.

To develop its research questions, the Bureau consulted many sources to learn about potential effects of the Rule. The Bureau anticipated some benefits and costs of the Rule, and these were discussed in the 2013 Final Rule and public statements made around that time. To learn about potential unanticipated effects of the Rule, the Bureau met with industry groups, consumer advocacy groups, and other government agencies. In addition, as stated above, the Bureau published the November 2019 RFI that, among other things, described and requested comment on the Bureau's assessment plan and research questions.[67] The relevant comments the Bureau received generally proposed either broad goals without specific analyses, or specific analyses for the Bureau to consider. These suggestions were broadly consistent with the research questions described in the November 2019 RFI, so the research questions addressed by this assessment are substantially similar to those posed in the November 2019 RFI.[68]

[65] Testing conducted during the rulemaking process refers to the "Kleimann Quantitative Disclosure Study," described briefly below in section 1.2.2 and in detail in Appendix C.

[66] In the context of this assessment, a research question is a question about a potential effect of the Rule that can be answered with appropriate data and analysis.

[67] Request for Information Regarding the Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) Rule Assessment, 84 Fed. Reg. 64436 (Nov. 22, 2019).

[68] Appendix B describes the public comments the Bureau received and summarizes the information received on certain topics. Full comments are available on regulations.gov (CFPB-2019-0055).

1.2.2 Data sources and measures

This section briefly describes the data sources the Bureau used in conducting this assessment. Appendix C describes each data source in detail. The specific measures drawn from these data sources and used to answer the assessment's research questions are described along with the respective research questions in the body of this report.

The following data sources were available through ongoing or prior Bureau work before beginning this assessment:

Bank and Credit Union Call Reports. The call report data include Federal Financial Institutions Examination Council (FFIEC) call reports and National Credit Union Administration (NCUA) call reports. The data for both sets of call reports include aggregate, institution-level data with income and balance sheet information that is reported quarterly. The FFIEC data contain call report information from state member banks, state nonmember banks, national banks, and savings associations, while the NCUA data contain call report information from federal credit unions that are regulated by the NCUA. The data do not include non-depository institutions.

Consumer Complaint Database. A collection of complaints on a range of consumer financial products and services submitted to the Bureau directly by consumers.

Home Mortgage Disclosure Act (HMDA) Data. Application-level information on most mortgages and mortgage applications in the United States.

Inside Mortgage Finance (IMF). Inside Mortgage Finance reports aggregated data that cover multiple segments of the mortgage market such as originations, servicing, securitizations, insurance, and other investor activities.

Kleimann Quantitative Disclosure Study (Quantitative Study). A controlled study of the proposed Loan Estimate and Closing Disclosure forms. About half of the study's participants answered the study's questions using the pre-TRID mortgage forms, and the remaining participants used a preliminary version of the post-TRID mortgage forms.

National Mortgage Database (NMDB). A nationally representative five percent sample of residential mortgages in the United States containing origination data and quarterly loan performance data.

National Survey of Mortgage Originations (NSMO). A voluntary nationally representative survey of recent mortgage borrowers sampled from the NMDB about, among other topics, the borrower's experience in getting a mortgage.

Supervisory data. Data from selected Bureau compliance exams which capture borrower, loan, and disclosure characteristics.

Based on its review of data from these sources, the Bureau sought other data that could provide key measures for assessing the Rule's effect and which it could reasonably collect.

Government-sponsored Enterprise (GSE) Guarantee Fee Reports. The Federal Housing Finance Agency (FHFA) issues an annual report that contains analyses of the average guarantee fee (g-fee) charged by Fannie Mae and Freddie Mac. The report also analyzes the costs of providing the guarantee and provides a comparison to the prior year.

Mortgage Bankers Association (MBA) Mortgage Bankers Performance reports. Data on the revenue and expenses associated with the origination and servicing of residential mortgages by independent mortgage companies and other non-depository institutions.

Voluntary Industry Surveys. The Bureau designed and conducted three industry surveys to better understand the Rule's effects on market participants and to quantify estimates of these effects. Between January and March 2020, the Bureau surveyed mortgage origination companies, closing companies, and lenders' loan officers and brokers operating before and after the Rule's effective date. Additional information about the surveys is provided in Appendix D: TRID Assessment Industry Surveys.

The Bureau also reviewed information in the approximately 170 comments the Bureau received in response to the November 2019 RFI. In addition, in 2018, the Bureau received numerous comments in response to the call for evidence RFI series, and this assessment incorporated those that related to the TRID Rule.[69] Key sources of data and information provided to the Bureau through both RFI processes are described below.

Annual American Bankers Association Real Estate Lending Survey Report. The American Bankers Association (ABA) conducted a survey of member banks and reported data and findings that reflect the current activities and expectations surrounding mortgage lending.

ARMCO Mortgage QC Industry Trends Reports. ARMCO, a mortgage quality control software provider, issues a quarterly industry trend report that publishes analyses of

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[69] Beginning in January 2018, the Bureau published a series of RFIs seeking comment on enforcement, supervision, rulemaking, market monitoring, complaint handling, and education activities. These RFIs provided an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities. Altogether, over 88,000 comments were received across 12 dockets. For comments on the Adopted Regulations and New Rulemaking Authorities Request for Information, *see* https://www.regulations.gov/docket?D=CFPB-2018-0011. For comments on the Bureau's Inherited Regulations and Inherited Rulemaking Authorities Request for Information, *see* https://www.regulations.gov/docket?D=CFPB-2018-0012.

quality control findings. The information contained in these reports comes from post-closing quality control data from lenders. These reports allow for a pre- and post-TRID Rule analysis of loan quality defect rates.

CUNA Regulation Impact Study. The Credit Union National Association (CUNA), published a study that collected cost data and analyzed the effect that regulations, including the TRID Rule, have had on credit unions and how these effects have changed over time.

NAR Survey. The National Association of Realtors (NAR) surveyed their members in December 2019 to evaluate members' impressions of, and current experiences with, the TRID Rule.

1.2.3 Analysis and challenges to assessing effectiveness

Wherever possible, this assessment analyzed available data to estimate changes in measures and determine whether these changes are attributable to the TRID Rule. However, in many cases, it is not possible to attribute changes to the TRID Rule given the data available to the Bureau.

The primary challenge is establishing a counterfactual—what would have occurred were it not for the Rule—to provide a baseline for evaluating the effects of the Rule. In empirical analysis such as this, a counterfactual to an event or change is often established by taking measurements from a group that is similar to the affected group but which itself was not affected by the change. The TRID Rule, however, covered almost all residential mortgages, so finding a comparable group that is unaffected by the Rule is, in most cases, prohibitively difficult.

The next challenge is that the Rule may have affected some measures through multiple paths, in which case it is difficult to isolate specific effects. For example, the Bureau heard both that creditors would pass through higher origination costs to consumers through higher prices (as evidenced by higher mortgage rates or settlement fees) and that consumers would use the new forms to obtain cheaper loans (as evidenced by lower mortgages rates or lower settlement fees). The Rule may have had both effects, but the available data only allow the Bureau to estimate the net change in these prices, not to isolate the separate effects.

Finally, to accurately estimate the average effects of the Rule generally requires accurate data that are representative of the affected population. However, estimates of certain effects in this assessment relied on non-representative data. These data are informative of the effects of the Rule on the respondents and on individuals and firms similar to the respondents, but not necessarily informative of the effects of the Rule overall. Similarly, the data may suffer from measurement or reporting errors. For example, because firms typically neither keep running totals of costs associated with implementing a specific rule nor keep records of changes to operating expenses due to a specific rule,[70] certain data, such as the TRID Assessment Industry Survey data, relied on the individuals' abilities to make these distinctions long after the fact. These data, therefore, are subject to recall errors that could reduce their accuracy. Indeed, in some cases, respondents reported difficulty providing accurate estimates of measures from before the TRID Rule took effect.[71]

When it is not possible to reliably estimate the counterfactual value of a measure, the analyses rely on comparing measures before and after the Rule took effect. This is an imperfect approximation of the effect of the Rule because it does not consider how the market would have changed were it not for the Rule. This approach can establish correlations between the Rule and changes in measures—however, it does not permit the Bureau to differentiate between whether such changes (or lack thereof) were caused in part by the Rule or instead by some other factors in the marketplace.

Given the challenges and limitations of analysis in this report, this report: (1) is cautious about attributing observed changes to the Rule; (2) attempts to identify possible alternative explanations for changes; and (3) attempts to present evidence in a way that readers can themselves gauge the strength of the evidence of particular effects.

1.3 Report overview

Chapter 2 provides background for, and an overview of, the TRID Rule. Chapter 3 discusses how the TRID Rule may have directly affected consumers. Chapter 4 considers the potential direct effects of the Rule on firms, including both firms related to real estate settlement and mortgage lenders. Chapter 6 considers whether the Rule affected mortgage-related markets, as

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[70] This was described in the Bureau's compliance cost study: "The personnel, processes, and systems required to comply with a particular regulation are frequently intertwined with the operations of the business itself or with operations to comply with other regulations or standards. Moreover, financial institutions generally do not track consistently or comprehensively the compliance costs associated with particular regulations. One cannot determine compliance costs for a regulation by looking at an institution's financial statements and regulatory filings." *See,* Bureau of Consumer Fin. Prot.*, Understanding the Effects of Certain Deposit Regulations on Financial Institutions' Operations*, p 24. (Nov. 2013), https://files.consumerfinance.gov/f/201311_cfpb_report_findings-relative-costs.pdf. In addition, responses to the November 2019 RFI confirmed these challenges in collecting cost data retrospectively. For example, a joint letter from trade groups stated that that precise cost estimates would be very difficult to obtain both because historical costs were not labeled as TRID implementation costs and because it would be difficult to distinguish between costs specific to the TRID Rule versus other mortgage regulations.

[71] Id.

evidenced by shifts in interest rates, application and origination volumes, and mortgage closing times for various types of mortgage.

2. The TRID Rule

2.1 Overview of TRID Rule requirements

This section describes the scope and major substantive provisions of the TRID Rule.

2.1.1 Scope of the TRID Rule

The TRID Rule generally requires that both a Loan Estimate and Closing Disclosure be provided for closed-end consumer credit transactions secured by real property or a cooperative unit.[72] Accordingly, the TRID Rule applies to certain types of mortgages which were previously exempt from Regulation X or Regulation Z, such as mortgages secured by 25 acres or more, construction-only loans, and vacant-land loans. Open-end Home Equity Lines of Credit (HELOCs) are not subject to the TRID Rule, nor are chattel-dwelling loans (as they are not secured by real property). In addition, the TRID Rule specifically exempts reverse mortgages.

2.2 Statutory background

Before the TRID Rule, Federal law generally required that consumers applying for mortgages receive two different forms, one with disclosures regarding the cost of credit and another concerning real estate settlement costs. Shortly before closing on the loan, consumers received two additional forms; again, one regarding the cost of credit and another concerning real estate settlement costs. These disclosure forms were required by two distinct federal statutes, TILA and RESPA. Prior to the Bureau's creation, two federal agencies, the Board of Governors of the Federal Reserve System (Board) and the U.S. Department of Housing and Urban Development (HUD), developed and oversaw these disclosures.

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[72] 12 C.F.R. § 1026.19(e)(1)(i) and (f)(1)(i).

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 required the Board and HUD to "simplify and improve the disclosures applicable to [credit transactions which are subject to TILA and RESPA], including the timing of the disclosures; and to provide a single format for such disclosures which will satisfy the requirements of [TILA and RESPA]."[73] The Act also provided that if the agencies found that legislative action might be necessary or appropriate to simplify and unify the disclosures, they were to submit a report to Congress containing recommendations for any necessary legislation.[74]

The Board and HUD did not propose an integrated disclosure pursuant to this legislation. Instead, in July 1998, the Board and HUD issued a joint report concluding that "meaningful change could come only through legislation" and providing Congress with the Board's and HUD's recommendations for revising TILA and RESPA.[75] In 2008, HUD issued a final rule that created a new form, called the Good Faith Estimate (GFE), provided delivery of the GFE early in the mortgage origination process, established tolerances for estimated settlement costs, modified the RESPA settlement statement (HUD-1), and made other changes to the forms disclosed pursuant to RESPA.[76] HUD stated that its rule was intended to make the process of obtaining mortgage financing clearer and, ultimately, less costly to consumers.[77] Notably, HUD determined the GFE would best meet the needs of borrowers to shop and compare loans from different loan originators, without burdening consumers with extraneous information.[78] Compliance with HUD's requirements was required on January 1, 2010.[79]

In 2010, the Dodd-Frank Act directed the Bureau to integrate the mortgage disclosures under TILA and RESPA sections 4 and 5.[80] The Dodd-Frank Act amended RESPA section 4(a) and TILA section 105(b) to require that the Bureau "publish a single, integrated disclosure for mortgage transactions (including real estate settlement cost statements) which includes the

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[73] The Economic Growth and Regulatory Paperwork Reduction Act of 1996, Pub. No. 104-208, § 2101, 110 Stat. at 3009-398 (1996).

[74] Id.

[75] Bd. of Governors of the Fed. Reserve Sys. and U.S. Dep't of Hous. and Urban Dev., *Joint Report to the Congress Concerning Reform to the Truth in Lending Act and the Real Estate Settlement Procedures Act* (July 1998), https://www.federalreserve.gov/boarddocs/rptcongress/tila.pdf.

[76] 73 Fed. Reg. 68203, 68204-68288 (Nov. 17, 2008).

[77] *Id.* at 68204.

[78] *Id.* at 68208-09.

[79] *Id.* at 69204.

[80] Sections 1098 and 1100A of the Dodd-Frank Act, codified at 12 U.S.C. § 2603(a) and 15 U.S.C. § 1604(b).

disclosure requirements of [TILA and sections 4 and 5 of RESPA]."[81] While Regulation X already required a standard form for RESPA disclosures,[82] the use of model forms under Regulation Z was not previously required because TILA section 105(b) explicitly provides that "[n]othing in [TILA] may be construed to require a creditor . . . to use any such model form or clause prescribed by the Bureau under this section."[83] The Dodd-Frank Act mandated that the Bureau by July 21, 2012, propose and seek public comment on rules and model disclosures that integrate the TILA and RESPA disclosures. [84]

Germane to the integrated disclosure requirements contained in title X of the Dodd-Frank Act, various provisions of title XIV of the Dodd-Frank Act amend TILA, RESPA, and other consumer financial laws to impose new disclosure requirements for mortgage transactions (Title XIV Disclosures). These provisions generally require disclosure of certain information when a consumer applies for a mortgage or shortly before consummation of the loan, around the same time that consumers will receive the TILA-RESPA integrated disclosures required by the Dodd-Frank Act,[85] and, in some cases, after consummation of the loan.

The Title XIV Disclosures include the following:

- Warning regarding negative amortization features that may be applicable. Dodd-Frank Act section 1414(a); TILA section 129C(f)(1).[86]

- Disclosure of State law anti-deficiency protections. Dodd-Frank Act section 1414(c); TILA section 129C(g)(2) and (3).[87]

- Disclosure regarding creditor's partial payment policy prior to consummation and, for new creditors, after consummation. Dodd-Frank Act section 1414(d); TILA section 129C(h).[88]

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[81] 12 U.S.C. § 2603(a) and 15 U.S.C. § 1604(b).

[82] 12 C.F.R. § 1024.8.

[83] 15 U.S.C. § 1604(b).

[84] Section 1032(f) of the Dodd-Frank Act, (codified at 12 U.S.C. § 5532(f)).

[85] 12 U.S.C. §§ 1032(f), 1098, and 1100A.

[86] 15 U.S.C. § 1639c(f)(1).

[87] 15 U.S.C. § 1639c(g)(2) and (3).

[88] 15 U.S.C. § 1639c(h).

- Disclosure regarding mandatory escrow or impound accounts. Dodd-Frank Act section 1461(a); TILA section 129D(h).[89]

- Disclosure prior to consummation regarding waiver of escrow in connection with the transaction. Dodd-Frank Act section 1462; TILA section 129D(j)(1)(A).[90]

- Disclosure regarding cancellation of escrow after consummation. Dodd-Frank Act section 1462; TILA section 129D(j)(1)(B).[91]

- Disclosure of monthly payment, including escrow, at initial and fully-indexed rate for variable-rate residential mortgage transactions. Dodd-Frank Act section 1419; TILA section 128(a)(16).[92]

- A repayment analysis disclosure that includes the amount of escrow payments for taxes and insurance. Dodd-Frank Act section 1465; TILA section 128(b)(4).[93]

- Disclosure of aggregate amount of settlement charges, amount of charges included in the loan and the amount of such charges the borrower must pay at closing, and the aggregate amount of other fees or required payments in connection with a residential mortgage. Dodd-Frank Act section 1419; TILA section 128(a)(17).[94]

- Disclosure of aggregate amount of mortgage originator fees and the amount of fees paid by the consumer and the creditor. Dodd-Frank Act section 1419; TILA section 128(a)(18).[95]

- Disclosure of total interest as a percentage of principal. Dodd-Frank Act section 1419; TILA section 128(a)(19).[96]

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[89] 15 U.S.C. § 1639d(h).

[90] 15 U.S.C. § 1639d(j)(1)(A).

[91] 15 U.S.C. § 1639d(j)(1)(B).

[92] 15 U.S.C. § 1638(a)(16).

[93] 15 U.S.C. § 1638(b)(4).

[94] 15 U.S.C. § 1638(a)(17).

[95] 15 U.S.C. § 1638(a)(18).

[96] 15 U.S.C. § 1638(a)(19).

2.2.1 Major provisions of the TRID Rule

This section describes the major topics addressed in the TRID Rule. Unlike prior TILA mortgage disclosure requirements, the TRID Rule generally does not permit creditors to make changes to the standardized forms.[97]

Loan Estimate Content. The TRID Rule's Loan Estimate form implements the Dodd-Frank Act's directive to combine disclosures, as discussed above, by integrating the GFE and the early TILA disclosure, as well as certain Title XIV Disclosures. The TRID Rule provides detailed instructions on how each line of the Loan Estimate form should be completed,[98] together with sample forms for different types of loan products.[99]

Loan Estimate Timing. The TRID Rule requires the creditor or broker to give the Loan Estimate to the consumer within three business days after the consumer applies for a mortgage.[100] The TRID Rule defines an "application" for these purposes, namely, the consumer's name, income, social security number to obtain a credit report, the property address, an estimate of the value of the property, and the mortgage amount sought.[101]

Loan Estimate Provision. Recognizing that consumers may work closely with a mortgage broker, under the TRID Rule either a mortgage broker or creditor is required to provide the Loan Estimate upon receipt of an application by a mortgage broker.[102] Prior to the TRID Rule, Regulation X required a mortgage broker to provide the GFE "not later than three business days" after receiving information "sufficient to complete an application."[103] Under Regulation

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[97] 12 C.F.R. § 1026.37(o)(3); 12 C.F.R. § 1026.38(t)(3). *See also* 78 Fed. Reg. 79730, 79993-94 (Dec. 31, 2013) ("The Bureau stated its belief in the proposal that disclosure of the settlement costs alone, without the context provided by the credit terms, is [] far less effective… Accordingly, the Bureau stated its belief in the proposal that it is authorized under [RESPA] section 19(a) to require the standard form for the disclosure of all of the information it contains, both settlement costs and credit terms alike.").

[98] *See* 12 C.F.R. § 1026.37 and its commentary.

[99]Appendix H to Regulation Z provides examples of how to fill out the Loan Estimate for a variety of different loans, including loans with fixed or adjustable rates or features such as balloon payments and prepayment penalties.

[100] *See* 12 C.F.R. § 1026.19(e)(1)(iii).

[101] *See* 12 C.F.R. § 1026.2(a)(3). Consistent with prior requirements, the creditor generally cannot impose any fees on a consumer in connection with a consumer's application (other than a fee for obtaining the consumer's credit report) until after the consumer has received the Loan Estimate and the consumer has indicated an intent to proceed with the transaction. *See* C.F.R. § 1026.19(e)(2)(i).

[102] 12 C.F.R. § 1026.19(e)(1)(ii).

[103] 12 C.F.R. § 1024.7(b)(1). This provision continues to apply with respect to mortgages not subject to the TRID Rule.

X, the creditor was responsible for ascertaining whether the GFE had been provided if provided by a mortgage broker.[104] Prior to the TRID Rule, the TILA disclosure requirements under Regulation Z did not apply to mortgage brokers.[105] The TRID Rule reconciled these differences by making the creditor responsible for the accuracy of the Loan Estimate and ensuring that the form is provided to the consumer within three business days of the mortgage broker receiving the six specific items which constitute an application.[106]

Closing Disclosure Content. The TRID Rule's Closing Disclosure form implements the Dodd-Frank Act's directive to combine disclosures, as discussed above, by integrating the RESPA settlement statement and final TILA disclosure, as well as certain Title XIV Disclosures. The TRID Rule provides detailed instructions as to how each line on the Closing Disclosure form should be completed,[107] together with sample forms for different types of loan products.[108]

Closing Disclosure Timing. The TRID Rule integrated the timing requirements of the TILA final disclosure and RESPA settlement statement by generally requiring that the creditor ensure the consumer receives the Closing Disclosure no later than three business days before closing.[109] The three-business-day period is intended to provide consumers with sufficient time to identify whether and how the terms of their loans or their transactions may have changed from what creditors or mortgage brokers had previously disclosed to them.[110] To prevent closing delays, the TRID Rule allows creditors to update Closing Disclosures in certain circumstances without triggering an additional three-business-day waiting period.[111] If, between the time the Closing Disclosure is first provided and consummation, the loan's APR becomes inaccurate (over and

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[104] Id.

[105] 78 Fed. Reg. 79730, 79799 (Dec. 31, 2013).

[106] *See* 12 C.F.R. § 1026.19(e)(1)(ii). The TRID Rule also permits creditors and other persons to provide consumers with written estimates prior to application but requires that any such written estimates contain a disclaimer to prevent confusion with the Loan Estimate form. 12 C.F.R. §1026.19(e)(2)(ii). This disclaimer is not required for advertisements. *See* comment 19(e)(2)(ii)-1.

[107] *See* 12 C.F.R. § 1026.38 and its commentary.

[108] Appendix H of Regulation Z provides examples of how to fill out the Closing Disclosure for a variety of loans, including loans with fixed or adjustable rates or features such as balloon payments or prepayment penalties.

[109] *See* 12 C.F.R. § 1026.19(f)(1)(ii). TILA, as implemented by Regulation Z, generally provides that, if the early TILA disclosures contain an APR that becomes inaccurate, the creditor shall furnish corrected TILA disclosures so that they are received by the consumer not later than three business days before consummation. On the other hand, RESPA and Regulation X generally require that the RESPA settlement statement be provided to the borrower at or before settlement.

[110] 78 Fed. Reg. 79730, 80086 (Dec. 31, 2013).

[111] *See* 12 C.F.R. § 1026.19(f)(2)(i).

above the specified tolerance level), the loan product changes, or a prepayment penalty is added, a corrected Closing Disclosure must be issued with an additional three-business-day review period.[112] All other changes to the Closing Disclosure may be made without an additional three-business-day review period, but a corrected Closing Disclosure must be provided at or before loan closing.[113]

Closing Disclosure Provision. Previously, settlement agents were required to provide the RESPA settlement statement, while creditors were required to provide the final TILA disclosure.[114] Under the TRID Rule, the creditor is responsible for complying with the TRID Rule's requirements regarding the Closing Disclosure form, whether delivered to the consumer by the creditor or a settlement agent.[115]

Tolerance Rules. The TRID Rule also changed the tolerance rules that limit creditors and third-party service providers from charging consumers settlement costs that exceed the estimates that had been previously disclosed. The GFE tolerance rules generally place charges into three categories: (1) the creditor's charges for its own services, which cannot exceed the creditor's estimates unless an exception applies ("zero tolerance"); (2) charges for settlement services provided by third parties, which cannot exceed estimated amounts by more than ten percent unless an exception applies ("ten percent tolerance"); and (3) other charges that are not subject to any limitation on increases ("no tolerance limit").[116]

The TRID Rule subjects a larger category of charges to a "zero tolerance" prohibition on cost increases than was the case previously under RESPA. Specifically, the TRID Rule expands that "zero tolerance" category to also include fees charged by affiliates of creditors, fees charged by service providers selected by the creditor, and fees for services for which the creditor does not permit consumers to shop. However, if there is a valid justification for the cost increase, such as if the consumer asks for a change, the consumer chooses a service provider that was not identified by the creditor, or the information provided at application was inaccurate or becomes inaccurate, the creditor can "reset" the tolerance limits by providing a revised Loan Estimate or a Closing Disclosure within three business days with the updated costs.[117] Additionally, the

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[112] 12 C.F.R. § 1026.19(f)(2)(ii).

[113] 12 C.F.R. § 1026.19(f)(2).

[114] 78 Fed. Reg. 79730, 79860 (Dec. 31, 2013).

[115] *See* 12 C.F.R. § 1026.19(f)(1)(v).

[116] 12 C.F.R. § 1024.7(e).

[117] *See* 12 C.F.R. § 1026.19(e)(3) and (4).

TRID Rule retains Regulation X's provisions which allow creditors to "cure" tolerance violations through providing a refund to the consumer, of the amount by which the tolerance was exceeded.[118]

2.3 Development of the TILA-RESPA Integrated Disclosures

This section provides an overview of the Bureau's development of TRID Rule provisions and forms. More detailed information on TRID development, including testing of the forms, is contained in the 2013 Final Rule, as well as in several reports.[119]

In developing the Loan Estimate and Closing Disclosure forms, the Bureau reconciled the differences between the existing forms and combined several mandated Title XIV Disclosures on those forms, as discussed above.

The TRID Rule generally requires that all creditors use standardized forms, with consistent formatting, to ensure that consumers get information in the same way across multiple applications, including applications to different creditors or for different loan products.[120]

In consideration of the risk of information overload, the Bureau created a graphic design that used as few words as possible when presenting the key loan and cost information. Accordingly, the Bureau decided to limit the content of the disclosures to loan terms and cost information, and to provide educational material through separate, more-comprehensive materials such as the Special Information Booklet (also known as Your Home Loan Toolkit) required by section 5

[118] Whereas Regulation X allows creditors to cure tolerance violations by providing the refund 30 days after settlement, for tolerance violations under the TRID Rule the cure period was lengthened to 60 days after consummation. 12 C.F.R. § 1024.7(i); 12 C.F.R. § 1026.19(f)(2)(v).

[119] Kleimann Commc'n Group, Inc., *Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures* (Pre-Proposal Qualitative Testing Report), (2012), https://files.consumerfinance.gov/f/201207_cfpb_report_tila-respa-testing.pdf; Kleimann Commc'n Group, Inc., *Post-Proposal Testing of the Spanish and Refinance Integrated TILA-RESPA Disclosures* Post (November 2013), https://files.consumerfinance.gov/f/201311_cfpb_report_tila-respa_testing-spanish-refinancing.pdf; Kleimann Commc'n Group, Inc., *Quantitative Study of the Current and Integrated TILA-RESPA Disclosures* (2013), https://files.consumerfinance.gov/f/201311_cfpb_study_tila-respa_disclosure-comparison.pdf; 78 Fed. Reg. 79730 (Dec. 31, 2013).

[120] 12 C.F.R. §§ 1026.37(o)(3)(i) and 1026.38(t)(3)(i); *see also* 78 Fed. Reg. 79730, 80079 (Dec. 31, 2013).

of RESPA.[121] In addition, the Bureau anticipated that it would provide additional educational information and tools on its Web site and place a Web site link on the integrated disclosures, obviating the need to place educational material on the disclosures.[122]

2.3.1 Public and Industry Outreach

The extensive changes in the TRID disclosure forms meant that a wide range of stakeholders would be affected by the integrated disclosures, even if they were not directly responsible for preparing the proposed disclosure forms. And so, beginning in 2010, the Bureau conducted outreach to stakeholders, including consumer advocacy groups, other regulatory agencies, industry representatives, and trade associations.

In February 2012, the Bureau convened a Small Business Review Panel under the Small Business Regulatory Enforcement Fairness Act (SBREFA) in coordination with the Chief Counsel for Advocacy of the Small Business Administration (SBA) and the Administrator of the Office of Information and Regulatory Affairs within the Office of Management and Budget (OMB).[123] The Small Business Review Panel gathered information from representatives of small lenders, mortgage brokers, settlement agents, and not-for-profit organizations and made findings and recommendations regarding the potential compliance costs and other effects of the proposed rule on those entities. These findings and recommendations are set forth in the Small Business Review Panel Report.[124]

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[121] 78 Fed. Reg. 79730, 79742 (Dec. 31, 2013).

[122] *Id.* at 79742-43.

[123] The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) requires the Bureau to convene a Small Business Review Panel before proposing a rule that may have a substantial economic impact on a significant number of small entities. *See* Pub. L. No. 104-121, tit. II, 110 Stat. 847, 857 (1996) (as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 204 (2007)).

[124] Bureau of Consumer Fin. Prot., Final Report of the Small Business Review Panel on CFPB's Proposals Under Consideration for Integration of TILA and RESPA Mortgage Disclosure Requirements (Apr. 23, 2012), https://files.consumerfinance.gov/f/201207_cfpb_report_tila-respa-sbrefa-feedback.pdf.

2.3.2 Pre-proposal Form Development and Qualitative Testing

From January through May 2011, the Bureau and a consumer testing and research contractor developed a plan to design integrated disclosure prototypes and to conduct qualitative usability testing, consisting of one-on-one cognitive interviews (Qualitative Study).[125] The Bureau and the contractor collaboratively developed several prototype Loan Estimates and Closing Disclosures. To ensure that the Loan Estimate enabled consumers to understand and compare the terms and costs of the loan, the Bureau next began a process of iterative design and testing. In May 2011, the Bureau and the contractor tested two prototype designs of the Loan Estimate in one-on-one interviews with both consumers and industry participants. The results of these tests informed two new form designs, and these forms were similarly tested. In all, the Bureau conducted five such iterations of form design and qualitative testing, from May to October 2011, in five large, medium, and small-sized cities across the country.

Similar iterative testing of prototype Closing Disclosures took place from November 2011 until March 2012.[126] Participants were asked to compare prototype Loan Estimate and Closing Disclosure forms and to identify changes in terms and costs.[127] The iterative testing demonstrated that the design and information similarities between the prototype Loan Estimate and the Closing Disclosure forms allowed consumers to better identify aspects that differed between the Loan Estimate and Closing Disclosure. More generally, respondents were also able to comprehend the key features of the loan and the costs and compare across similar Loan Estimates to choose the loan that worked best for their personal situations.[128] Both experienced and inexperienced participants were able to identify increased costs, new fees, and fees that had shifted categories by comparing the Loan Estimate and Closing Disclosure.[129] Based on these tests, the Bureau concluded that both the tested Loan Estimate and Closing Disclosure worked well for consumers.[130]

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[125] *See* 78 Fed. Reg. 79730, 79743-44 (Dec. 31, 2013).

[126] *See* Kleimann Commc'n Group, Inc., *Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures,* p. 38 (2012), https://files.consumerfinance.gov/f/201207_cfpb_report_tila-respa-testing.pdf.

[127] *Id.* at 30-38.

[128] *Id.* at 270.

[129] *Id.* at 291.

[130] *Id.* at 270.

2.3.3 July 2012 Proposal

The Bureau issued a proposed TRID rule with combined disclosure forms on July 9, 2012 (July 2012 Proposal), and published it in the *Federal Register* on August 23, 2012.[131] The Bureau received over 2,800 comments on the July 2012 Proposal during the comment period. Several of these comment letters questioned the ability of consumers to understand when they would receive funds from a refinance transaction in the context of the new disclosures. Accordingly, the Bureau determined that testing modified integrated disclosures for refinance transactions (and other transactions without sellers) would be appropriate.[132]

2.3.4 Post-July 2012 Proposal Testing

After the July 2012 Proposal, the Bureau did additional qualitative testing of Spanish translations of the integrated disclosures[133] and modified versions of the integrated disclosures for transactions without sellers (in particular, refinance transactions). The post-proposal qualitative testing used the same methodology as the pre-proposal qualitative testing, except that the testing did not include industry participants because the focus of the testing was on consumer understanding of specific aspects of the integrated disclosures.[134]

The Bureau conducted four rounds of Spanish language testing between October 2012 and July 2013. The post-proposal Spanish qualitative testing included 29 consumers in total. The first three rounds of Spanish qualitative consumer testing used Spanish translations of the integrated disclosure substantially as proposed but with modifications to both accommodate the additional space necessary for the Spanish language text and to reorder certain disclosures so that they would remain alphabetized like the English language versions. The fourth round used prototype integrated disclosures that included the potential modifications to the integrated disclosures the

[131] 77 Fed. Reg. 5116, 5116-57 (Aug. 23, 2012).

[132] 78 Fed. Reg. 79730, 79746 (Dec. 31, 2013).

[133] Prior to issuing the July 2012 Proposal, the Bureau conducted two rounds of testing of Spanish-language disclosures.

[134] 78 Fed. Reg. 79730, 79746 (Dec. 31, 2013).

Bureau was considering based on the public comments to the proposed rule, including the modifications for transactions without sellers, as discussed below.[135]

The Bureau conducted three rounds of qualitative testing between June 2013 and July 2013 on the alternative forms for transactions without sellers. This post-proposal qualitative consumer testing included 21 consumers in total. A detailed discussion of the Spanish-language and refinance testing was also included in the Post-Proposal Testing Report.[136]

2.3.5 Quantitative Study

Between May and June 2013, the Bureau also conducted validation testing, in the form of a quantitative study, of the integrated disclosures to confirm that the disclosures aid consumers' understanding of mortgage transactions and evaluate the performance of the forms against the previously required GFE, RESPA settlement statement, and early and final TILA disclosures (Quantitative Study). Through a series of comprehension questions, the Quantitative Study examined whether the forms improved consumers' ability to identify and compare loan terms and costs, compare different loan offers, and identify and compare changes between estimated and final loan terms and costs.

The Quantitative Study demonstrated large improvements for respondents who were provided with the proposed integrated disclosures. Respondents who were provided the previously required GFE, RESPA settlement statement, and early and final TILA disclosures answered 59.3 percent of questions correctly. Respondents who were provided the proposed TRID disclosures answered 76.2 percent of questions correctly. The difference (16.9 percentage points) was statistically significant and persisted when responses were disaggregated by either respondent experience or features of the disclosed mortgages.[137]

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[135] For a detailed discussion of this testing, see the report: Kleimann Commc'n Group, Inc., *Post-Proposal Testing of the Spanish and Refinance Integrated TILA-RESPA Disclosures* (2013), https://files.consumerfinance.gov/f/201311_cfpb_report_tila-respa_testing-spanish-refinancing.pdf.

[136] Id.

[137] Id.

2.3.6 2013 Final Rule

The Bureau published the 2013 Final Rule in the *Federal Register* on December 31, 2013. Generally, the final rule's provisions applied to covered loans for which the creditor or mortgage broker received an application on or after the rule's effective date.[138] The major rule provisions are discussed in Section 1.2.2 above. In addition to adopting the proposal's Loan Estimate and Closing Disclosure forms, the final rule also adopted Spanish translations and modified versions for transactions without sellers.

2.3.7 Amendments to the 2013 Final Rule

The Bureau has amended the 2013 Final Rule four times since it was issued.

January 2015 Amendments. The Bureau issued amendments to the Rule on January 18, 2015.[139] These amendments extended the timing requirements for revised disclosures when consumers lock a rate or extend a rate lock after the Loan Estimate is provided, permitted certain language related to construction loans for transactions involving new construction on the Loan Estimate, and made non-substantive corrections and clarifications.

July 2015 Amendments. The Bureau issued amendments to the Rule on July 20, 2015[140] to delay the effective date of the TRID Rule from August 1, 2015 until October 3, 2015, and make minor technical corrections.

July 2017 Amendments. The Bureau issued amendments to the Rule on July 6, 2017[141] to memorialize certain prior informal guidance provided through webinar, compliance guide, or otherwise. This rulemaking also provided additional clarifications and made technical corrections and a limited number of additional substantive changes, including:

- establishing express tolerances for the total of payments to parallel the existing provisions pertaining to the finance charge;

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[138] 78 Fed. Reg. 79730 (Dec. 31, 2013), 80 Fed. Reg. 43911 (July 24, 2015). Certain provisions of the TRID Rule (*e.g.*, 12 C.F.R. §§ 1026.19(e)(2), 1026.28(a)(1), and the commentary to 1026.29) became effective on Oct. 3, 2015, without respect to whether an application was received. As noted below, the 2013 TILA-RESPA Final Rule had an initial effective date of Aug. 1, 2015, that was extended to Oct. 3, 2015, in the July 2015 final rule.

[139] 80 Fed. Reg. 8767 (Feb. 19, 2015).

[140] 80 Fed. Reg. 43911 (July 24, 2015).

[141] 82 Fed. Reg. 37656 (Aug. 11, 2017).

- expanding the scope of the partial exemption for certain non-interest-bearing subordinate lien transactions that provide down payment and other homeowner assistance and providing additional flexibility when loans satisfy this partial exemption;
- requiring provision of the integrated disclosures in transactions involving cooperative units, whether or not cooperatives are classified under State law as real property; and
- incorporating and expanding upon previous guidance to provide greater clarity on sharing disclosures with various parties during the mortgage origination process.

April 2018 Amendments. The Bureau issued amendments to the Rule on April 26, 2018,[142] concerning when a creditor may compare charges paid by or imposed on a consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.

2.4 Benefit-Cost Background

This section discusses evidence of perceived benefits and cost-savings to certain statutes and rules. This discussion does not represent Bureau interpretation of the statutes or rules discussed herein. Rather, this discussion relies on primary sources and several background sources, including Thomas Durkin and Gregory Elliehausen, *Truth in Lending: Theory, History, and a Way Forward* (Oxford University Press 2011).

2.4.1 TILA

Prior to TILA, the regulation of consumer credit was primarily in the hands of individual States, and information disclosed to consumers about credit products could be limited and inconsistent across products.[143] Several studies confirmed the difficulties consumers had in finding a

[142] 83 Fed. Reg. 19159 (May 2, 2018).

[143] National Commission on Consumer Finance, *Consumer Credit in the United States: The Report of the National Commission on Consumer Finance*, p. 169 (1972), https://books.google.com/books?id=xXXznAEACAAJ.

uniform basis for comparing finance charges given differences in amount and maturity of credit.[144]

TILA was passed with a goal of promoting the informed use of credit.[145] The Senator introducing the bill added that the three principles of the bill were:[146] (1) providing full disclosure of the cost of credit to consumers, (2) making the disclosure of credit (through APR) uniform across sources of credit, and (3) disclosing the cost of credit in terms consumers can understand.[147] Congress had amended TILA and both the Board and the Bureau have revised the regulation that implements it, Regulation Z, many times, often in an effort to better achieve TILA's goal or to reduce costs of compliance.[148]

2.4.2 RESPA

A 1972 joint report to Congress, from HUD, and the United States Department of Veterans Affairs (VA) concluded that, among other things: settlement-related costs to consumers varied widely; buyers seldom chose, or realize they could choose, their settlement service providers; and competitive forces manifested in referral fees and kickbacks rather than in price competition.[149] At that time, HUD and the VA were authorized to prescribe standards for settlement costs,[150] but neither agency exercised this authority.[151]

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[144] *Id.* at 170.

[145] Section 102(a) of the Truth in Lending Act, (codified to 15 U.S.C. § 1601(a)).

[146] Consumer Credit Protection Act, Pub. L. No. 90-321, 82 Stat. 146 (1968).

[147] Thomas Durkin, *Truth in Lending: Theory, History, and a Way Forward,* at p.6-7. (Oxford University Press 2011). (cites Sen. William Proxmire, Introductory Remarks to Accompany S.5. *Congressional Record*, p. S1202 (Jan. 11, 1967)).

[148] TILA was amended 22 times between 1970 and 1998 and three more times between 2005 and 2009. Thomas Durkin, *Truth in Lending: Theory, History, and a Way Forward,* at p.9 and p.11 (Oxford University Press 2011). In particular, in 1980 Congress adopted the Truth in Lending Simplification and Reform Act, which mandated that the Board provide optional model forms that that would provide a legal safe harbor for creditors who used them correctly.

[149] U.S. Dept of Housing and Urban Development and Veterans Admin., Mortgage Settlement Costs (1972), reprinted in Real Estate Settlement Costs, FHA Mortgage Foreclosures, Housing Abandonment, and Site Selection Policies: Hearings on H.R. 13337 Before the Subcommittee on Housing of the House Comm. on Banking and Currency, 92d Cong., 2d Sess., p. 735 (1972), https://books.google.com/books?id=26jr5H_qNN0C&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false.

[150] Section 701(a) of the Emergency Home Finance Act of 1970, (codified at 12 § U.S.C. 1701).

[151] Charles G. Field, *RESPA in a Nutshell*, Real Property, Probate and Trust Journal, vol. 11, no. 3, p 448 (Fall 1976).

RESPA was passed with the goal, among others, of ensuring that consumers are "provided with greater and more timely information on the nature and costs of the settlement process."[152] Furthermore, by mandating the provision of information booklets, RESPA was intended "to help [borrowers] to understand the nature and costs of real estate settlement services."[153] Writing two years after RESPA passed, HUD's Acting Director of the Real Property Practices Staff in the Office of Consumer Affairs and Regulatory Functions stated that he viewed RESPA as intended to give consumers sufficient information at an early enough time to: (1) reduce consumer frustration and anger at settlement when they were surprised by a "new set of costs about which they had not been formerly notified," (2) permit shopping in the marketplace for the best settlement services and costs, and thereby (3) increase efficiency of settlement service activities.[154] Congress amended RESPA and HUD and the Bureau revised the regulation that implements it, Regulation X, many times, often to better achieve RESPA's goals or to reduce costs of compliance.

2.4.3 Integration efforts prior to The Dodd-Frank Act

Although the Board and HUD did not propose an integrated disclosure pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, they issued a joint report to Congress recommending revisions to TILA and RESPA with the goals of "provid[ing] consumers with more meaningful cost information about home-secured transactions and to make compliance easier for creditors."[155] These recommendations were provided as an antidote for several perceived shortcomings of TILA and RESPA, including that: consumers may not have readily understood certain disclosures; consumers may have received disclosure forms too late to facilitate comparison shopping; cost estimates may have differed significantly from final figures, and; rules were complicated and may have posed liability risks for lenders and settlement service providers.[156]

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[152] Section 2 of RESPA, (codified at 12 U.S.C. § 2601).

[153] Section 4 of RESPA, (codified at U.S.C. § 2603).

[154] Charles G. Field, *RESPA in a Nutshell*, Real Property, Probate and Trust Journal, vol. 11, pp. 448-449. (Fall 1976).

[155] Bd. of Governors of the Fed. Res. Sys, U.S. Dep't of Hous. & Urban Dev., *Joint Report to the Congress Concerning Reform to the Truth in Lending Act and the Real Estate Settlement Procedures Act* p. i, (July 1998), https://www.federalreserve.gov/boarddocs/rptcongress/tila.pdf.

[156] *Id.* at pp. ii-iii.

HUD recognized many of the same issues when it proposed and finalized its 2008 rule,[157] with the goals of "simplify[ing] and improv[ing] the process of obtaining home mortgages and to reduce settlement costs for consumers."[158] In its impact analysis of the rule, HUD estimated its rule would save the average consumer between $518 and $670 per loan, and that this benefit was primarily generated by the expectation that its rule would allow for more efficient shopping by consumers, that this would, in turn, create more competition among firms, and that together these would result in lower origination fees and lower settlement fees for consumers.[159]

2.4.4 The TRID Rule

The Dodd-Frank Act and the TRID Rule articulated several goals for the TRID Rule. These are summarized above in Chapter 1: Introduction. In addition, when the Bureau finalized the TRID Rule, it articulated several benefits and expected costs of the Rule.[160]

Expected major benefits included:[161] (1) enabling consumers to choose loans that are better for them in terms of price or loan features; (2) enabling consumers to know whether they actually got the price and loan terms that they expected; (3) better enabling consumers to compare competing offers (and therefore potentially increasing comparison shopping); (4) and giving consumers more time to ask questions, negotiate with respect to terms that have changed (between application and settlement), and otherwise adjust the loan terms or settlement costs prior to consummation.[162]

Expected costs-savings as a result of the Rule included: (1) more efficient closings,[163] and (2) net savings due to fewer different required forms resulting in lower paperwork burdens.[164]

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[157] U.S. Dep't of Hous. & Urban Dev., Office of Policy Development and Research, *Regulatory Impact Analysis and Initial Regulatory Flexibility Analysis FR-5180-P-01*, Proposed Rule to Improve the Process of Obtaining Mortgages and Reduce Consumer Costs, pp. 3-3–3-5, https://www.hud.gov/sites/documents/DOC_23716.PDF.

[158] *Id.* at p. 1-1.

[159] *Id.* pp. 3-11–3-14.

[160] 78 Fed. Reg. 79730, 80073. (Dec. 31, 2013). In addition, the Bureau published analyses pursuant to the Regulatory Flexibility Act (5 U.S.C. § 601 *et seq.*) and the Paperwork Reduction Act of 1995 (44 U.S.C. § 3501 *et seq.*). Estimates of implementation and ongoing costs are discussed in Chapter 4: Firm effects.

[161] Since the Rule's analyses of expected cost and benefits are extensive, they are here summarized but not fully. For the full accounting of the expected effects in the 2013 Final Rule, *see 78 Fed. Reg. 79730, 80073 (Dec. 31, 2013).*

[162] *Id.* at 80074.

[163] *Id.* at 80075.

[164] *Id.* at 80076.

3. Consumer effects

3.1 Introduction

This chapter assesses the TRID Rule's effectiveness in meeting the goals of the Rule specific to consumers. It also examines how the Rule affected consumers' mortgage shopping behavior, consumer satisfaction, and consumer costs in originating a mortgage. This chapter begins by summarizing the data sources used to assess consumer effects and by presenting key findings. It then briefly describes a typical consumer's experience in the mortgage marketplace, providing context for how the Rule may have affected consumer understanding and behavior. Finally, most of this chapter presents analyses describing the effects of the Rule on consumers.

As described in Chapter 1: Introduction, there are many challenges to establishing clear effects of the Rule. In this chapter, the Bureau considers several data sources, each with strengths and weaknesses. Taken together, these data sources generally provide a consistent picture that the Rule improved consumers' abilities to use mandated disclosure forms to understand their mortgages. In some cases, the evidence is mixed, so this chapter aims to present analyses in a way that readers can themselves gauge the strength of the evidence.

This chapter does not offer dollar estimates of the benefits and costs to consumers for two related reasons. First, some goals—such as increasing borrower understanding—are qualitative and not naturally expressed in dollar terms. Second, even when the goals might be quantified, translating them into dollar values requires strong assumptions and data the Bureau does not have, such as information about consumers' preferences, consideration sets, and choice strategies.

Throughout this chapter, where data are available, analyses are conducted in a way that allows for comparisons between first-time homebuyers, experienced home buyers, and refinancers. This approach is motivated through a description of the differences between these groups in this chapter's Background section. Analyses in subsequent sections describe how these groups differ by various outcome measures, however, those descriptions do not further speculate as to why those differences occurred.

3.1.1 Key Findings

- In a laboratory setting, the TRID disclosure forms improved prospective borrowers' ability to locate key mortgage information—a goal of the TRID Rule.
- The laboratory study also showed that the TRID disclosure forms improved prospective borrowers' ability to compare the features and costs of different mortgage offers—a goal of the TRID Rule.
- In a laboratory setting, the TRID disclosure forms also improved prospective borrowers' ability to compare estimated and actual loan terms and costs—a goal of the TRID Rule.
- The laboratory study addressed a fourth goal of the TRID Rule by showing that the TRID disclosure forms improved prospective borrowers' ability to understand loan estimates and loan transactions. Similarly, National Survey of Mortgage Originations (NSMO) respondents who received the TRID disclosure forms in the course of taking out their recent mortgage were *more* likely to say the forms were easy to understand and include valuable information, compared to NSMO respondents who received the pre-TRID forms. In contrast, respondents to the Loan Officer Survey reported that the TRID disclosure forms were *less* easy for consumers to understand, compared to the pre-TRID Rule forms.
- Furthermore, based on NSMO data, post-TRID Rule borrowers were:
  - *More* likely to report applying for a mortgage from more than one lender or broker. Nevertheless, most borrowers reported applying for only one mortgage.
  - *Less* likely to shop for a settlement/closing agent and *more* likely to go with a settlement/closing agent recommended by their lender, broker, or real estate agent.
  - *More* likely to have asked questions of their lender or broker, and to have sought a change in their loan or closing.
  - *More* likely to report being "very satisfied" with the information in their disclosure forms, the timeliness of their disclosure forms, the application process, and the closing process.
  - *Less* likely to say "yes" when asked if they had an adjustable-rate mortgage, among borrowers known to have an adjustable-rate mortgage based on administrative data.
  - *Less* likely to report being rushed or not given time to read documents at closing, but *more* likely to report their loan terms being different at closing.

- Since the TRID Rule took effect, the per-quarter volume of mortgage origination complaints to the Bureau has declined. The normalized rate of complaints per 10,000 mortgage originations has also declined after the date of the TRID Rule.

3.1.2 Data Sources and Measures

This chapter draws on four data sources to assess the consumer effects of the TRID Rule. Appendix C: Sources of data and information provides additional information about each of these data sources. Appendix E: Technical appendix provides additional information about the analyses conducted in this chapter.

1. *The Quantitative Study*. The Bureau conducted a controlled study of the proposed Loan Estimate and Closing Disclosure forms.[165] About half of the study's participants answered the study's questions using the pre-TRID mortgage forms, and the remaining participants used a preliminary version of the post-TRID mortgage forms. As a laboratory study, the Quantitative Study provides causal estimates of the effects of the proposed forms relative to the pre-TRID forms on many measures, including consumers' abilities to locate key information, compare loans, and comprehend terms. Although the Quantitative Study tested a preliminary version of the forms, the tested forms were substantially similar to the finalized forms, and the results are therefore relevant to assessing the Rule. A limitation of the Quantitative Study was that it was conducted in a laboratory setting, where consumers' ability to identify, compare, and understand mortgage terms in a laboratory setting may differ from their ability to do so during actual mortgage transactions.[166] The Quantitative Study is discussed in the context of the Rule in Chapter 2: The TRID Rule.

2. *The National Survey of Mortgage Originations (NSMO)*. The NSMO is a nationally representative quarterly survey of consumers who recently took out a mortgage. NSMO

[165] The Quantitative Study's goal was to validate the results of the Bureau's Qualitative Study, including confirming that the Loan Estimate and the Closing Disclosure aided consumers in understanding mortgage transactions. This includes enabling consumers to identify and compare loan terms and costs, choose between loans, and identify and compare changes between estimated and final amounts. In addition, the goal of the baseline test was to confirm that the post-TRID disclosures performed better on those measures than the pre-TRID disclosures.

[166] Laboratory studies are useful because participants' choice options and environments are closely controlled—allowing researchers to isolate the effects of certain variables (in this case, the type of disclosure form each participant sees) on decision-making. This strength may also be considered a weakness if the controlled environment of the laboratory is so different from natural environments, that this causes consumers act differently in the lab than they would outside of the lab.

data begin in 2013 and so allow comparisons of consumers' responses before and after the Rule's effective date. The NSMO provides many outcome measures relevant to consumers—including consumers' self-reported shopping behavior, satisfaction with the mortgage process, and satisfaction with their disclosure forms. A limitation of the NSMO is that it relies on consumers to recall their mortgage experiences in the previous months when the origination took place.

3. *The TRID Assessment Industry Surveys (TRID Industry Surveys).* In January 2020, the Bureau separately surveyed mortgage origination companies, closing companies, and individual loan officers and brokers operating before and after the Rule's effective date. Results from the Loan Officer Survey[167] and Closing Company Survey will be of particular focus in this chapter as the companies, lenders' loan officers, and brokers closely interact with the borrower. Respondents were asked several questions about consumer behavior and their perception of consumers' experiences. Responding to these surveys was optional and responses were anonymous. Results from these surveys therefore are not representative of all loan officers or settlement companies. In addition, in some cases, respondents were asked to recall figures or practices from before the Rule took effect in October 2015. Estimates based on these questions may be subject to recall error. Additional information about these surveys is provided in Appendix D: TRID Assessment Industry Surveys.

4. *Consumer complaints received by the CFPB.* One of the primary functions of the Bureau is collecting, investigating, and responding to consumer complaints. For purposes of this report, we reviewed 50,005 mortgage origination complaints received by the Bureau from April 1, 2013, through December 31, 2019. Appendix C: Sources of data and information provides additional background information about the consumer complaints received by the Bureau.

3.2 Background

This section describes the experience of a typical consumer who finances the purchase of a home with a mortgage or refinances an existing mortgage. Of course, each consumer's experience will differ depending on many factors. Two factors that are highlighted throughout this chapter are a consumer's experience with the housing and mortgage markets as captured by whether the

[167] Respondents to the Loan Officer Survey includes mortgage brokers as well as loan officers at banks, credit unions, and non-depository lenders.

borrower was a first-time home buyer, repeat buyer, or refinancer. Compared to first-time borrowers, consumers who have previously financed a home with a mortgage may be more familiar with mortgage terms and thus better able to understand and compare mortgage offers. Their experience may also make them better able to juggle the competing demands of home-buying and mortgage-borrowing, allowing them time to comparison shop. Conversely, the fact that experienced borrowers may have existing relationships with lenders may make them *less* likely to comparison shop. Refinancers are both experienced in the mortgage market and not constrained by the demands of the home-buying process. These differences could result in refinancers having more attention to give to the details of mortgage offers or having more time to comparison shop and compare offers, versus home buyers.

Mortgage origination occurs when a consumer finances the purchase of a property, refinances an existing mortgage, or takes out a loan using their home equity as collateral.[168] From the consumer's perspective, this process can be divided into four stages: choosing mortgage terms, shopping and applying for a mortgage, underwriting, and closing on the loan.[169] The consumer receives information from various sources throughout this process, including through mandated disclosures, and must make decisions based on this information.

Choosing mortgage terms

Choosing a mortgage can be complicated. Mortgages are composed of numerous interdependent attributes, many of which are chosen by the consumer.[170] Consumers may begin by choosing the length of the loan term (typically 30 years or 15 years); whether the interest rate is fixed or adjustable;[171] and loan type.[172] Other key mortgage terms that the consumer may be

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[168] Mortgages not covered by the TRID Rule are not discussed here. *See* Chapter 2 of this report for a description of mortgages not covered by the TRID Rule.

[169] This discussion describes these steps as successive, however they may in fact overlap. For example, it is possible that a consumer applies for a mortgage and starts underwriting with one lender but then continues shopping with other lenders. Moreover, the consumer can change loan terms and features through much of the underwriting period.

[170] Mortgage attributes are often divided into "mortgage terms" and "mortgage closing costs." Closing costs are the costs of completing a mortgage transaction, including origination fees, appraisal fees, title insurance, taxes, settlement service fees, and homeowner's insurance.

[171] Adjustable rate mortgages may differ further, including the length of the initial rate reset period and the index and margin used to adjust rates.

[172] Consumers can choose between a conventional mortgage and a mortgage guaranteed, or funded directly, by a government agency. Three government agencies that guarantee loans are the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), and the U.S. Department of Veterans Affairs (VA). USDA also lends directly to certain consumers. Within conventional mortgages, a loan can be conforming or non-conforming. Conforming loans are those that conform to GSE mortgage requirements such as minimum credit scores, maximum debt to income ratios, income and work history requirements, and loan limits.

able to choose include the interest rate, discount points, and loan amount. The best loan for a consumer depends on many factors, including the consumer's preferences and circumstances. For example, a consumer's income may affect their eligibility for certain government programs, and their down payment amount could affect which option is most affordable for them.

At this stage in the mortgage origination process, disclosure forms required by the TRID Rule (prior to the Rule, TILA, or RESPA) are not typically provided since these forms are not required until a consumer applies for a mortgage. However, several government agencies provide guidance to consumers at this stage in their process.[173] In addition, the Bureau maintains an informational booklet for consumers[174] that it encourages all market participants to provide to consumers as early as possible in the home or mortgage shopping processes.[175]

Shopping and applying for a mortgage

Mortgages offered by different lenders that are similar on some terms and features may differ greatly on others. Mortgages may differ in both the amount consumers pay to close the mortgage and the costs over the life of the loan. Consumers therefore may wish to compare mortgage offers from multiple lenders or brokers.[176] Research suggests that borrowers can save

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173 See, *e.g*. Bureau of Consumer Fin. Prot., *Understand the different kinds of loans available*, https://www.consumerfinance.gov/owning-a-home/process/explore/understand-kinds-loans-available/ and https://www.hud.gov/sites/documents/booklet.pdf.

174 This booklet is known as the "home buying information booklet", "special information booklet," "settlement cost booklet," or "Your Home Loan Toolkit."

175 80 Fed. Reg. 17414, 17415. (Apr. 01, 2015). Creditors are also *required* to provide the booklet no later than three business days after receiving an application for transactions involving the purchase of a one-to-four family residential property. *See,* 12 U.S.C. § 2604. *See* 12 C.F.R. § 1026.19(g) (excluding refinances, subordinate loans and reverse mortgages from the requirement). Bureau of Consumer Fin. Prot., *Your Home Loan Toolkit,* https://files.consumerfinance.gov/f/201503_cfpb_your-home-loan-toolkit-web.pdf. (Last updated Aug. 2015).

The Bureau also maintains a booklet dedicated to the topic of adjustable-rate mortgages. The Consumer Handbook on Adjustable Rate Mortgages (CHARM) booklet generally must be provided to a borrower if the mortgage's annual percentage rate may increase after consummation. However, when the TRID Rule took effect Oct. 2015, the CHARM booklet's last update in Jan. 2014 did not have examples of the new TRID forms with sample ARM loans. In June 2020 the CHARM booklet was updated to have a similar style as the Home Loan Toolkit. *See* 12 C.F.R. § 1026.19(b) and Bureau of Consumer Fin. Prot., *Notice of Availability of Revised Consumer Information Publication (CHARM Booklet),* https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/notice-availability-revised-charm-booklet-publication/. Bureau of Consumer Fin. Prot., Consumer Handbook on Adjusted-Rate Mortgages, https://files.consumerfinance.gov/f/documents/cfpb_charm_booklet.pdf. (Last updated June 2020).

176 Consumers may learn about loan options, investigate interest rates on websites or listed in newspapers, or contact lenders to ask about rates and products. This exploratory phase can also be considered part of the shopping process. This discussion focuses on the process of soliciting offers since at least one offer is required to obtain a mortgage.

by shopping for their mortgage.[177] This is evidenced by significant dispersion in interest rates and points and fees, even for observationally identical consumers.[178] Despite these estimated gains, in 2017 less than a quarter of borrowers reported applying to more than one lender.[179]

Consumers may be deterred from shopping because of a belief that there are not large benefits or cost savings to shopping.[180] Some consumers, particularly purchase borrowers, may believe that they need to quickly choose a lender to facilitate the purchase of their new home, and when relevant, the sale of their previous home.[181]

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[177] Alexandrov & Sergei Koulayev, *No Shopping in the U.S. Mortgage Market: Direct and Strategic Effects of Providing Information,* (Bureau of Consumer Fin. Prot., Working Paper No. 2017-01, 2018), http://dx.doi.org/10.2139/ssrn.2948491. (Estimate that failing to comparison shop for a mortgage costs the average borrower approximately $300 per year and many thousands of dollars over the life of a mortgage).

[178] Neil Bhutta et al, *Paying Too Much? Price Dispersion in the US Mortgage Market*, at 2 (2019), http://dx.doi.org/10.2139/ssrn.3422904. (For identical borrowers paying for the same loan, with the same points, in the same market, and on the same day, the difference between the 90th and 10th percentile interest rate is 54 basis points—equivalent to about $6,750 in upfront costs (points) for the average mortgage).

[179] Bureau of Consumer Fin. Prot., *National Survey of Mortgage Originations* (2019), https://www.consumerfinance.gov/data-research/national-survey-mortgage-originations/

[180] In a 2016 Bureau study of prospective mortgage borrowers, more than half of respondents replied either "Yes" or "I don't know" when asked "Is your mortgage broker or loan officer required by law to give you their best deal on a mortgage?" *See*, Bureau of Consumer Fin. Prot., *Know Before You Owe: Mortgage shopping study* (May 15, 2018), https://www.consumerfinance.gov/data-research/research-reports/know-before-you-owe-mortgage-shopping-study/ (The questions being cited were part of the data collection used to create Know Before You Owe: Mortgage shopping study, but the results from those questions were not reported in the study). In NSMO survey waves 7-21, respondents were asked "Do you agree or disagree with the following statements? Most mortgage lenders would offer me roughly the same rates and fees." 68 percent of eligible respondents agreed with this statement. *See* Fed. Hous. Fin. Agency, *National Survey of Mortgage Originations Public Use File Codebook and Tabulation* 159 (Feb. 20, 2020), https://www.fhfa.gov/DataTools/Downloads/Documents/NSMO-Public-Use-Files/NSMO-Codebook-and-Tabulations-20200220.pdf.

[181] In a 2016 Bureau study of prospective mortgage borrowers, more than half of respondents said they were either "Somewhat concerned" or "Very concerned" when asked "How concerned are you that spending time shopping for a mortgage will cause you to lose the home you want to buy?" Bureau of Consumer Fin. Prot., *Know Before You Owe: Mortgage shopping study* (May 15, 2018), https://www.consumerfinance.gov/data-research/research-reports/know-before-you-owe-mortgage-shopping-study/ (The questions being cited were part of the data collection used to create Know Before You Owe: Mortgage shopping study, but the results from those questions were not reported in the study).

Consumers may also find it difficult to comparison shop. Comparison shopping takes time and effort.[182] Moreover, consumers may find mortgage terms to be difficult to understand,[183] or difficult to compare.[184] Mortgage shopping is further complicated by the fact that the mortgage is jointly purchased with other related services, such as appraisal and settlement services. Consumers may be unfamiliar with these services or find them difficult to understand.[185] Furthermore, the cost of these services, the extent to which these costs can change over the origination process, and the extent to which consumers can affect these costs can all vary between services or across mortgage offers.[186]

Before a consumer submits a mortgage application,[187] the information provided by lenders or brokers generally is not regulated by the TRID Rule.[188] Consumers therefore may find it challenging to compare loan offers at this stage because the presentation of information is not

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[182] In an ethnographic study of lower- and moderate-income (LMI) first-time homebuyers, mortgage shopping was limited by "inaccurate information about the negative effect of multiple mortgage applications on their credit, overreliance on trusted advisors, decision fatigue, and a perception of insufficient time to reach out to multiple lenders and compare loan terms." *See* Jefferson, Anna, and Hannah Thomas. *Mortgage Journeys: A Video Ethnography of the Homebuying and Mortgage Process*. Cityscape 22, no. 1 (2020): 7-36. https://www.huduser.gov/portal/periodicals/cityscpe/vol22num1/article1.html.

[183] A 2016 Bureau study of prospective mortgage borrowers found that less than 30 percent of respondents understood the relationship between APR and interest rate, and less than 40 percent understood discount points. Bureau of Consumer Fin. Prot., *Know Before You Owe: Mortgage shopping study* (May 15, 2018), https://www.consumerfinance.gov/data-research/research-reports/know-before-you-owe-mortgage-shopping-study/.

[184] For example, offers that differ on discount points require consumers to make tradeoffs between costs in the near term and costs over the life of the loan. Similarly, APR summarizes interest costs and closing costs under the assumption that the consumer keeps their mortgage for the entire mortgage term—consumers who plan to repay their mortgage sooner therefore could be better off with a mortgage with a higher APR.

[185] A 2016 study of American consumers conducted by American Land Title Association (ALTA) found that more than a quarter of their respondents (overwhelmingly, home owners) reported not knowing the use/purpose of title insurance. Am. Land Title Ass'n, *Consumer Title Insurance Shopping Survey,* (Sept. 2016), https://www.alta.org/file.cfm?code=j6u7e1.

[186] Depending on the service and the lender, the lender may require a consumer to use a certain provider or allow the consumer to shop around. If the lender allows the consumer to shop for a service, they must also provide them with a list of providers with which the consumer can shop. Once a consumer receives a Loan Estimate (or, prior to the Rule, a GFE), how much the estimated cost for one of these services can change depends on whether the consumer can shop for the service and whether the consumer chooses a provider on the lender's list. Note: RESPA constrains the ability of lenders to require the use of settlement service providers in certain instances, see RESPA section 8(c)(4), 12 U.S.C. § 2607(c)(4) and 12 C.F.R. § 1024.15(b)(2).

[187] According to the Rule, an application is defined as six pieces of information: the consumer's name, the consumer's income, the consumer's social security number to obtain a credit report, the property address, an estimate of the value of the property, and the mortgage loan amount sought. *See, 12 C.F.R.* § 1026.2(a)(3)(ii); comment 2(a)(3)-1.

[188] *See supra* note 102. Moreover, information provided to consumers before they submit a mortgage application may be subject to other federal and state regulations.

standardized across lenders, offers are non-binding, and loan terms and costs may change frequently.

After a consumer submits a mortgage application to a lender (possibly through a mortgage broker), the lender must provide an initial disclosure form to the consumer within three business days.[189] Consumers may submit mortgage applications to many lenders, and use the disclosure forms they receive as shopping tools. TRID disclosure forms may facilitate comparison shopping at this stage because they standardize the presentation of information across lenders, and because the estimates presented in these forms are generally restricted from changing,[190] except for within small tolerances.[191]

Underwriting the loan

Underwriting is the process by which a lender determines whether to lend to a consumer. After a consumer expresses an intent to proceed with a lender, the underwriting process begins in earnest. During this process, the lender collects information from the consumer to verify the consumer's income, assets, and credit score, among other things. The lender also collects information about the property that will secure the mortgage. For example, the lender typically conducts an appraisal to determine the approximate value of a home. If the appraisal value or other information collected and verified during the underwriting process differs from the information on which the initial mortgage estimate was based, then the lender may adjust the terms or costs of the mortgage.[192]

Because the underwriting process takes many days, it leaves the mortgage vulnerable to changes due to external factors. For example, if the consumer did not lock their rate, then their interest rate could change during the underwriting process.[193] In addition, changes in the consumer's

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[189] *See, 12 C.F.R. § §*1026.19(e)(1)(iii). Furthermore, creditors are also required to provide an informational booklet no later than three business days after receiving an application for transactions involving the purchase of a one-to-four family residential property. *See*, 12 U.S.C. § 2604. *See* 12 C.F.R. § 1026.19(g) (excluding refinances, subordinate loans and reverse mortgages from the requirement). Bureau of Consumer Fin. Prot., *Your Home Loan Toolkit,* https://files.consumerfinance.gov/f/201503_cfpb_your-home-loan-toolkit-web.pdf. (Last updated Aug. 2015).

[190] Notably, the estimated interest rate is not restricted from changing. However, consumers may request a rate lock from a lender, which would prevent the estimated interest rate from changing for a specified amount of time.

[191] As described in Chapter 2: The TRID Rule, a lender cannot generally change disclosed terms or costs beyond certain amounts (tolerances) without a valid "changed circumstance." Examples of changed circumstances include: a lower than anticipated appraised value or change in eligibility for a loan program.

[192] *Id.*

[193] The Bureau collected data on selected mortgages originated between March 2016 and November 2017 (post-TRID) as part of its normal supervisory activities. Analysis of these data shows that about 12 percent of all mortgages in the sample experienced a change in interest rate between their first Loan Estimate and last Closing Disclosure. *See*,

finances during this period, such as changes in their work situation or their savings (due to an unexpected expense such as medical payments, for example) could permit the lender to change the terms or costs of the mortgage.

During the origination process, consumers often get revised disclosure forms from the lender with updated terms or costs. If information changes during the underwriting process that allows the lender to change the mortgage outside of what the tolerances would otherwise allow, then the lender must provide revised disclosure forms to change the affected mortgage features and reset applicable tolerances. Otherwise, if the lender makes changes within the amount allowed under the tolerances, then the lender may give the consumer a revised disclosure form out of courtesy or custom.[194]

Closing on the Loan

At a mortgage closing, the borrower signs documents that, among other things, commits the borrower to repay the loan and provide a lien allowing for the right to foreclose on the home if the borrower does not repay. The borrower's funds and closing costs are provided at closing or shortly after.

Importantly, closing is the last time the borrower can review the terms and costs of their mortgage before committing to the mortgage.[195] Disclosure forms provided around closing allow consumers to compare estimated loan terms and costs to the actual terms and costs.[196]

Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

[194] The Bureau collected data on selected mortgages originated between March 2016 and November 2017 (post-TRID) as part of its normal supervisory activities. Analysis of these data shows that almost 90 percent of consumers receive at least one revised Loan Estimate or Closing Disclosure. *See*, Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

[195] Nevertheless, after closing, for certain transactions, borrowers have a three day right of rescission under which they can cancel their mortgage. *See,* 12 C.F.R. § 1026.23.

[196] The Bureau collected data on selected mortgages originated between March 2016 and November 2017 (post-TRID) as part of its normal supervisory activities. Analysis of these data shows that about 57 percent of consumers received more than one Closing Disclosure. The median amount of time between receiving their first Closing Disclosure and closing is five days, and the median amount of time between receiving their *last* Closing Disclosure is three days. About 13 percent of all mortgages experienced a change in APR between the first and last Closing Disclosure (this percentage includes mortgages with only one Closing Disclosures, which are counted as not experiencing a change). *See*, Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

3.3 Goals of the Rule

This section assesses the effects of the Rule on consumers that are directly related to the stated goals of the TRID Rule.

3.3.1 Locating key information

One of the goals of the TRID Rule was to make it easier for consumers to locate key information about their mortgages in the Loan Estimate and Closing Disclosure. The Quantitative Study included many questions that directly tested consumers' ability to locate mortgage terms. According to these data, the Rule was effective in improving consumers' abilities to identify key information on their mortgage forms in a laboratory setting.[197]

Quantitative Study

The Quantitative Study asked participants 11 questions that required them to identify mortgage information on an initial disclosure form (either the post-TRID Loan Estimate, or the pre-TRID GFE and initial TILA disclosure) and four questions to identify mortgage information on a final disclosure form (either the post-TRID Closing Disclosure, or the pre-TRID HUD-1 and final TILA disclosure).

Focusing on the initial disclosures, participants using the post-TRID disclosure forms were better able to identify the information specified in six of the 11 questions, compared to participants using the pre-TRID disclosure forms.[198] Respondents using the post-TRID Rule disclosure forms answered an average of 84.9 percent of the questions correctly, compared to 77.8 percent for respondents using the pre-TRID Rule disclosure forms. This difference of 7.1

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[197] As noted in 4.1.2: Data Sources and Measures above, a limitation of the Quantitative Study was that it was conducted in a controlled laboratory setting, where consumers' ability to identify, compare, and understand mortgage terms may differ from their ability to do so in actual mortgage transactions. For a critique of the Quantitative Study's external validity that also commends the Study's execution, *see* Omari Ben-Shahar, and Carl Schneider, *The futility of cost-benefit analysis in financial disclosure regulation, 43*." The Journal of Legal Studies S2, at 253-271, https://doi.org/10.1086/675771.

[198] Four of the questions did not show a statistically significant difference in the share of correct responses between the pre-TRID disclosure and post-TRID disclosure groups.

percentage points is statistically significant.[199] Table 1 presents these overall results as well as results for all 11 questions dealing with the initial disclosures. For example, Table 1 shows that 99.1 percent of participants using the post-TRID initial disclosure forms were able to identify the loan amount, whereas only 60.5 percent of participants using the pre-TRID initial disclosure forms were able to identify the loan amount. This difference of 38.6 percentage points is statistically significant.[200] On one question, "How much are your estimated settlement charges?", respondents performed significantly worse with the proposed post-TRID disclosures than with the pre-TRID disclosures. In response, the Bureau modified the disclosure forms for the final Rule to report closing costs and cash-to-close on separate lines; the Bureau does not have evidence indicating whether this modification improved consumers' ability to identify their closing costs.[201]

TABLE 1: IDENTIFYING MORTGAGE INFORMATION, INITIAL DISCLOSURE FORMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE- VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, AVERAGE AND ALL INDIVIDUAL QUESTIONS

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Average for all 11 questions (listed on the following rows)	77.8	84.9	7.1*
What is the loan amount?	60.5	99.1	38.6*
What is the interest rate in year 1?	92.1	96.7	4.6*
Can the interest rate change over the life of the loan?	92.8	93.3	0.5
Can the scheduled principal and interest payment change over the life of the loan?	90.4	89.3	-1.1
How much are your estimated settlement charges?	86.2	46.3	-39.9*
Which of the following, if any, are settlement charges you will pay for? Please check all that apply.	90.3	86.5	-3.8
Which of the following settlement services, if any, can you shop for? Please check all that apply.	62.8	92.9	30.1*

[199] For differences in averages of grouped questions such as this, a test estimating worst-case bounds was used (see Appendix E: Technical appendix). Significance is reported at the five-percent level.

[200] For differences in proportions for individual questions a Student's t-test of significance (two-tailed) was used. Significance is reported at the five-percent level.

[201] *See* Bureau of Consumer Fin. Prot., Know Before You Owe: Quantitative of the Current and Integrated TILA-RESPA Study Disclosures of the Quantitative Study, pp. 73-74 (Nov. 20, 2013), https://files.consumerfinance.gov/f/201311_cfpb_study_tila-respa_disclosure-comparison.pdf.

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
When is your final scheduled payment?	93.2	94.9	1.7
What is the Annual Percentage Rate (APR) for this loan?	65.7	79.5	13.8*
If you make all scheduled total monthly payments, how much principal will you have paid in 5 years?	59.1	78.6	19.5*
Does this loan have mortgage insurance?	63.1	77.0	13.9*
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for individual questions. For the difference in averages of all 11 questions, a separate test estimating worst-case bounds was used (see Appendix E: Technical appendix). For both tests, * indicates significance at the five-percent level.

On the final disclosures, participants using the post-TRID disclosure forms were better able to identify the information specified in all four questions asked of them, compared to participants using the pre-TRID disclosure forms. Respondents using the post-TRID Rule disclosure forms answered an average of 67.2 percent of the questions correctly, compared to 39.5 percent for respondents using the pre-TRID Rule disclosure forms. This difference of 27.8 percentage points is statistically significant.

Table 2 presents these overall results as well as results for all four questions dealing with the final disclosure forms. All four questions had double-digit increases in the share of respondents answering correctly.

TABLE 2: IDENTIFYING MORTGAGE INFORMATION, FINAL DISCLOSURE FORMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE- VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, AVERAGE AND ALL INDIVIDUAL QUESTIONS

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Average for all four questions (listed on the following rows)	39.5	67.2	27.8*
What is the loan amount on the final disclosures?	43.9	86.7	42.8*
Looking only at the final disclosures, if you make the scheduled total monthly payments, will the loan amount increase after closing?	49.3	65.1	15.8*
Looking only at the final disclosures, what is the amount of the highest possible monthly principal and interest payment?	14.5	43.0	28.5*

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Looking only at the final disclosures, does the scheduled monthly principal and interest payment change after closing?	50.2	74.0	23.8*
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for individual questions. For the difference in averages of all four questions, a separate test estimating worst-case bounds was used (see Appendix E: Technical appendix). For both tests, * indicates significance at the five percent level.

3.3.2 Comparing the cost of different loan offers

The TRID Rule aimed to help consumers compare the costs of mortgage offers. The Quantitative Study contained many questions that directly tested consumers' ability to compare terms between mortgages. Responses to these questions indicate the Rule was effective in improving consumers' abilities to compare information between two mortgage offers, at least when prompted to do so in a laboratory setting.

Quantitative Study

The Quantitative Study included six questions that require participants to compare features and costs of two different loan offers, using the initial disclosures (the post-TRID Loan Estimate or the pre-TRID GFE and initial TILA disclosure forms). Participants using the post-TRID disclosure forms were better able to compare the loan features or costs requested by five of the six questions compared to participants using the pre-TRID disclosure forms.[202] Respondents using the post-TRID Rule disclosure forms answered an average of 83.3 percent of the questions correctly compared to 63.8 percent for respondents using the pre-TRID Rule disclosure forms. This difference of 19.6 percentage points is statistically significant.

Table 3 presents these overall results as well as results for all six questions dealing with comparing two mortgage offers. There is variation in the post-TRID vs pre-TRID responses for these questions: questions asking about comparing the loan amount or monthly payment had larger differences than questions asking about comparisons with interest rates or points paid.

[202] The remaining question, "[h]ow do these two loans compare in terms of the Annual Percentage Rate (APR)?", did not show a statistically significant difference in the share of correct responses between the pre-TRID disclosure and post-TRID disclosure groups.

TABLE 3: COMPARING TWO LOANS USING INITIAL DISCLOSURE FORMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE- VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, AVERAGE AND ALL INDIVIDUAL QUESTIONS

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Average for all six questions (listed on the following rows)	63.8	83.3	19.6*
How do these two loans compare in terms of the amount of money you are borrowing?	32.5	81.4	48.9*
How do these two loans compare in terms of interest rate in year 1?	81.3	87.4	6.1*
How do these two loans compare in terms of points paid?	55.8	62.8	7.0*
How do these two loans compare in terms of escrow account?	80.4	94.4	14.0*
How do these two loans compare in terms of the Annual Percentage Rate (APR)?	83.2	87.7	4.5
How do these two loans compare in terms of changes in estimated total monthly payment?	49.5	86.3	36.8*
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for individual questions. For the difference in averages of all six questions, a separate test estimating worst-case bounds was used (see Appendix E: Technical appendix). For both tests, * indicates significance at the five percent level.

3.3.3 Comparing estimated and actual loan terms and costs

One of the goals of the TRID Rule was to aid consumers in comparing estimated and actual loan terms and costs.[203] The Loan Estimate and the Closing Disclosures were designed to match closely so that consumers could compare the two forms.[204] The Quantitative Study contained

[203] The Bureau collected data on selected mortgages originated between March 2016 and November 2017 (post-TRID) as part of its normal supervisory activities. Analysis of these data shows that the likelihood of a change in a mortgage term varied greatly by term. Changes to the APR, loan amount, loan-to-value (LTV), and interest rate were relatively common, while changes to maturity, loan type (conventional, insured by Federal Housing Administration insured, etc.), rate type (fixed rate or adjustable), and loan purpose (purchase, refinance, etc.) were relatively rare. The magnitude of changes also varied greatly by term. For example, most changes in the loan amount were small, with about 80 percent of changes within five percent of the initial amount. In contrast, changes in the interest rate were often substantial: the median absolute change was 25 basis points. *See*, Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

[204] 78 Fed. Reg. 79730, 79849, 79841, and 79847. (Dec. 31, 2013).

several questions that directly tested consumers' ability to compare terms and costs between an initial disclosure form (the post-TRID Loan Estimate or pre-TRID GFE and initial TILA disclosure) and final disclosure form (the post-TRID Closing Disclosure or pre-TRID HUD-1 and final TILA disclosure). Responses to these questions indicate the Rule was effective in improving consumers' abilities to compare estimated and actual loan terms and costs, at least when asked to make these comparisons in a laboratory setting.

Quantitative Study

The Quantitative Study included four questions that require participants to compare terms or costs between an initial mortgage disclosure form and a final mortgage disclosure form. Participants using the post-TRID disclosure forms were more likely to answer all four questions correctly, compared to participants using the pre-TRID disclosure forms. Respondents using the post-TRID Rule disclosure forms answered an average of 79.0 percent of the questions correctly, compared to 61.6 percent for respondents using the pre-TRID Rule disclosure forms. This difference of 17.5 percentage points is statistically significant.

Table 4 presents these overall results as well as results for each of the four questions. For example, Table 4 shows that 87.2 percent of participants using the post-TRID disclosure forms were able to successfully compare the interest rate disclosed by the initial and final forms, while only 81.8 percent of participants using the pre-TRID disclosure forms were able to do so. This difference of 5.4 percentage points is statistically significant.

TABLE 4: COMPARING LOAN TERMS IN INITIAL VERSUS FINAL DISCLOSURE FORMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE- TRID VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, AVERAGE AND ALL INDIVIDUAL QUESTIONS

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Average for all four questions (listed on the following rows)	61.6	79.0	17.5*
How do the application disclosures and the final disclosures compare in terms of the loan amount at settlement?	50.9	82.8	31.9*
How do the application disclosures and the final disclosures compare in terms of the interest rate in year 1?	81.8	87.2	5.4*
How do the application disclosures and the final disclosures compare in terms of settlement charges?	77.6	94.0	16.4*

How do the application disclosures and the final disclosures compare in terms of an escrow account?	36.0	52.1	16.1*
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for individual questions. For the difference in averages of all four questions, a separate test estimating worst-case bounds was used (see Appendix E: Technical appendix). For both tests, * indicates significance at the five percent level.

3.3.4 Aiding consumers in understanding mortgages

Another goal of the TRID Rule was to aid consumers in understanding mortgages they applied for and to aid consumers in understanding mortgage transactions. Specifically, the Loan Estimate form was designed to help consumers understand the mortgage terms and choices they were applying for, whereas the Closing Disclosure form was designed to assist consumers in understanding the mortgage transaction before the closing took place.[205]

Three sources of data are relevant for assessing this goal. The Quantitative Study tested participants' objective understanding by asking questions about mortgage features and costs using language not present on the disclosure forms. Answering these questions correctly therefore required participants to understand the features and costs well enough to match the descriptions on the forms to the descriptions used in the questions. The NSMO measures respondents' subjective understanding and valuation of the information in their disclosure forms. Lastly, the TRID Industry Surveys capture lenders' loan officers' and mortgage brokers' experience of consumers asking questions about their disclosure forms and their beliefs about consumers' understanding of their disclosure forms.

In contrast to the other findings in this chapter on the effects of the TRID Rule, the evidence with respect to the Rule's effectiveness in achieving this goal is mixed. According to data from the Quantitative Study, the Rule was effective in improving consumers' understanding of mortgages (measured as described above) when using either an initial disclosure form or a final disclosure form, at least in a laboratory setting. In addition, NSMO data show that consumers who receive post-TRID disclosure forms rather than pre-TRID disclosure forms were both more

[205] Commenters to the November 2019 RFI stated that the Closing Disclosure three-day waiting period also would help consumer understanding by allowing them time to absorb and review their mortgage transactions. See Appendix B: Comment summary.

likely to report that their mortgage disclosures were easy to understand and that they contained useful information. However, over 40 percent of loan officers responding to the Loan Officer Survey believe the post-TRID disclosure forms were more confusing for consumers than the pre-TRID forms.[206] The strengths and limitations of all three sources of evidence are discussed below.[207]

Quantitative Study

The Quantitative Study asked participants four questions that dealt with consumer understanding of mortgage transactions: three questions tested respondents' understanding of mortgage terms in the initial disclosure forms, and one question tested respondents' understanding of the final disclosure forms.

Looking first at the three understanding questions for the initial disclosures, participants using the post-TRID forms were significantly more likely to answer one of the three understanding questions correctly, compared with participants using the pre-TRID forms. The top row of Table 5 shows that respondents using the post-TRID Rule initial disclosure forms answered, on average, 66.4 percent of the three understanding-based questions correctly compared to 60.1 percent for respondents using the pre-TRID Rule forms. The difference of 6.2 percentage points is statistically significant. This difference in the share of correctly-answered questions is driven by a single question asking respondents about how much their first total monthly payment will be—21 percent more post-TRID disclosure respondents answered this question correctly compared to the pre-TRID disclosure group. This difference is statistically significant at a five-percent level.

TABLE 5: UNDERSTANDING MORTGAGE TERMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE-TRID VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, AVERAGE AND ALL QUESTIONS FROM INITIAL DISCLOSURES

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Average for 3 questions on initial disclosure (listed on the following rows)	60.1	66.4	6.2*

[206] *See* Appendix D, TRID Assessment Survey of Loan Officers, questions 19 and 20.

[207] The National Association of Realtors' survey also asked their members about consumers' understanding of their mortgage disclosures, with 33 percent reporting no change, 25 percent reporting slight improvement, and 11 percent stating great improvement, compared to 21 percent claiming the Rule has made understanding worse. *See* Appendix B: Comment summary; Nat'l Ass'n of Realtor Research Grp., *2019 CFPB Closing Process Rules Survey, p. 7* (Jan. 2020), https://narfocus.com/billdatabase/clientfiles/172/21/3490.pdf.

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
When you make your first total monthly payment, for how much will you write the check (or make an electronic payment)?	43.7	64.7	21.0*
Does this lender collect payments from you for upcoming taxes, insurance, or other expenses, hold them in a reserve fund, and later make payments out of this fund on your behalf?	83.4	79.5	-3.9
Suppose that you took out this loan and then one year later you wanted to refinance the loan with a different lender to get a better rate. To get out of this loan, will you have to:	53.3	54.9	1.6
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for individual questions. For the difference in averages of the three questions on the initial disclosure, a separate test estimating worst-case bounds was used (see Appendix E: Technical appendix). For both tests, * indicates significance at the five percent level.

For the final disclosure forms, respondents were asked one understanding question about the amount of cash needed at settlement (see Table 6). Of those who received the post-TRID disclosure form, 80.2 percent of respondents answered correctly, but only 45.8 percent of those who used the pre-TRID disclosure form answered correctly. The difference of 34.4 percentage points is statistically significant.

TABLE 6: UNDERSTANDING MORTGAGE TERMS; SHARE OF RESPONDENTS ANSWERING CORRECTLY WITH PRE-TRID VERSUS POST-TRID DISCLOSURES IN QUANTITATIVE STUDY, FINAL DISCLOSURES

Question	Pre-TRID Disclosure	Post-TRID Disclosure	Difference
Looking only at the final disclosures, what is the amount of cash you need at settlement?	45.8	80.2	34.4*
Sample size	428	430	N/A

Notes: A Student's t-test of significance (two-tailed) was used to test for differences in proportions for the question. * indicates significance at the five percent level.

NSMO

Two NSMO questions provide indications of mortgage borrowers' self-assessed understanding and valuation of the content of their initial disclosure form (either the post-TRID Loan Estimate or the pre-TRID Good Faith Estimate). Figure 1 shows the estimated post-TRID Rule change in responses to these two questions. For this figure, and all figures in this chapter that display NSMO responses, the vertical axis measures the size of the estimated change, adjusted for borrower and mortgage characteristics, and the horizontal axis separates estimates by different borrower subgroups. Each dot is a point estimate of the increase or decrease in the likelihood of saying "yes" to the question among post-TRID respondents. The bars through each dot represent the 95-percent confidence interval around the point estimate.[208]

FIGURE 1: ESTIMATED POST-TRID RULE CHANGE ON SUBJECTIVE UNDERSTANDING OF MORTGAGE DISCLOSURES, NSMO RESPONDENTS

Note: Bars denote 95 percent confidence interval around the estimated change.

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[208] There are 28,449 loans in the NSMO waves studied. There are 4,378 first-time home buyers, 8,067 repeat home buyers, and 14,216 refinancers; the remaining loans consist of non-owner-occupied home purchases (1,310) and construction loans (478).

The first question analyzed from the NSMO is whether the Loan Estimate (or GFE) was “easy to understand”. Post-TRID Rule respondents who received the Loan Estimate form were 1.9 percentage points more likely to say that the disclosure form was easy to understand (green plot in Figure 1), adjusting for borrower and loan characteristics.[209] This estimate is statistically significant at a five-percent level. For comparison, 89 percent of respondents who received the pre-TRID Rule GFE form agreed that it was easy to understand. First-time[210] and repeat[211] home buyers had slightly larger increases in the Post-TRID Rule response (3.0 and 2.6 percentage points, respectively), with a slightly smaller increase among refinancers (1.7 percentage points). The estimates for repeat home buyers and refinancers are statistically significant at a five-percent level, and the estimate for first-time homebuyers is statistically significant at a 10-percent level.

The second question is whether the Loan Estimate (or GFE) was “valuable information” to the borrower. Approximately 85 percent of respondents of pre-TRID borrowers who received the GFE responded that it was valuable information. Post-TRID borrowers were more likely to view the Loan Estimate as valuable information compared with pre-TRID borrowers’ views of the GFE. The difference in the share among all borrowers was 5.7 percentage points (orange plot in Figure 1). It was slightly higher for first-time home buyers and refinancers (6.0 and 5.8 percentage points, respectively), and lower for repeat home buyers (4.8 percentage points). All estimated increases to NSMO respondents viewing the LE as valuable information are statistically significant at a five-percent level.

Industry Surveys

The Loan Officer Survey contained questions related to consumer confusion on disclosure forms for time periods before and after the TRID Rule. In contrast to the findings from the

[209] For this analysis, and all analyses of NSMO data in this chapter, responses were analyzed using logit regression models and estimating average marginal effects, controlling for a variety of borrower and loan characteristics, including: credit score, household income, respondent’s age, sex, race/ethnicity, education level, marital status, work status, mortgage origination month, and mortgage amount. See Appendix E: Technical appendix for more information about the regression models used with the NSMO data.

[210] First-time home buyers are categorized as NSMO respondents and their spouses (if any) who do not have a prior mortgage in their credit record data, and report that their NSMO-reported mortgage is for the purchase of a primary residence.

[211] In the NSMO data, it is not known when experienced borrowers (both repeat home buyers and refinancers) originated their previous mortgages. For 2016 originations, experienced borrowers were very likely to have experience with the pre-TRID disclosure forms, but for 2017 originations this assumption is less likely to hold.

Quantitative Study and the NSMO, the Loan Officer Survey shows that a plurality of mortgage brokers and lenders' loan officers who responded to the survey believe that the new mortgage disclosure forms resulted in more confusion compared to the previous mortgage disclosure forms they replaced.[212] Table 7 shows the results for the Loan Estimate compared to the GFE and Initial TILA (TIL) disclosure forms,[213] and Table 8 shows the results for the Closing Disclosure compared to the HUD-1 and Final TILA (TIL) disclosure forms.[214]

TABLE 7: CONSIDERING ONLY INITIAL DISCLOSURES (THAT IS, NOT ANY REVISED DISCLOSURES), WHICH DO YOU THINK IS MORE CONFUSING FOR CONSUMERS? (COLUMN PERCENTAGE)

Response	All loan officers	Brokers	Lenders' loan officers
Loan Estimate is more confusing than the GFE and Initial TIL	41	33	44
Loan Estimate is the same relative to the GFE and Initial TIL in terms of consumer confusion	21	20	22
Loan Estimate is less confusing than the GFE and Initial TIL	29	40	26
Did not respond	9	8	9
Sample size	184	40	144

TABLE 8: CONSIDERING ONLY INITIAL DISCLOSURES (THAT IS, NOT ANY REVISED DISCLOSURES), WHICH DO YOU THINK IS MORE CONFUSING FOR CONSUMERS? (COLUMN PERCENTAGE)

Response	All loan officers	Brokers	Lenders' loan officers
Closing disclosure is more confusing than the HUD-1 and Final TIL	44	43	44
Closing disclosure is the same relative to the HUD-1 and Final TIL in terms of consumer confusion	16	13	17
Closing disclosure is less confusing than the HUD-1 and Final TIL	31	38	29
Did not respond	9	8	9
Sample size	184	40	144

[212] As mentioned in this chapter's introduction, the TRID Assessment Industry Surveys are limited to industry participants who responded. They may not be representative of all loan officers or mortgage brokers.

[213] *See* Appendix D, TRID Assessment Survey of Loan Officers, question 19.

[214] *See* Appendix D, TRID Assessment Survey of Loan Officers, question 20.

Forty-one percent of loan officers said that the Loan Estimate was “more confusing” than the Good Faith Estimate and initial Truth-In-Lending disclosures replaced by the Loan Estimate; only 29 percent said that the Loan Estimate was “less confusing” than the GFE and initial TIL. Similarly, 44 percent of loan officers said that the Closing Disclosure was “more confusing” than the HUD-1 and final TIL disclosures replaced by the Closing Disclosure; only 31 percent said that the Closing Disclosure was “less confusing” than the HUD-1 and final TIL.[215, 216]

Respondents were given the opportunity at the end of the survey to provide the Bureau with additional information regarding the effects of the TRID Rule that may not have been covered by the survey questions. Aspects of the TRID disclosure forms that loan officers commonly mentioned as being confusing for consumers included: reporting of escrow, prepaid, and closing costs on the Loan Estimate and Closing Disclosure; and the disclosure of seller credits on the Loan Estimate and Closing Disclosure.[217]

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[215] Lenders may have experienced difficulty in assessing the effect of disclosure forms on consumer understanding. In response to the November 2019 RFI, a creditor stated that it would be challenging to determine with confidence that the TRID Rule was a causative factor in any observed shift in consumer understanding or behavior because of contemporaneous market changes, including increases in the electronic availability of mortgage information. *See* Appendix B: Comment Summary.

[216] Mortgage brokers, who made up less than one-quarter of Loan Officer Survey respondents, were more likely to say that the LE and CD were “less confusing” than the disclosures they replaced. Forty percent of brokers said that the LE was “less confusing” than the GFE and initial TIL compared to 26 percent of lenders’ loan officers. Similarly, 38 percent of brokers said that the CD was “less confusing” than the HUD-1 and initial TIL compared to 29 percent of lenders’ loan officers.

[217] In the free text responses, loan officers mentioned certain aspects of the LE and the CD that were particularly confusing for consumers. A handful of respondents identified how the reporting of escrow, prepaid, and closing costs on the first page of the LE or CD is contributing to consumer confusion during the origination process. One respondent said that since the LE “does not allow for the aggregate adjustment to the escrow account”, the number shown on the LE would differ from that shown on the Uniform Residential Loan Application Form (or 1003) and as a result would be confusing to borrowers since there would be two different numbers reported on different forms within the same loan packet. Another respondent said that, “the most confusing item I have encountered with consumers is the escrow set up or pre-paids being lumped in all together as a closing cost on the first page.” Regarding closing costs, one respondent described that in some cases when working with the borrower that the “borrower is confused by the total closing costs amount, especially when the broker compensation is included in the total closing costs.” Another common aspect of the TRID disclosure forms that loan officers stated as being a source of confusion for borrowers is the disclosure of seller credits on the LE and CD. One respondent to the Loan Officer survey that the LE “should disclose to the borrower only their fees” and should not have to disclose the fees being paid by the seller since “this is very confusing for them.” Another respondent stated that they have a significant amount of seller paid costs per contract that are being grouped together into “seller credits” on the LE and that this is “super confusing to borrowers when they also have a seller credit towards buyer's closing costs.”

3.3.5 Deciding on a mortgage

One of the goals of the TRID Rule was to help consumers decide whether they can afford a mortgage. This assessment does not have data that would allow it to directly assess the effectiveness of the Rule in meeting this goal. See Appendix A for a summary of evidence indirectly related to this goal.

3.4 Other consumer effects

The seven goals of the TRID Rule are a subset of the possible goals for disclosures related to consumer finance. Indeed, Durkin and Elliehausen (2011) compile more than twenty consumer-related goals for TILA alone.[218] This section looks at how the Rule affected consumers in ways not directly related to the goals of the TRID Rule including changes in mortgage and settlement services shopping behavior; consumer interactions with their lender or mortgage broker; consumer satisfaction with the information and timeliness of their mortgage disclosures, as well as their satisfaction with the mortgage application and closing processes; consumers' ability to recall their mortgage terms; and costs to consumers, such as closing surprises, mortgage origination complaints, delayed closings, and mortgages that may not have been offered to consumers after implementation of the TRID Rule.

3.4.1 Mortgage shopping

Facilitation of consumer comparison shopping is widely seen as one of the benefits of standardized disclosure forms.[219] In the 1022(b) analysis accompanying the 2013 Final Rule, the Bureau noted that a potential benefit of the Rule would be to provide incentives to shop by improving consumers' ability to compare offers: "The improved disclosure will… give consumers a greater incentive to shop… as they will be better able to compare competing offers."[220] Similarly, in public statements issued around the release of the 2013 Final Rule and the January

[218] Thomas Durkin et al., *Truth in Lending: Theory, History, and a Way Forward*. (Oxford University Press. 2011).

[219] Respondents to the November 2019 RFI also said that the three-business-day requirement for providing the Loan Estimate was also important for mortgage shopping. *See* Appendix B.

[220] 78 Fed. Reg. 79730, 80074 (Dec. 31, 2013).

2015 Amendments, respectively, the Bureau stated, "The new… mortgage forms… aid comparison shopping."[221]

This section examines whether the Rule was associated with a change in consumer shopping behavior.[222] Overall, the NSMO reports slight increases in mortgage shopping behavior after the TRID Rule effective date. NSMO data also show that post-TRID Rule consumers were more likely to ask questions of their lender or mortgage broker and were more likely to seek a change in their loan or closing. By contrast, the Loan Officer Survey reports that consumers behaved similarly before and after the TRID Rule in presenting loan terms from competing lenders or brokers.[223, 224]

NSMO

The NSMO asks two questions about borrowers' shopping behavior: "How many lenders or brokers did you seriously consider?" and "How many lenders or brokers did you apply to?" Out of all pre-TRID Rule NSMO respondents, 50 percent seriously considered only one lender or broker, and 79 percent applied to only one lender or broker for their mortgage.

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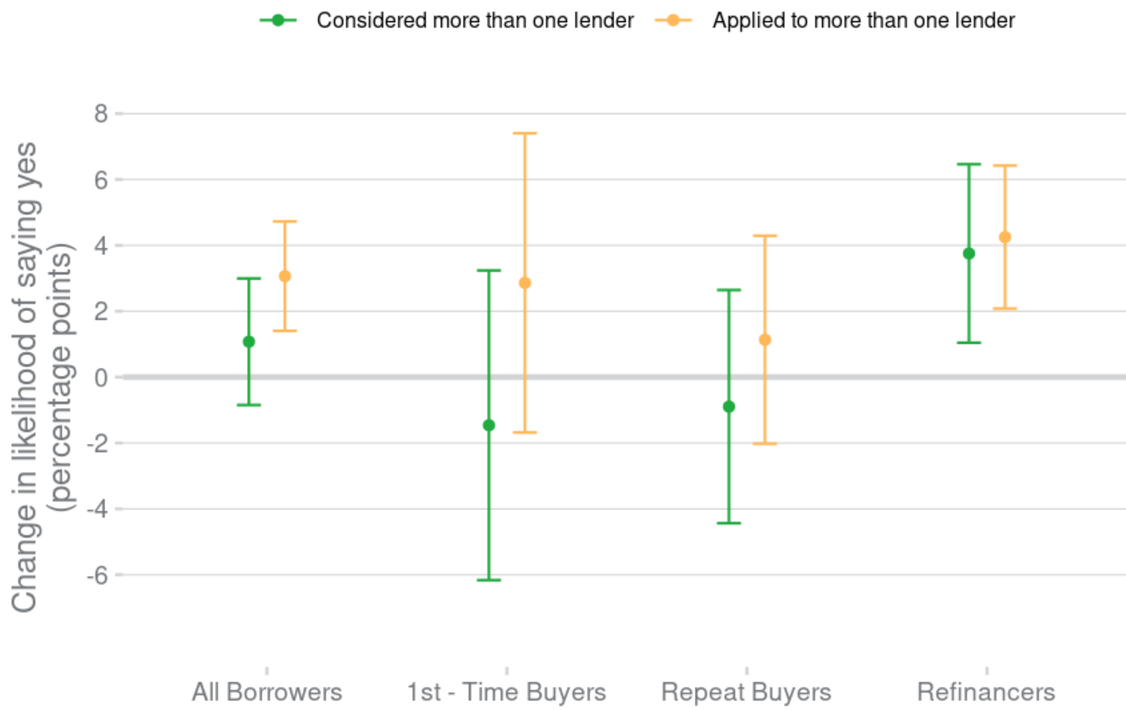
[221] *See* Press Release, Bureau of Consumer Fin. Prot., *CFPB Finalizes Minor Changes to "Know Before You Owe" Mortgage Rules* (Jan. 20, 2015), https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-minor-changes-to-know-before-you-owe-mortgage-rules/.

[222] Section 3.3.2 considered whether the Rule affected consumers' abilities to compare loan terms between two mortgage offers when they had the disclosure forms in front of them. In contrast, this section considers consumers' "comparison shopping," the extent to they seek mortgage information from multiple lenders. Whether a consumer comparison shops may depend on many factors, including personal preferences and circumstances. A disclosure form therefore plausibly could make comparison shopping easier for consumers, and this does not necessarily imply that consumers actually shop more.

[223] *See* Appendix D, TRID Assessment Survey of Loan Officers, question 16.

[224] In a separate survey from the National Association of Realtors (NAR), most respondents (57 percent) believe TRID has not impacted shopping behavior, with 20 percent saying consumers are often shopping, and 15 percent saying consumers are rarely shopping. The survey size was 1,014, out of almost 48,000 NAR members. *See* Appendix B: Comment summary; Nat'l Ass'n of Realtor Research Grp., *2019 CFPB Closing Process Rules Survey,* p. 8 (Jan. 2020). *See* Appendix B https://narfocus.com/billdatabase/clientfiles/172/21/3490.pdf.

FIGURE 2: ESTIMATED POST-TRID RULE CHANGE ON MORTGAGE SHOPPING BEHAVIOR ACROSS MULTIPLE LENDERS AND BROKERS, NSMO RESPONDENTS



Note: Bars denote 95 percent confidence interval around the estimated change.

Figure 2 shows, however, that after adjusting for borrower characteristics, post-TRID borrowers overall were no more likely than pre-TRID borrowers to report they had considered multiple lenders or brokers (Figure 2, green plot). This conclusion applies to first-time and repeat home buyers as well. Only refinance borrowers were slightly more likely to say they considered more than one lender or broker after the TRID Rule took effect, by 3.8 percentage points.

Post-TRID Rule borrowers were 3.1 percentage points more likely to say that they applied to more than one lender (Figure 2, orange plot). This change is driven primarily by the 4.2 percentage point increase among refinancers post-TRID Rule. The estimated shares of first-time and repeat homebuyers who applied to multiple lenders increased slightly, but the estimated changes are not statistically significant at a five-percent level.[225] Post-TRID Rule

[225] It is possible that the slight increase in post-TRID Rule borrowers applying to multiple lenders, but not considering multiple lenders, means that the borrowers who do consider multiple lenders are now more likely to "convert" their consideration into a mortgage application during the shopping process.

refinancers had the largest increase in mortgage shopping behaviors. This is consistent with the idea that only refinancers may have the time and attention to take advantage of the new disclosure forms.[226]

Industry Surveys

The Loan Officer Survey gives another perspective on mortgage shopping behavior pre- and post-TRID. Loan officers largely said that shopping behavior did not change after the TRID Rule, but that consumer questions to loan officers about their Loan Estimates did increase compared to questions regarding the GFE and initial TIL.

When asked about changes in shopping behavior before and after the TRID rule took effect, 62 percent of loan officers said that the percentage of consumers presenting loan terms from other lenders "remained about the same".[227] Only nine percent of loan officers said that the percentage of consumers presenting loan terms from competitors increased; 12 percent of loan officers said that the percentage decreased. According to loan officers, the share of consumers choosing a settlement service provider not on the loan officers' written list also has not changed: 77 percent of loan officers said that the share "remained about the same", with five percent of loan officers indicating an increase and four percent indicating a decrease.[228]

Loan officers were also asked how consumers presented quotes or estimates from another lender in 2018.[229] They indicated that consumers were more likely to present oral quotes and loan worksheets (or related non-binding documents) from other lenders than they were Loan Estimates. Forty-seven percent of loan officers said that oral quotes were presented "almost always" or "often", and 43 percent said that worksheets were "almost always" or "often" presented. By contrast, 75 percent of loan officers said consumers presented Loan Estimates from another lender "sometimes", "rarely", or "never". Loan officers also said that consumers were unlikely to present competitors' loan terms from advertisements or comparison websites.

[226] In response to the November 2019 RFI, one industry commenter stated that, for purchase transactions, the Loan Estimate three-business-day deadline does not effectively help consumers shop because purchase contracts otherwise limit the amount of time consumers have for the transaction. Furthermore, they stated that the Closing Disclosure three-business-day waiting period does not effectively help consumers shop because purchase contracts otherwise limit the amount of time consumers have for the transaction. *See*, Appendix B: Comment summary.

[227] *See* Appendix D: TRID Assessment Survey of Loan Officers, question 16.

[228] *See* Appendix D: TRID Assessment Survey of Loan Officers, question 21.

[229] *See* Appendix D: TRID Assessment Survey of Loan Officers, question 18.

3.4.2 Settlement/closing agent shopping

This section examines available evidence for changes in shopping for settlement or closing agents. In the preamble to the TRID Rule, the Bureau noted that the Loan Estimate makes clear to consumers which settlement services they can shop for and if consumers were to use this information to shop, then it could benefit them by reducing the cost of the loan.[230] The Bureau's Home Loan Toolkit[231] and Owning a Home[232] webpages provide advice for consumers shopping for a closing agent and other settlement services such as title insurance.

In actuality, post-TRID Rule borrowers were more likely to report selecting a settlement or closing agent based on recommendations from their lender, broker, or real estate agent compared to pre-TRID Rule consumers. In addition, most closing companies responding to the Closing Company Survey reported no change in consumers shopping for closing services after the TRID Rule took effect.

NSMO

The NSMO asks three questions about respondents' shopping behavior when choosing a settlement or closing agent: "In selecting your settlement/closing agent did you use someone selected/recommended by the lender, mortgage broker, or real estate agent?"; "In selecting your settlement/closing agent did you use someone you used previously?"; and "In selecting your settlement/closing agent did you use someone you found shopping around?"

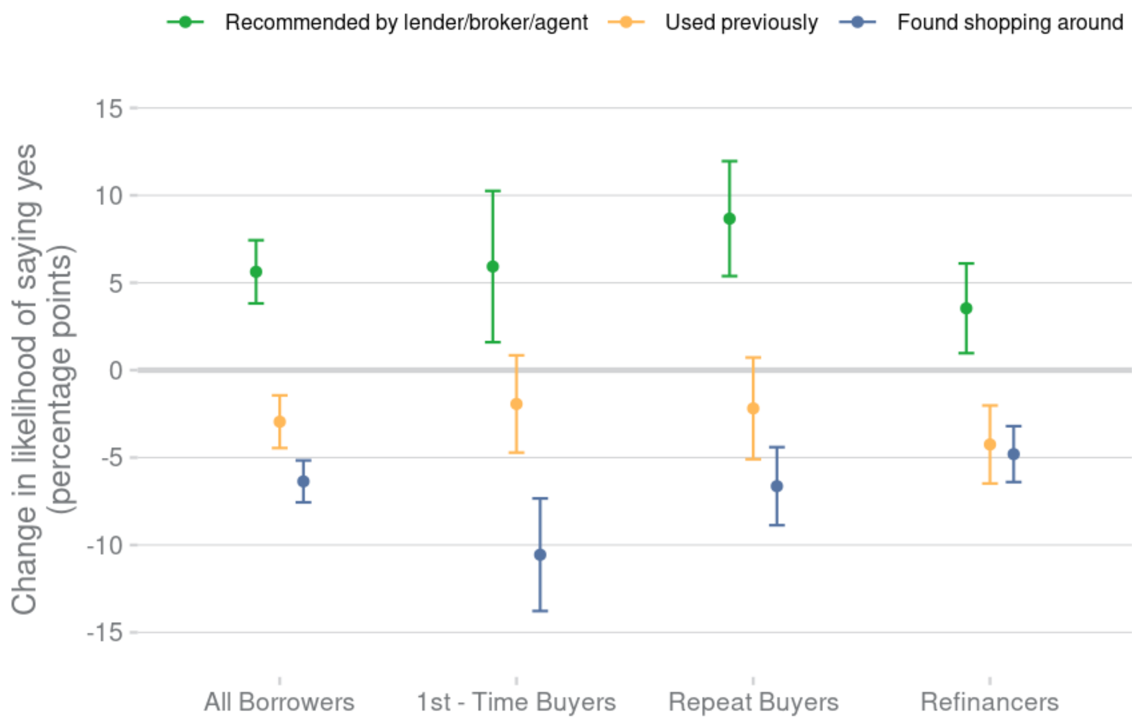
Figure 3 below shows the estimated post-TRID Rule changes in consumer shopping for a settlement/closing agent. For context, out of all pre-TRID Rule respondents, 65 percent chose a settlement or closing agent selected by the lender, mortgage broker, or real estate agent, 21 percent chose an agent they used previously, and 13 percent chose an agent they found shopping around.

[230] 78 Fed. Reg. 79730, 80079 (Dec. 31, 2013). The Loan Estimate lists mortgage closing services in Section C, "Services you can shop for," on page 2, implying that the consumer can choose service providers other than those recommended by the lender, broker, or real estate agent. *See* Bureau of Consumer Fin. Prot., *Loan Estimate Explainer*, https://www.consumerfinance.gov/owning-a-home/loan-estimate/.

[231] *See* Bureau of Consumer Fin. Prot., *Your Home Loan Toolkit,* https://files.consumerfinance.gov/f/201503_cfpb_your-home-loan-toolkit-web.pdf. (Last updated Aug. 2015).

[232] *See* Bureau of Consumer Fin. Prot., *Shop for title insurance and other closing services*, https://www.consumerfinance.gov/owning-a-home/close/shop-title-insurance/.

FIGURE 3: ESTIMATED POST-TRID RULE CHANGE ON SETTLEMENT/CLOSING AGENT SHOPPING BEHAVIOR, NSMO RESPONDENTS



Note: Bars denote 95 percent confidence interval around the estimated change.

Post-TRID borrowers were 5.6 percentage points more likely to choose a settlement or closing agent recommended by the lender, mortgage broker, or real estate agent, after adjusting for loan and borrower characteristics. The estimated changes were statistically significant at the five-percent level for all Post-TRID borrowers as well as for first-time buyers, repeat buyers, and refinancers (5.9 percentage-point, 8.7 percentage-point, and 3.5 percentage-point increases, respectively).

Post-TRID borrowers were 2.9 percentage points less likely to choose a settlement or closing agent they used previously. This was driven by refinancers who were 4.3 percentage points less likely to choose a previous agent. Both estimates are statistically significant at the five-percent level.

Lastly, post-TRID respondents were 6.4 percentage points less likely to choose a settlement or closing agent from shopping around. The largest change came from first-time homebuyers who were 10.6 percentage points less likely to use someone they found shopping around. Repeat buyers and refinancers were also less likely to shop for a closing agent. All estimated changes are statistically significant.

Industry Surveys

In the TRID Closing Company Survey, respondents were asked questions related to the experiences and outcomes of consumers using their settlement services during a closing. As shown in Table 9 below, shopping for settlement and closing services remained about the same in 2018, after the TRID Rule took effect, compared to the year before the TRID Rule took effect.[233] Sixty-three percent of closing company respondents said that the share of consumers inquiring about, but not using, the respondent's settlement services remained about the same; 64 percent of closing company respondents reported the share of consumers presenting cost estimates from other closing companies remained about the same. Similarly, 66 percent of closing company respondents reported that the share of consumers negotiating prices for settlement services also stayed about the same after the TRID Rule took effect.

TABLE 9: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENTAGE OF CONSUMERS…CHANGE? (COLUMN PERCENTAGE)

Response	…who inquired about, but then did not use your settlement services…	…who presented cost estimates from another settlement agent or institution…	…who negotiated prices for your settlement services…
Increased significantly in 2018	5	7	6
Increased somewhat in 2018	4	3	9
Remained about the same	63	64	66
Decreased somewhat in 2018	1	4	4
Decreased significantly in 2018	1	2	1
Did not respond	26	21	15
Sample size	115	115	115

3.4.3 Consumer interaction with lenders

Borrowers interact with their lender or broker by requesting information about mortgage products and asking questions about loan terms and features. They may also ask their broker or lender for lower origination costs or fees as part of the shopping process in choosing a mortgage. This subsection describes evidence from the NSMO and the Loan Officer Survey about changes in consumer interaction with mortgage originators. Both sources of data suggest that the likelihood and frequency of consumer questions to their lender or broker both increased after

[233] *See* Appendix D, TRID Assessment Survey of Closing Companies, questions 17–19.

the implementation of the TRID Rule. Consumer questions to mortgage brokers or lenders may reflect clarification or awareness of loan terms, features, or costs; but they also may reflect consumer confusion about the information in the mortgage disclosure forms. The NSMO data also describe an increase in the likelihood consumers sought a change in the loan or closing based on information in the new disclosure forms.

NSMO

The NSMO asks borrowers about the actions they took based on the disclosure forms. These include “Did the ‘Loan Estimate (or Good Faith Estimate)’ lead you to ask questions of your lender or mortgage broker?” and “Did the ‘Loan Estimate (or Good Faith Estimate)’ lead you to seek a change in your loan or closing?” Pre-TRID Rule responses differ between the two questions: about 65 percent said that the GFE led them to ask questions of their lender or broker, but only 16 percent said that the GFE led them to seek a change in the loan or closing.

For both questions, post-TRID Rule borrowers were more likely to say yes by around five percentage points after accounting for differences in borrower and loan characteristics (Figure 4). Both estimates are statistically significant at a five-percent level. Refinancers drive the post-TRID Rule response for these questions: they were more likely to ask questions of their lender or broker by 7.4 percentage points and more likely to seek a change in their loan or closing by 5.8 percentage points. Because refinancers only have to deal with a mortgage transaction, versus additional transactions and parties needed for a home purchase, this could explain why refinancers were more likely to ask questions and bargain with their lenders and brokers, compared to home buyers.

FIGURE 4: ESTIMATED POST-TRID RULE CHANGE ON MORTGAGE DISCLOSURE USE FOR INTERACTIONS WITH LENDER OR BROKER, NSMO RESPONDENTS

Note: Bars denote 95 percent confidence interval around the estimated change.

Industry Surveys

The Loan Officer Survey asked respondents about interactions between the borrower and the loan officer. Almost half of loan officers said that the number of consumer questions asked about the Loan Estimate was "significantly more" or "somewhat more" in 2018 compared to the number of questions about the GFE and initial TIL in the year before the TRID Rule took effect (Table 10).[234] Thirty-six percent of loan officers said that the number of questions was "about the same", and only six percent said that the number of questions was "somewhat" or "significantly fewer" for the Loan Estimate versus the GFE and initial TIL. Loan officers who said that consumer questions increased post-TRID Rule were also more likely to say that the Loan Estimate and Closing Disclosure were more confusing for consumers.[235]

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[234] *See* Appendix D: TRID Assessment Survey of Loan Officers, question 15.

[235] Specifically, there were positive correlations between loan officers' responses to the question in Table 10 and their responses to the questions in Tables 7 and 8. The Spearman rank correlation coefficient between the questions in Table 10 and Table 7 is 0.50; for Table 10 and Table 8, the rank correlation coefficient is 0.49.

TABLE 10: ON AVERAGE, HOW DID THE NUMBER OF QUESTIONS CONSUMERS ASKED YOU ABOUT THEIR LOAN ESTIMATE IN CALENDAR YEAR 2018 COMPARE TO THE NUMBER OF QUESTIONS THEY ASKED YOU ABOUT THEIR GFE OR INITIAL TIL DISCLOSURE IN THE YEAR BEFORE THE TRID RULE TOOK EFFECT? (COLUMN PERCENTAGE)

Response	All loan officers	Brokers	Lenders' loan officers
Significantly more	32	28	33
Somewhat more	17	23	15
About the same	36	38	35
Somewhat fewer	3	3	3
Significantly fewer	3	3	3
Did not respond	9	8	9
Sample size	184	40	144

3.4.4 Consumer satisfaction

The TRID rule not only introduced revised mortgage disclosure forms, but also resulted in changes to consumer education materials, mortgage application procedures, and timing requirements. All of these changes may have either positively or negatively affected consumers' satisfaction with the mortgage origination process.[236] The NSMO asks mortgage borrowers about their satisfaction with their mortgage disclosures, their actual mortgages, and other parts of the mortgage application process.[237] Overall, post-TRID borrowers reported increased satisfaction with the information and timeliness of their mortgage disclosures as well as the

[236] The magnitude and direction of consumers' self-reported satisfaction may also be affected by memory or experience. For example, consumers might easily recall unpleasant experiences during the mortgage origination process. NSMO responses are usually collected six to nine months after the mortgage is opened.

[237] Initial reports of consumer satisfaction can give way to discontent when consumers are made aware of misunderstandings in their mortgage transactions. In the qualitative portion of a Federal Trade Commission study interviewing thirty-six recent mortgage borrowers, respondents initially reported satisfaction with their mortgage origination experience. As the interviews progressed, respondents' attitudes of their mortgage experience deteriorated due to discovering costs or fees in their loan documents; realizing that they knew less about their loan terms than they originally assumed; and remembering problems about their mortgage experience during the course of the study's open-ended interviews. *See* James Lacko & Janis Pappalardo on behalf of the Fed. Trade Comm'n., *Improving Consumer Mortgage Disclosures: An Empirical Assessment of Current and Prototype Disclosure Forms: A Bureau of Economics Staff Report (2017)*, http://www.ftc.gov/os/2007/06/P025505MortgageDisclosureReport.pdf.

mortgage application and closing processes. However, post-TRID borrowers were no more likely to report increased satisfaction with the terms and costs of their mortgages.[238]

Consumer satisfaction with their mortgage disclosures

When NSMO respondents were asked how satisfied they were with the information in the mortgage disclosures, post-TRID borrowers were more likely than pre-TRID borrowers to respond that they were "very satisfied" by 3.8 percentage points after adjusting for borrower characteristics (Figure 5, green plot).[239] Similarly, post-TRID borrowers were more likely to be "very satisfied" with the timeliness of their mortgage disclosures by 4.4 percentage points (Figure 5, orange plot). For context, about two-thirds of pre-TRID mortgage borrowers were very satisfied with the information in and timeliness of their mortgage disclosures.

[238] The NAR survey also asked their members about consumers' satisfaction with the mortgage disclosures and the closing process. Regarding consumer satisfaction with the mortgage disclosures, 35 percent of respondents reported no change, 21 percent cited a slight improvement, and 13 percent a great improvement, compared to 20 percent stating worse satisfaction. Regarding consumer satisfaction with the closing process, 38 percent reported no change, 17 percent a slight improvement, and 12 percent a great improvement, compared to 25 percent reporting worse satisfaction. Nat'l Ass'n of Realtor Research Grp., *2019 CFPB Closing Process Rules Survey,* p. 7 (Jan. 2020), https://narfocus.com/billdatabase/clientfiles/172/21/3490.pdf.

[239] The original responses to NSMO questions about borrower satisfaction allow for three levels: very, somewhat, or not at all satisfied. The modal responses to all of these questions was "very satisfied" across pre- and post-TRID Rule borrowers. For this analysis, responses for "somewhat satisfied" and "not at all satisfied" were collapsed into one category, "not very satisfied". This creates binary outcome variables for logit regression models to estimate if there was a post-TRID Rule increase in "very satisfied" responses. The Bureau also analyzed responses using three-response outcomes with ordered logit and multinomial logit models, with similar results. Further discussion of regression model choices is in the Technical Appendix.

FIGURE 5: ESTIMATED POST-TRID RULE CHANGE ON CONSUMER SATISFACTION WITH MORTGAGE DISCLOSURES, NSMO RESPONDENTS

Note: Bars denote 95 percent confidence interval around the estimated change.

Repeat home buyers had the largest estimated increases in "very satisfied" responses for both information and timeliness (5.6 and 8.3 percentage points, respectively), followed by first-time homebuyers (4.2 and 5.5 percentage points, respectively). Refinance borrowers also showed increases in satisfaction, but smaller in magnitude (three percentage points for information and 2.2 percentage points for timeliness). The contrast between repeat buyers' relatively large increases in reported satisfaction with the information in disclosure documents and refinancers' relatively small increases is perhaps surprising given that both of these sets of borrowers have prior mortgage experience.

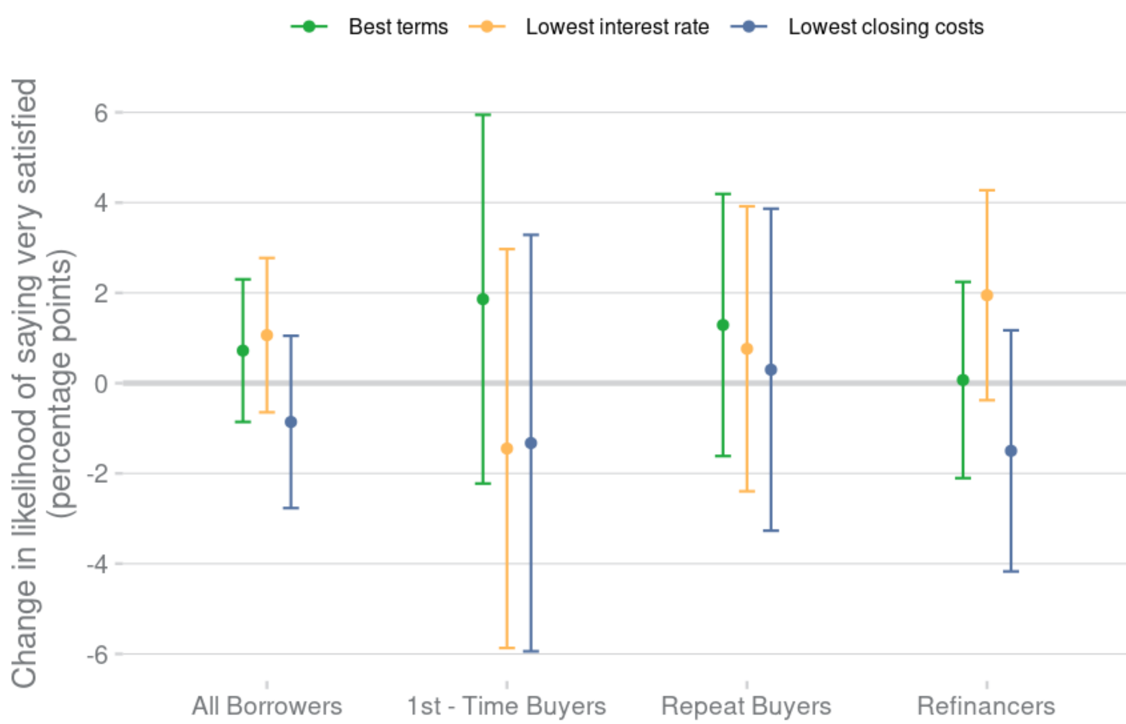
Consumer satisfaction with their mortgage terms

In contrast to the increases in consumer satisfaction among post-TRID Rule borrowers for the information in, and timeliness of, their mortgage disclosures, there is little evidence of a change in consumer satisfaction in their actual mortgages or the terms of their mortgages. Among all NSMO respondents, both pre- and post-TRID Rule, almost 80 percent were "very satisfied" when asked: "How satisfied are you that the mortgage you got was the one with the best terms to fit your needs?" Over 70 percent of all NSMO respondents were "very satisfied" when asked:

"How satisfied are you that the mortgage you got was the one with the lowest interest rate for which you could qualify?"[240] Almost 60 percent of all NSMO respondents were "very satisfied" when asked: "How satisfied are you that the mortgage you got was the one with the lowest closing costs?"

Taking into account borrower characteristics, post-TRID Rule borrowers were slightly more likely to be "very satisfied" that their mortgage had the best terms to fit their needs (Figure 6, green plot) and to be "very satisfied" that their mortgage had the lowest interest rate they qualified for (Figure 6, orange plot), but were slightly less likely to be "very satisfied" that their mortgage had the lowest closing costs (Figure 6, blue plot). However, none of these estimated changes for all post-TRID Rule borrowers were statistically significant at a five-percent level.

FIGURE 6: ESTIMATED POST-TRID RULE CHANGE ON CONSUMER SATISFACTION WITH MORTGAGE TERMS, NSMO RESPONDENTS



Note: Bars denote 95 percent confidence interval around the estimated change.

[240] Consumer satisfaction with the interest rates for their mortgages can be contrasted to the evidence of mortgage price dispersion discussed above in Section 3.2: failing to shop can cost the average borrower thousands of dollars over the life of a mortgage and that identical borrowers can face a 54 basis point difference for very similar loans.

Consumer satisfaction with mortgage application and closing processes

The TRID Rule also affected timing, tolerances, and other aspects of the application and closing processes that also may have affected consumer satisfaction. In the NSMO, there are two questions asking how satisfied borrowers are with the application process and the loan closing process. Post-TRID Rule borrowers were more likely to be "very satisfied" with the application process, by 4.9 percentage points (Figure 7, green plot); and with the loan closing process, by 2.8 percentage points (Figure 7, orange plot). For reference, the share of pre-TRID Rule borrowers that said they were "very satisfied" with the application process was 63 percent, and the share "very satisfied" with the loan closing process was 66 percent.

FIGURE 7: ESTIMATED POST-TRID RULE CHANGE ON CONSUMER SATISFACTION WITH MORTGAGE APPLICATION AND CLOSING PROCESSES, NSMO RESPONDENTS

Note: Bars denote 95 percent confidence interval around the estimated change.

The share of borrowers who were "very satisfied" with the application process increased more for first-time (8.5 percentage points) and repeat home buyers (7.7 percentage points) than for refinancers (2.3 percentage points). Repeat home buyers had the largest post-TRID increases in "very satisfied" responses regarding the loan closing process—6.5 percentage points for repeat home buyers versus 1.4 percentage points for first-time home buyers and 2.2 percentage points increase for refinancers. Gains in satisfaction for refinancers may be limited, since they are the group of borrowers most likely to select a lender or broker that they have worked with in the past and are presumably satisfied with.[241]

3.4.5 Consumer recall of mortgage terms

The TRID Rule may have indirectly improved borrowers' ability to recall their mortgage terms after they took out their loans. It is plausible that efforts to help consumers identify, compare, and understand loan terms and costs could have also improved borrowers' ability to recall these loan features after origination. This is important, because particular mortgage terms may entail future risks and costs to borrowers. These terms include adjustable-rate mortgages (ARM), prepayment penalties, balloon payments, and interest-only payments. A borrower able to recall that these risks and costs are built into the loan might better be able to manage or reduce them before they materialize.

The NSMO asks borrowers to report the terms of their recent mortgage, which can be compared to administrative data about the mortgage in the NMDB.[242] Borrowers' responses may depend on their behavior when they took the survey. For example, some NSMO respondents may have looked for their closing documents to accurately report their mortgage terms, but other respondents may have attempted to recall or estimate their mortgage terms from memory. In the NSMO, there are 1,563 borrowers with an ARM, enough to test for pre- versus post-TRID differences in responses. Unfortunately, there are too few mortgages with prepayment penalties, balloon payments, or interest-only payments in the NSMO data both pre- and post-TRID to test these similarly.[243]

Among all NSMO respondents with an ARM reported in NMDB, Table 11 shows the borrower responses to being asked if they had an ARM with sample sizes. The percentages below are

[241] NSMO question 14 asks "How important were each of the following in choosing the lender/mortgage broker you used for the mortgage you took out?", followed by a list of options that the respondent can mark "important" or "not important" for each. Refinancers had the highest share saying "important" to "used previously to get a mortgage" and "having an established banking relationship".

[242] See Appendix C: Sources of data and information, for more information about the NMDB.

[243] In the NSMO survey waves studied, out of over 28,000 observed mortgages from 2013 to 2017, there were only 42 loans with a prepayment penalty, 59 with a balloon payment, and 60 with interest-only payments.

survey-weighted tabulations and are not adjusted by borrower or loan characteristics. Post-TRID borrowers were 10.1 percent less likely to answer "yes" correctly, 9.3 percent more likely to say "no", and 0.7 percent more likely to say "don't know". Responses for repeat home buyers and refinancers follow this pattern. However, first-time home buyers were the only post-TRID Rule subgroup to have a larger share say "yes" correctly (Table 12).[244, 245]

TABLE 11: NSMO RESPONSES TO "IS THIS AN ADJUSTABLE-RATE MORTGAGE?", AMONG ALL RESPONDENTS WITH AN ARM IN NMDB ADMINISTRATIVE DATA (PERCENTAGE POINTS)

Response	Pre-TRID	Post-TRID	Difference
Yes	63.7	53.6	-10.1
No	35.0	44.3	9.3
Don't know	1.3	2.0	0.7
Sample size	991	573	N/A

Note: Columns may not sum to 100 percent due to rounding.

TABLE 12: NSMO RESPONSES TO "IS THIS AN ADJUSTABLE-RATE MORTGAGE?", AMONG FIRST-TIME BUYERS WITH AN ARM IN NMDB ADMINISTRATIVE DATA (PERCENTAGE POINTS)

Response	Pre-TRID	Post-TRID	Difference
Yes	63.9	65.1	1.2
No	31.1	34.0	2.9

[244] The Bureau also estimated the differences between pre- and post-TRID borrowers using a simplified regression model. Specifically, the main regression model used with the NSMO data cannot be used to generate estimates for first-time buyers with an ARM due to the small sample size. The regression model was simplified by collapsing categories as follows: credit score from deciles to two categories; respondent education from six to four categories; employment from seven to four categories; loan open month into quarters; race into two categories (white / non-white); loan amount from nine to two categories (above/below $250,000); and treating age as a continuous variable. Estimates from the simplified model for all ARM borrowers, as well as for repeat buyers and refinancers, are similar in direction and magnitude to estimates for these samples using the main regression model.

For all borrowers with an ARM, post-TRID Rule respondents were 9.5 percentage points less likely to say they had an ARM, after adjusting for borrower and loan characteristics, similar in magnitude to the unadjusted difference in responses shown in Table 11. Post-TRID Rule first-time home buyers who had an ARM were 29 percentage points less likely to correctly say "yes" to having an ARM, contrasted to the unadjusted difference of 1.2 percentage points. Repeat home buyers were 20 percentage points less likely to say "yes", similar to the unadjusted difference of minus-19 percentage points. Refinancers were five percentage points less likely to say "yes", smaller in magnitude than the unadjusted difference of minus-10 percentage points. Estimates for all borrowers, first-time buyers, and repeat buyers are statistically significant at a five-percent level but are less precise due to smaller sample sizes.

[245] It is unclear why post-TRID NSMO borrowers with an ARM were less likely to answer "yes" correctly. In the Quantitative Study, ARM-related questions such as "Can the interest rate change over the life of the loan?" and "Can the scheduled principal and interest payment change over the life of the loan?" had large shares of respondents answering correctly when using both the pre- and post-TRID disclosure forms. Respondents using the post-TRID forms performed better on a skippable question, "When can the interest rate first change?", but a majority of study respondents using the pre-TRID forms also answered this question correctly. These findings suggest that borrowers can identify an ARM when they have their disclosure forms in front of them.

Don't know	5.1	1.0	-4.1
Sample size	85	56	N/A

Note: Columns may not sum to 100 percent due to rounding.

3.4.6 Costs to consumers

The introduction of new mortgage disclosures and changes to disclosure timing by the TRID Rule may have had created unforeseen costs for consumers, both in the short-term during the introduction of the Rule, as well as ongoing costs. These costs can include unpleasant surprises faced by borrowers at their mortgage closing, including being rushed through documents and facing loan terms different than expected; delayed loan closings due to, for example, disclosures not being ready on time; and fewer options for mortgages that may have been less likely to be offered after the implementation of the TRID Rule, such as construction loans.[246]

In general, these hypothesized costs to consumers are not apparent in the Bureau's data. Among unpleasant surprises at the closing table, post-TRID Rule borrowers were more likely to say that their loan terms were different at closing, but also less likely to feel rushed at closing. The volume and rate of mortgage origination complaints to the Bureau have also declined since the TRID Rule was implemented. A short-run increase in mortgage closing times when the TRID Rule took effect fell back to pre-TRID Rule levels two years later.[247] Lastly, there does not appear to be changes to originations of construction loans.[248]

Surprises at closing

The Bureau stated in the 2013 Final Rule that consumers benefit from having more reliable estimates of settlement costs and that this will enable consumers to make informed and responsible financial decisions. The Bureau also believed that subjecting settlement costs to an enhanced reliability standard may also help to prevent financial surprises at the real estate closing that may greatly harm consumers.[249] This chapter uses NSMO data to assess the potential effect of the TRID Rule on the prevalence of surprises at closing.

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[246] In response to the November 2019 RFI, several commenters provided examples of potential consumer harm from the Closing Disclosure three-business-day waiting period, including forfeited good faith deposits, tax penalties for advances on retirement accounts, and travel, hotel, and moving company costs due to delayed moving dates. *See,* Appendix B: Comment summary.

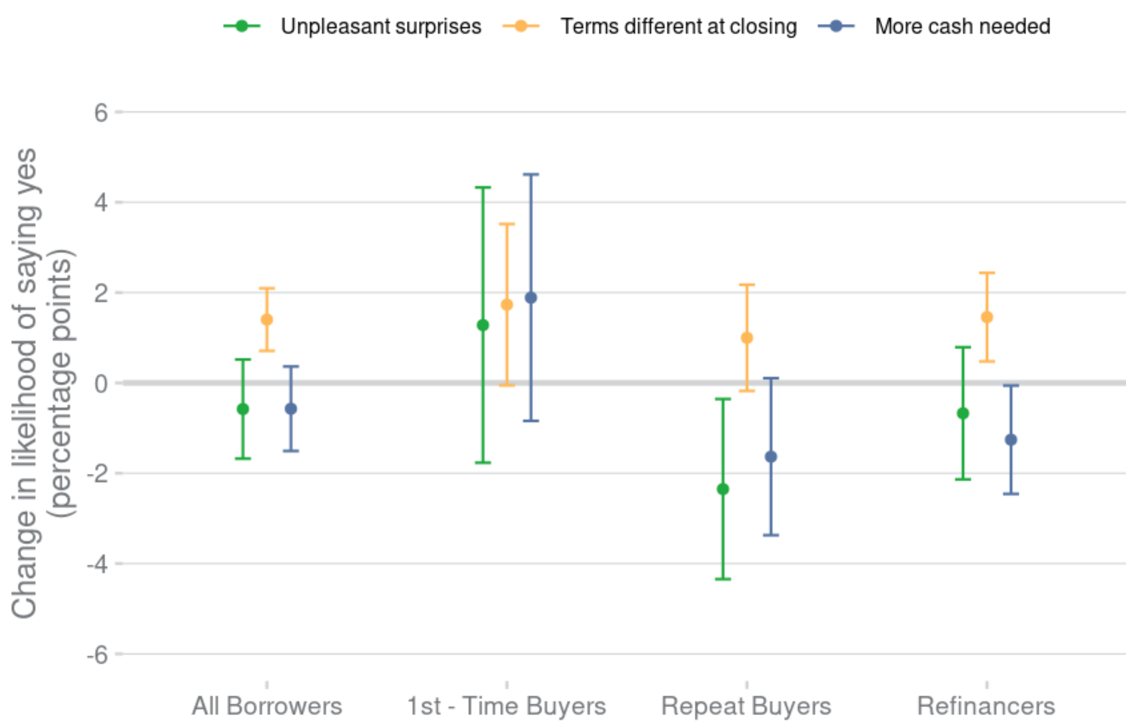
[247] *See* Chapter 5: Market effects for an analysis of closing times.

[248] *See* Chapter 5: Market effects for an analysis of mortgage volumes.

[249] 78 Fed. Reg. 79730, 79817 (Dec. 31, 2013).

The NSMO asked borrowers about four possible unpleasant surprises at closing that were documented by the survey in both the pre- and post-TRID time periods: mortgage terms different at closing; more cash needed at closing; being asked to sign blank documents; and being rushed at closing or not given time to read documents. The Bureau first analyzed if the implementation of the TRID rule was related to the share of borrowers facing any of the four closing surprises. There was no statistically significant change in the share of all post-TRID borrowers who faced a closing surprise (Figure 8, green plot), but repeat home buyers were 2.4 percentage-points less likely to face an unpleasant surprise at their loan closing. For reference, 8.5 percent of all borrowers in the pre-TRID Rule period faced at least one of these four surprises at closing, with a 10.3 percent share among first-time home buyers, 9.2 percent among repeat home buyers, and 7.7 percent among refinancers.

FIGURE 8: ESTIMATED POST-TRID RULE CHANGE ON CONSUMERS FACING ANY UNPLEASANT SURPRISE AND SPECIFIC UNPLEASANT SURPRISES (TERMS DIFFERENT / MORE CASH NEEDED) AT LOAN CLOSING, NSMO RESPONDENTS

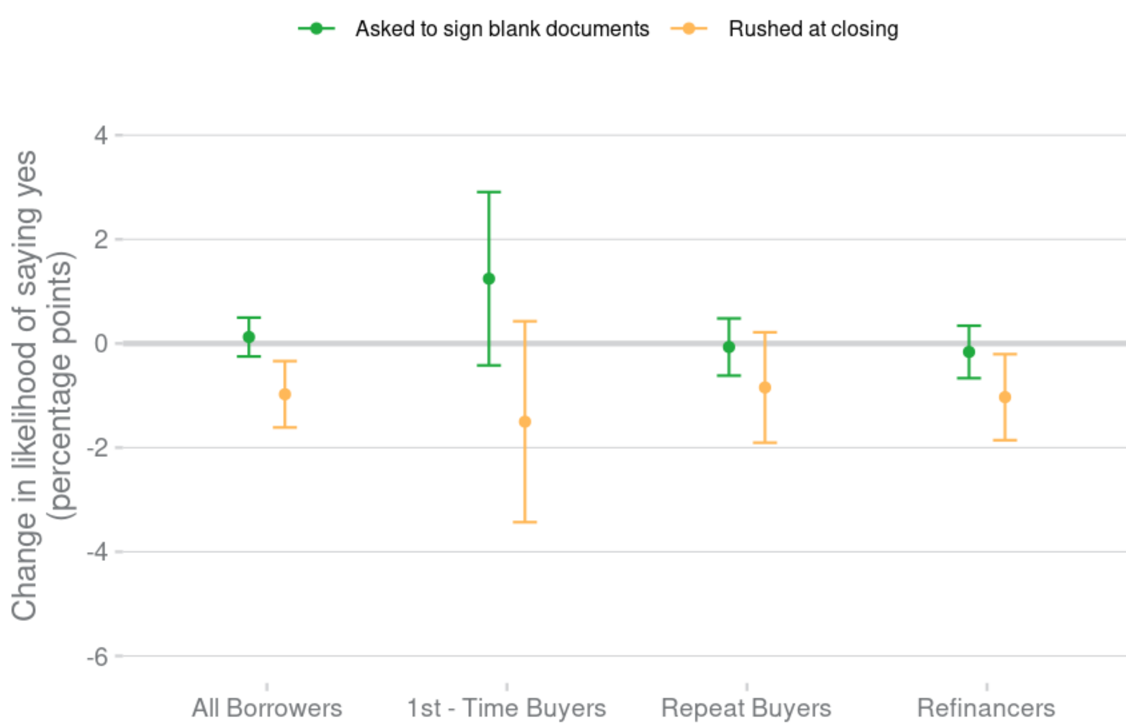


Note: Bars denote 95 percent confidence interval around the estimated change.

There was a post-TRID Rule increase of 1.4 percentage points in the likelihood of borrowers saying they faced different mortgage terms at their loan closing; this estimate is statistically significant at a five-percent level. Almost two percent of pre-TRID borrowers said they faced this surprise at their loan closing. All subgroups of borrowers showed a post-TRID increase in facing different loan terms, with the largest increase among first-time homebuyers of 1.7 percentage points (Figure 8, orange plot). Borrowers who were surprised by their loan terms at closing may not have understood the disclosures they were given and therefore were surprised when seeing or being told the loan terms at the closing table. Alternatively, borrowers did understand their mortgage disclosures and noted the differences at closing.

Borrowers being surprised that they needed more cash for closing (for escrow accounts or unexpected fees) was the most common surprise faced by NSMO respondents, with six percent of pre-TRID borrowers dealing with this surprise. Across all borrowers the post-TRID estimated change on this outcome was not statistically significant, but when borrower types are analyzed separately, repeat home buyers and refinancers had a 1.6 and 1.3 percentage point reduction (respectively) on the likelihood of being surprised to provide more cash (Figure 8, blue plot).

FIGURE 9: ESTIMATED POST-TRID RULE CHANGE ON CONSUMERS FACING SPECIFIC UNPLEASANT SURPRISES (ASKED TO SIGN BLANK DOCUMENTS / RUSHED OR NOT GIVEN TIME TO READ DOCUMENTS) AT LOAN CLOSING, NSMO RESPONDENTS



Note: Bars denote 95 percent confidence interval around the estimated change.

The last two unpleasant surprises are shown above in Figure 9, with "asked to sign blank documents" in the green plot, and "rushed at closing / not given time to read documents" in the orange plot. There was no overall increase in the likelihood of post-TRID borrowers being asked to sign blank documents. There was an estimated decrease of one percentage point in the likelihood of being rushed at closing among all post-TRID borrowers; this estimate is statistically significant at a five-percent level. For reference, 0.8 percent of pre-TRID borrowers reported being asked to sign blank documents, and three percent of pre-TRID borrowers reported being rushed at closing.

Mortgage origination complaints

The Bureau looked at the consumer complaints it received to determine if the Rule's effective date coincided with changes in consumer complaints about mortgage originations.[250] There has been a decrease in the volume of all mortgage origination complaints as well as a decrease in the rate of origination complaints, since the implementation of the TRID Rule. The Bureau cannot rule out that mortgage originations complaints would have dropped to a similar extent, or even further, if the TRID Rule did not take effect.[251]

[250] For detailed description of the consumer complaint database, *see* Appendix C: Sources of data and information.

[251] For context, the majority of mortgage-related complaints focused on loan servicing: either borrowers struggling to pay their mortgage or having trouble during the payment process. The volume of all mortgage-related complaints has also declined over the post-TRID Rule time period.

FIGURE 10: MORTGAGE ORIGINATION COMPLAINTS BY ISSUE

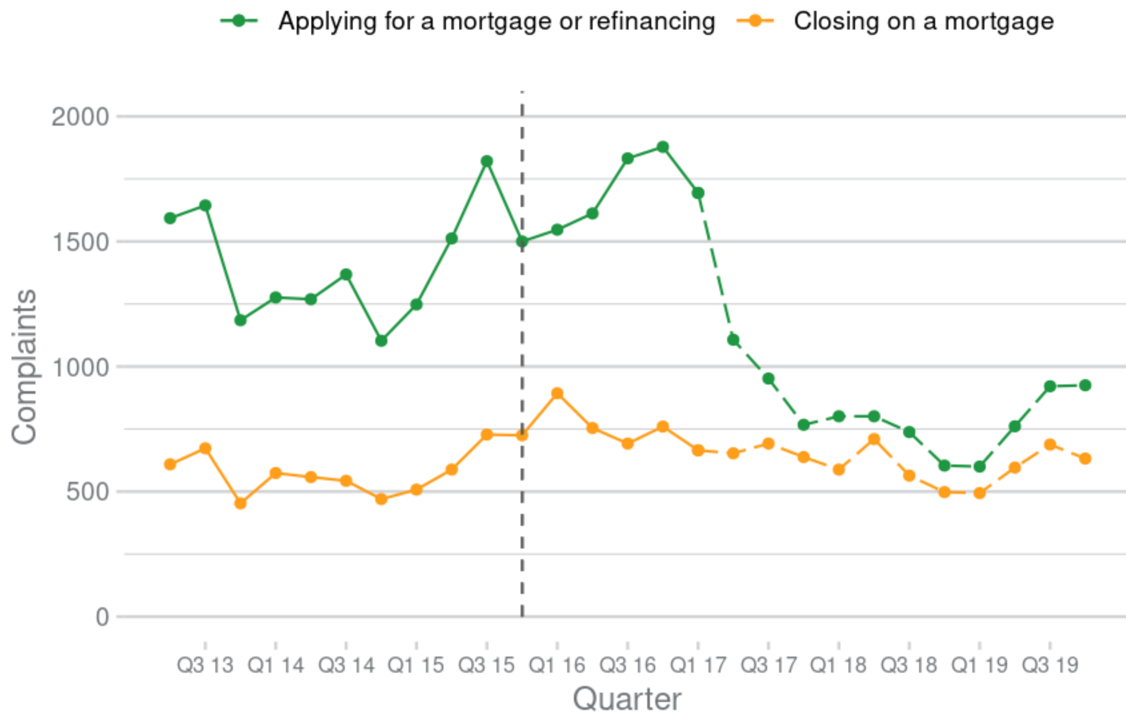


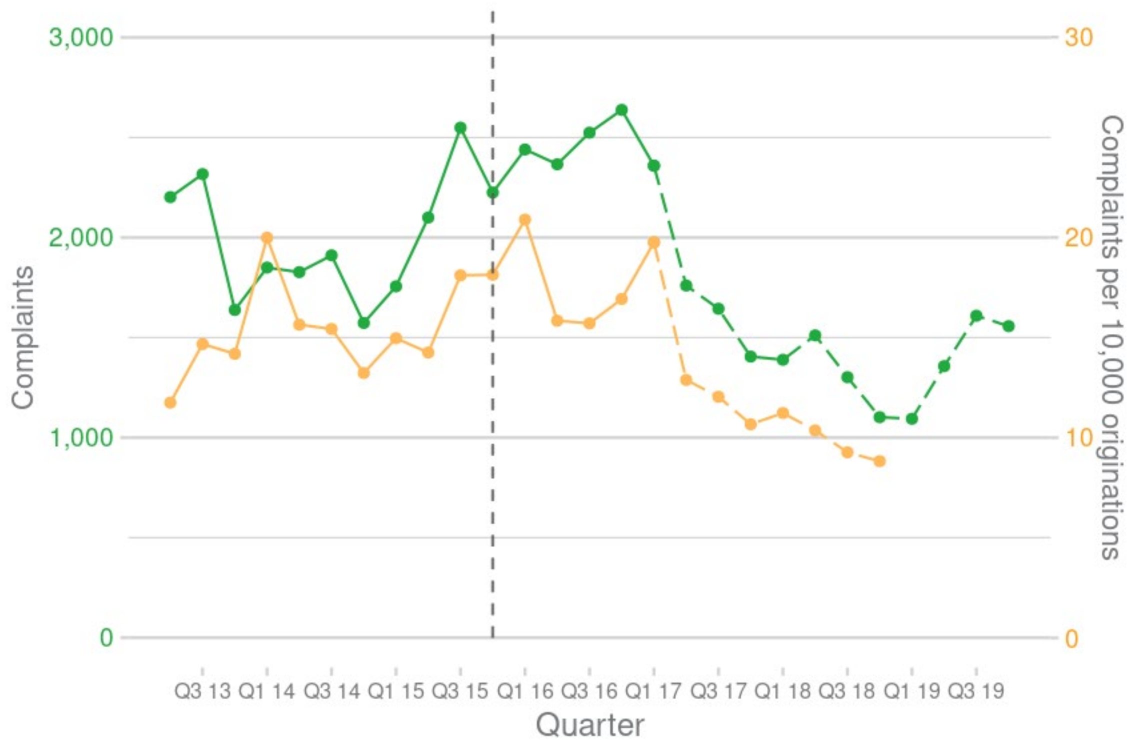
Figure 10 shows two broad categories of mortgage origination complaints: "applying for a mortgage or refinancing" and "closing on a mortgage". The vertical line after the third quarter of 2015 represents the implementation of the TRID Rule on October 3, 2015. Dashed lines represent changes in the Bureau's consumer complaint reporting process that took place after the first quarter of 2017.[252] Complaints related to "applying for a mortgage or refinancing" rose to over 1,800 during the third quarter of 2015 before the TRID Rule took effect, then hovered between 1,500–1,900 per quarter from 2016 to early 2017, before falling to under 1,000 per quarter throughout 2018 and 2019. Complaints related to "closing on a mortgage" were stable at around 500–800 per quarter from 2013 to 2019, with a short-run increase to 900 complaints during the first quarter of 2016.

In Figure 11, the complaint data shows the combined number of mortgage origination complaints (measured on the left axis) increasing in the year before the TRID Rule took effect, followed by a decline in 2017 to 2019. The right axis measures the number of mortgage

[252] In April 2017, the Bureau made changes to the consumer complaint form, including updates to the issues available for consumers to select. Figure 11 presents complaint trends using the currently available consumer issues. Issues identified in complaints received prior to April 2017 have been standardized to the current format.

origination complaints per 10,000 originations. After the implementation of the TRID Rule, mortgage origination complaints hovered around 2,200 to 2,600 each quarter until the second quarter of 2017, when they fell under 1,800 and stayed below that level throughout 2018 and 2019. The rate of complaints per 10,000 originations has steadily fallen, both from the decreasing number of complaints as well as the increase in originations (as discussed in Chapter 5).[253]

FIGURE 11: MORTGAGE ORIGINATION COMPLAINTS, BY VOLUME AND COMPLAINTS PER 10,000 ORIGINATIONS



Note: Mortgage originations based on HMDA data.

Delayed closings

Another possible cost to consumers from the implementation of the TRID Rule could arise from delayed mortgage closings. When a mortgage closing is delayed, consumers can incur additional

[253] The rate of complaints per 10,000 originations was calculated using HMDA data for mortgage originations.

costs such as lost rate locks that may result in higher interest rates than before, or storage fees for personal items that cannot be moved into the newly purchased property. Commenters to the Bureau's RFI for the TRID Rule Assessment mentioned potential consumer costs from the Closing Disclosure three-day waiting period, such as forfeited good faith deposits, tax penalties for advances on retirement accounts, and costs due to delayed moves.[254] Although the Bureau did find an immediate increase on closing times for purchase and refinance mortgages after the implementation of the TRID Rule, closing times then fell to pre-TRID Rule levels in 2017 and 2018.[255]

Unrealized loans

Lastly, there may be consumer costs due to unrealized mortgages that did not occur as a result of the TRID Rule. One possibility is the market for construction loans, which was believed to be negatively affected after the TRID Rule was implemented.[256] However, based on bank and credit union call reports, the dollar volume of outstanding construction loans increased steadily in the years following the implementation of the TRID Rule, with no observable trend break in October 2015, when the TRID Rule took effect.[257]

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[254] *See* Appendix B: Comment summary.

[255] *See* Chapter 5: Market effects.

[256] *See* Appendix B: Comment summary.

[257] *See* Chapter 5: Market effects.

4. Firm effects

4.1 Introduction

This chapter assesses the TRID Rule's potential effects on lenders, settlement agents, and the secondary mortgage market. The chapter begins by summarizing the data sources used in the analyses, highlighting key findings, and providing some background on the mortgage market. It then considers how the Rule affected costs for mortgage lenders and settlement firms. The final two sections consider the effects of the Rule on mortgage closing times and various aspects of the secondary market.[258]

As described in Chapter 1: Introduction, given the available data, it is difficult to establish clear effects of the Rule. Each of the data sources analyzed in this chapter have strengths and weaknesses. In particular, this chapter reports several estimates of the costs of the Rule for firms. Because of the challenges in creating these estimates, they should be interpreted only as the Bureau's best estimates for the firms represented in the Bureau's data and not as representative of all firms affected by the Rule.

The analyses in this chapter indicate the Rule had several short-run effects on firms in the mortgage origination market. First, it appears to have led to considerable costs to implement the Rule for both lenders and settlement agents. Second, in the months after the Rule took effect, the proportion of mortgages with loan quality defects, and in particular regulation-related defects, likely increased. In contrast, the long-run effects of the Rule appear to be more limited. The Rule does not appear to have affected lenders' ongoing operational costs or profits, for example, and both closing times and defect rates appear to have returned to trend. However, the Rule may have increased ongoing operational costs for settlement agents resulting in a decrease in profits per closing. Changes in costs may not only affect lenders but may have repercussions for consumers through the market-level effects like those examined in Chapter 5.

[258] Appendix A summarizes the evidence presented in this chapter as it relates to the goals of the Rule.

4.1.1 Key findings

- The Lender Survey asked representatives of companies that originate mortgages to estimate their one-time costs of implementing the Rule. The median response was roughly $146 per mortgage originated in 2015.[259] This represents 2.0 percent of the average cost of originating a mortgage for that year. By comparison, the Rule's benefit-cost analysis estimated the average implementation cost of about $135 per mortgage. Implementation costs were reported to be largely driven by new information technology systems, policies, and training.[260]

- The Closing Company Survey asked representatives of companies that conduct real estate closings to estimate their one-time costs of implementing the Rule. The median response was roughly $39 per closing conducted in 2015. This represents somewhat under ten percent of the median cost of conducting a closing for that year. The Rule's benefit-cost analysis, by comparison, estimated the average implementation cost of about $45 per closing. Survey respondents reported that these costs largely stemmed from efforts to understand the requirements of the Rule and from new information technology systems, policies, and training.

- Aggregate data from the Mortgage Bankers Association Quarterly Performance Reports show no significant change in origination costs of nonbank lenders (e.g., personnel costs, equipment costs, etc.) around the Rule's effective date. This finding for nonbank lenders is consistent with the Rule's benefit-cost analysis which predicted that ongoing costs due to the Rule would be negligible relative to the baseline of existing regulatory requirements.

- The median respondent to the TRID Assessment Survey of Closing Companies reported facing additional ongoing operational costs of $100 per closing. This contrasts with the Rule's benefit-cost analysis which predicted that ongoing costs due to the Rule would be negligible relative to the baseline of existing regulatory requirements.

- TRID-related guidance inquiries to the Bureau increased sharply beginning in early 2015, peaking around the Rule's effective date, and have since steadily declined. This general pattern is similar to the pattern of guidance inquiries the Bureau received regarding several other Rules. In this case, the pattern may indicate that firms' uncertainty surrounding how to comply with the Rule similarly peaked around the Rule's effective date and has since declined. It may instead indicate, however, that inquiries declined for unrelated reasons.

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[259] *See supra* note 14.

[260] *See supra* note 15.

- According to industry data, the share of mortgages with at least one critical defect (a defect that would result in the mortgage being uninsurable as part of a security or ineligible for sale to its intended recipient on the secondary market) was about 1.8 percent in the second quarter of 2015, 0.8 percent in the third quarter of 2015, 1.2 percent in the fourth quarter of 2015, and 1.9 percent in the first quarter of 2016. Thus, the share increased from the third quarter to fourth quarter of 2015 as the as the Rule took effect (2015 Q4), but the increase only resulted in the share being roughly the same as it previously was in the second quarter of 2015. The second quarter of 2015 is the first quarter in which these data are available to the Bureau, and it is therefore difficult to infer whether the Rule itself affected the share of loans with a critical defect. In addition, these data may not be representative of the market as a whole because they come from a select sample of lenders. Furthermore, the select sample varies over time, so time variations in the data may be due in part to changes in the sample.

4.1.2 Data sources and measures

This chapter draws on seven data sources to assess the effects of the TRID Rule on firms. Appendix C: Sources of data and information provides additional information about each of these data sources. Appendix E: Technical appendix provides additional information about the analyses conducted in this chapter.

1. *TRID Assessment Surveys*. In January 2020, the Bureau surveyed mortgage origination companies (Lender Survey) and closing companies (Closing Company Survey) operating before and after the Rule's effective date. The anonymous surveys asked respondents several questions about the effect of the TRID Rule on their own experiences and those of their respective companies. The data, therefore, give insights into industry's perspectives of, and experiences with, the TRID Rule. Of particular interest to this chapter are the questions that ask respondents about their implementation processes, what resources were used, and the types of costs incurred. Other questions from the surveys allow the Bureau to report the dollar costs associated with implementation and ongoing compliance with the TRID Rule. Responding to these surveys was voluntary, and the response rates were low (respondents to the two surveys represented 4.8 percent and 3.7 percent of their respective market's volume in 2015) so the results cannot be taken to be representative of the survey's target populations. In addition, in some cases, respondents were asked to recall figures or practices from before the Rule took effect. Estimates based on these questions may be subject to recall error. Additional information about the surveys is provided in Appendix D: TRID assessment industry surveys.

2. *HMDA*. The Home Mortgage Disclosure Act (HMDA) requires many financial institutions that meet asset, loan volume, loan activity, and location requirements to maintain, report, and publicly disclose loan-level information about mortgages.[261] These data cover over 90 percent of all residential mortgage originations and offer comprehensive details on mortgages. The HMDA data contain both application and closing dates for mortgage applications that result in an origination. This information, coupled with the coverage of HMDA, allows for an in-depth analysis of closing times to assess the effect that the TRID Rule may have had on closings.

3. *Mortgage Bankers Association Quarterly Performance Reports*. The Mortgage Bankers Association (MBA) publishes a quarterly report on the revenues and expenses associated with the origination and servicing of residential mortgages. This chapter uses the MBA data to analyze firm costs around the implementation of the TRID Rule. The data report revenues and expenses per mortgage based on voluntary reports from a sample that changes over time. The data mainly comprise non-depository institutions and their subsidiaries along with subsidiaries of banks and thrifts.

4. *NMDB*. The National Mortgage Database (NMDB) is a nationally representative five percent sample of first-lien residential mortgages in the United States. The NMDB consists of origination data on borrower and mortgage characteristics. This chapter uses the NMDB to track over time the shares of mortgages that are kept in portfolio, sold to a Government-Sponsored Enterprise, or sold for inclusion in a private-label security.

5. *ARMCO Mortgage QC Industry Trends Reports*. ARMCO, a mortgage quality control software provider, issues a quarterly industry trend report containing statistics based on quality-control findings. The information in these reports comes from post-closing quality control data comprising between 50,000 and 90,000 unique loans per quarter that were selected by over 60 lenders for full file review. These reports allow for a pre- and post-TRID Rule comparison of loan quality defect rates.

6. *Government-sponsored Enterprise (GSE) Guarantee Fee Reports*. The Federal Housing Finance Agency issues an annual report that shows the average guarantee fee (g-fee) charged by Fannie Mae and Freddie Mac for the current year and several previous years.

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[261] Small or rural financial institutions that do not meet the asset and loan volume reporting thresholds, and do not have a branch or office located in a Metropolitan Statistical Area, are not included in the HMDA data. *See* Bureau of Consumer Fin. Prot., *Home mortgage disclosure reporting requirements (HMDA),* https://www.consumerfinance.gov/policy-compliance/guidance/mortgage-resources/hmda-reporting-requirements/.

This allows the Bureau to construct time series on g-fees covering the years between 2012 and 2018.

7. *Inside Mortgage Finance Reports (IMF).* Inside Mortgage Finance reports aggregated time series on mortgage origination, mortgage servicing, and the secondary market. To understand the effect that the TRID Rule may have had on the secondary market, this chapter considers private-label securities (PLS) issuance volumes from IMF by issuance type. The chapter also briefly considers data on GSE repurchase volumes over time.

4.2 Background

This section lays out the background on how lenders and settlement agents may have been affected by the TRID Rule given the Rule's requirements and the process of providing mortgage disclosures. This section merely hypothesizes effects, so it is written in conditional language such as "may." In subsequent sections, we present empirical evidence on these effects.

4.2.1 Lenders

For the purpose of this report, a lender is any institution that originates residential mortgages covered by the TRID Rule. This includes, for example, banks and credit unions, as well as non-depository institutions. A mortgage loan officer is the natural person employed by a lender or mortgage broker who interacts most frequently with the consumer.

The TRID Rule may have affected both the benefits and costs of mortgage origination to lenders. Lenders may have benefited from reduced paperwork burdens since the Rule combined the mortgage disclosure requirements of both TILA and RESPA. Additionally, lenders may have benefited from clear disclosure because consumers who fully understand terms may be more likely to: (1) accept a mortgage offer that fits their needs, which could increase demand for some lenders; and (2) have a better understanding of how mortgage offers and transactions can change over time, which may reduce borrower questions and prevent later disagreements.[262]

[262] Despite the benefits, lenders may not invest optimally to provide clear information about mortgages on their own. This is because not all of the lender's investment may benefit the lender because a more informed consumer may use the information to seek a mortgage that better suits their needs at a different lender. This is what economists call an externality. In the face of such an externality, the TRID Rule, may have benefited the marketplace as a whole by providing a greater level of disclosure clarity than lenders otherwise would have provided. *See* Eva Nagypal, *A model*

Nonetheless, changing regulations may also come with costs. The TRID Rule may have led to implementation costs, that is, one-time costs beyond "business-as-usual" from implementing the Rule. Implementation costs may have included: updating "compliance management systems (CMS)" software,[263] providing additional training for employees, creating new policies and procedures, and making other updates to the mortgage origination process. It also may have included costs of coordinating with closing agents, software vendors, mortgage brokers, and correspondents as the Rule altered the requirements surrounding these relationships. For example, as discussed in Chapter 2: The TRID Rule, the Rule transferred responsibility for providing certain disclosures under RESPA to lenders and changed tolerance requirements. This meant that lenders needed to get more precise relevant information from closing agents earlier in the mortgage origination process than before.

The Rule also may have affected the ongoing costs of originating a mortgage. For instance, as a result of changes in tolerance rules and liability for the accuracy of the estimates, lenders may have changed the process, or created new processes, for estimating or verifying closing costs or the frequency with which they absorbed or refunded consumers for costs or fees that exceeded tolerances. Additionally, firms' origination costs may have changed if firms hired more staff, if it became more difficult to originate unusual mortgages in compliance with the Rule, or if the number of disclosures issued per mortgage changed. Furthermore, the Rule may have affected costs if it changed the need for coordination with third parties, the timing of closings, the number of questions from consumers, the efficiency of the mortgage origination process, or the need for ongoing legal advice. Finally, lenders may have experienced changes in the costs of pre-closing quality control and post-closing audit and verification.

The Rule may have affected not only these tangible costs but also the indirect costs from compliance risk, that is, the potential legal and financial costs of failing to comply with the regulation. Compliance risk of lenders may have increased because of the above transfer of responsibility for providing certain disclosures under RESPA to them, and, further, some of the

of mortgage search with information disclosure, (Bureau of Consumer Fin. Prot., No. 20-2 2020), https://ssrn.com/abstract=3701272.

[263] A compliance management system is an integrated system comprised of written documents, functions, processes, controls, and tools that help an organization: 1) establish its compliance responsibilities; 2) communicate those responsibilities to employees; 3) ensure that responsibilities for meeting legal requirements and internal policies and procedures are incorporated into business processes; 4) review operations to ensure responsibilities are carried out and legal requirements are met; and 5) take corrective action and updates tools, systems, and materials as necessary. Overall, CMS help organizations comply with legal requirements and minimize harm to consumers due to violations of law. *See*, Bureau of Consumer Fin. Prot., *CFPB Examination Procedures (Aug. 2017),* https://files.consumerfinance.gov/f/documents/201708_cfpb_compliance-management-review_supervision-and-examination-manual.pdf

Rule's disclosure requirements can give rise to a private right of action.[264] Lenders' perception of compliance risk may have been magnified if they were uncertain about how to comply with the new TRID disclosure requirements.[265] Compliance risk, in turn, may have indirectly affected origination through the secondary market. After a lender originates a mortgage, it typically either holds the mortgage in its own portfolio (or sells it to a related entity, like a wholesale lender[266]) or it sells the mortgage for the purpose of securitization. Securitization removes the mortgage as a liability from the lender's balance sheet and pools it into a residential mortgage-backed security (RMBS). Investors who buy shares of RMBS therefore indirectly fund mortgage originations.

Most RMBS are guaranteed by the Government-Sponsored Enterprises (GSEs), but mortgages can also be privately securitized.[267] RMBS issuers handle compliance with federal mortgage disclosure requirements differently. The GSEs reserve the right to require lenders to repurchase mortgages due to improper disclosure, which generates repurchase risk. Higher repurchase risk lowers the expected benefit from securitization for the lender and may lower the value of the RMBS. In contrast, private issuers typically employ review firms prior to the issuance of the security. Part of the "due diligence" performed by these firms is to ascertain that mortgages pooled in an RMBS comply with legal requirements including federal disclosure requirements. All else equal, favorable due diligence findings lead to a higher rating. The rating of the proposed RMBS, in turn, is directly tied to the security's valuation on the secondary market because a higher rating is an indication of lower loss expectations. Due diligence findings of improper or inadequate disclosure may also alter the composition of the RMBS since compliance errors can force the lender to pull the mortgage from the security pool and replace it with a compliant mortgage.

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[264] *See* 78 Fed. Reg. 79730, 79750-53 (Dec. 31, 2013).

[265] Although the Rule permits lenders to delegate provision of TRID disclosure forms, the lender or the assignee (the purchaser of the loan to whom the mortgage is ultimately assigned) remains responsible for disclosure errors. So-called "assignee liability," occurs in certain circumstances when the loan is sold to an investor and becomes subject to claims by the consumer. *See* TILA section 131 (15 U.S.C. § 1641).

[266] A wholesale lender is a bank or other lending institution that funds, and sometimes services, mortgages, but uses a third party (*e.g.*, an independent mortgage broker) to originate mortgages.

[267] The largest issuers of RMBS are the GSEs. RMBS are also funded by securitizations guaranteed by Ginnie Mae, a government-owned entity that guarantees timely payment for RMBS backed by mortgages insured or guaranteed by the FHA, the VA, and the USDA. Private firms also issue RMBS, known as private label securities.

4.2.2 Settlement Agents

For the purpose of this report, a settlement company is any institution that conducts closings, or settlements, for residential real estate transactions that are secured by mortgages covered by the TRID Rule. Settlement companies include, for example, law firms, title companies, and escrow companies.[268] For the purpose of this report, a settlement agent is any individual who conducts real estate closings. The settlement agent ensures that all the closing requirements are met, closing documents are complete, fees are collected, and the borrower signs the closing documents. After closing, the settlement agent records the deed at the local government registry.[269]

Settlement agents may have benefited from the Rule in a couple of respects. First, the Rule may have reduced paperwork burdens for settlement agents since it transferred responsibility for providing certain disclosure forms under RESPA to creditors. Second, like lenders, settlement agents may have benefited from clear disclosure because consumers who fully understand terms may be more likely to: (1) accept an offer for settlement services that fit their needs, which may increase demand for some settlement agents; and (2) have a better understanding of the services to be rendered and their costs, which may reduce borrower questions and prevent later disagreements.

Similar to lenders, implementation costs may have included: updating "compliance management systems (CMS)" software, providing training for employees, updating policies and procedures, or procuring legal advice. It also likely included costs of coordinating with lenders and other third parties on how develop processes compliant with the Rule.

The Rule also may have affected the ongoing production costs associated with settlement. For instance, settlement companies may have hired more staff, changed the process for estimating the costs of settlement services, or changed the method or frequency with which they coordinate with lenders and settlement service providers. Additionally, ongoing costs may have been affected if the Rule affected the timing of closings, the number of questions asked by consumers, the efficiency of the mortgage origination process, or the need for ongoing legal advice.

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[268] A settlement company may also offer other settlement-related services including title insurance, title search, title examination, escrow, or other legal services.

[269] 78 Fed. Reg. 79730, 79736 (Dec. 31, 2013).

4.3 Effects on lenders

The 2013 Final Rule's benefit-cost analysis estimated that the Rule's major costs for lenders would be one-time implementation costs of approximately $135 per mortgage originated in 2011. Further, it estimated that these implementation costs would be composed primarily of labor costs incurred to update systems and procedures. The Bureau estimated that the ongoing costs of the Rule would be "negligible" relative to the baseline of existing regulatory requirements.[270] Nevertheless, through industry outreach after the Rule took effect, the Bureau learned that both implementation costs and ongoing costs may be greater than the Final Rule's estimates.

The chapter first uses data from the TRID Assessment's Surveys of Mortgage Originators (TRID Lender Survey) to understand the difficulties lenders reportedly had in complying with the Rule. It then examines lenders' implementation costs and ongoing costs using the survey. The TRID Lender Survey attempted to elicit quantitative cost and revenue estimates; however, respondents appeared to find it challenging to report these data. Responses to these questions included values far outside the estimates reported in the MBA data. This section therefore relies on the MBA data for quantitative estimates of ongoing costs and revenues and analyzes ongoing costs responses from the Lender Survey only qualitatively. Summary statistics of responses to these questions in the Lender Survey are reported in Appendix D.[271]

According to TRID Lender Survey data, the median implementation cost among respondents was $146 per mortgage originated in 2015, or about 2.0 percent of the total cost of originating a mortgage reported at the time of implementation.[272] Implementation costs reportedly stemmed from a variety of sources and were primarily the cost of updating or creating loan origination systems and related information technology systems. While this survey gives a valuable glimpse into the effect of the Rule on some lenders, when interpreting these results, it should be kept in mind that the survey was voluntary and originations by the respondents accounted for 4.8 percent of all originations in 2015.

The chapter finally turns to analyzing statistics from the Mortgage Bankers Association's Quarterly Performance Reports. These statistics include the average cost of originating a mortgage. This average cost blends implementation costs and ongoing costs, which are thus not

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[270] 78 Fed. Reg. 79730, 80076 (Dec. 31, 2013).

[271] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 18 and 19.

[272] The survey asked lenders to estimate their implementation costs by type and their total implementation costs. This was then normalized with the number of mortgages that the lender originated in 2015 to adjust for lender size.

separately measurable. These statistics show that the cost of originating a mortgage increased steadily over time without an apparent jump at the time the TRID Rule came into effect.

4.3.1 Results from the Lender Survey

Compliance challenges around implementation

Many lenders reportedly found it challenging to come into compliance with the TRID Rule before the effective date. Somewhat over a quarter (28 percent) of TRID Lender Survey respondents needed more time to comply with the Rule and used temporary compliance measures to meet the Rule's requirements by the effective date.[273] Moreover, most lenders' perceived challenges when coming into compliance involved coordinating with external parties such as closing agents, software vendors, and brokers or correspondents.

Table 13 shows lenders' perceptions of how challenging it was to interact with closing agents, the CFPB, software vendors, and brokers or correspondents.[274] These qualitative responses are one set of indicators on how costly it was to come into compliance with the Rule. For example, challenging coordination with closing agents or difficulty getting guidance from regulators can lead to delays or added need for personnel or legal guidance, all of which can be costly.

Generally, lenders found these interactions somewhat or very challenging. Coordination with closing agents appeared to be among the most difficult, with 54.6 percent of respondents describing this interaction as very challenging. That was somewhat higher than the share of lenders who reported that receiving guidance from the CFPB and coordinating with software vendors were very challenging (51.0 and 42.9 percent, respectively).

TABLE 13: SHARE OF LENDER RESPONDENTS BY HOW CHALLENGING THEY VIEWED VARIOUS INTERACTIONS DURING IMPLEMENTATION

Interaction	Not challenging	Somewhat challenging	Very challenging	Sample Size
Coordinating with closing agents	7.1	38.4	54.5	99
Receiving guidance from CFPB	10.9	38.0	51.0	92

[273] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 11.

[274] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, question 14.

Interaction	Not challenging	Somewhat challenging	Very challenging	Sample Size
Coordinating with software vendors	14.3	42.9	42.9	98
Coordinating with brokers or correspondent entities	11.5	55.7	32.8	61

Several entities, including the CFPB, provided resources to mitigate compliance challenges, and Table 14 shows how helpful lenders found several of these.[275] Just as difficulty with guidance can lead to increased costs, more helpful resources can reduce the costs of complying with the Rule. Two CFPB resources, the Small Entity Compliance Guide[276] and the Guide to Loan Estimate and Closing Disclosure Forms,[277] were considered somewhat or very helpful by more than 80 percent of the respondents.[278] Just slightly lower shares considered trade group and industry resources somewhat or very helpful (more than 70 and 80 percent of respondents, respectively). Respondents generally were less likely to use the other enumerated resources.

TABLE 14: SHARE OF LENDER RESPONDENTS BY HOW HELPFUL THEY VIEWED VARIOUS RESOURCES DURING IMPLEMENTATION

Resource	Did not use resource	Not helpful	Somewhat helpful	Very helpful	Sample Size
CFPB's Guide to forms	8.2	3.1	52.0	36.7	98
CFPB's Small Entity compliance guide	11.2	4.1	39.8	44.9	98
Trade group websites of other resources	21.4	1.0	44.9	32.7	98
CFPB websites for real estate and settlement professionals	28.9	9.3	50.5	11.3	97
Federal Reserve Board Outlook Live Webinars	37.5	13.5	30.2	18.8	96

[275] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, question 15.

[276] For the latest version, *see* Bureau of Consumer Fin. Prot., *TILA-RESPA Integrated Disclosure Rule* (May 2018), https://www.consumerfinance.gov/documents/6530/2017-10_cfpb_KBYO-Small-Entity-Compliance-Guide_v5.pdf.

[277] For the latest version, *see* Bureau of Consumer Fin. Prot., *TILA-RESPA Integrated Disclosure: Guide to the Loan Estimate and Closing Disclosure Forms* (May 2018), https://www.consumerfinance.gov/documents/6528/cfpb_kbyo_guide-loan-estimate-and-closing-disclosure-forms_v2.0.pdf.

[278] Notably, the Small entity compliance guide was found similarly helpful by entities across the size distribution.

Resource	Did not use resource	Not helpful	Somewhat helpful	Very helpful	Sample Size
CFPB Examination Procedures	39.8	14.3	41.8	4.1	98
Option to submit questions to CFPB's Regulations Inquiries box	45.9	19.4	25.5	9.2	98
Other industry websites or other resources	13.3	2.0	49.0	35.7	98

Implementation costs

Table 15 shows survey respondents' estimates of implementation costs per mortgage.[279] The first column presents cost estimates for all 76 respondents who provided sufficient responses, and the remaining columns present cost estimates by the size of the lender.[280] The overall median implementation cost was roughly $146 per mortgage, and the interquartile range was about $59 to $413 per mortgage. At the median, this cost represents 2.0 percent of the total cost of originating a mortgage reported in the MBA data at the time of implementation. Implementation costs per mortgage generally decrease as lender size increases. This is consistent with a large part of implementation costs being fixed, and therefore not increasing proportionately with the size of the lender.[281]

[279] This table combines answers to TRID Assessment Survey of Mortgage Originators, questions 4, 16, and 17.

[280] The size of the lender is determined by the number of covered mortgages the lender reported originating in 2015, the year the TRID Rule was implemented. Size quartiles are defined in the overall sample based on all responses where size (the number of originations in 2015) was reported. Not all of these respondents answered the implementation cost question, which explains why the number of respondents in each quartile is not the same in this table.

[281] CUNA commissioned a regulatory burden study in 2017 that uses data for 2016. They estimate the total regulatory burden of TRID to be $497 million. Using HMDA data for the number of mortgage originations by credit unions in 2015, this implies a regulatory cost of $846 per mortgage. This cost is the total cost of TRID regulatory compliance in 2016 as opposed to the incremental cost of TRID vis-a-vis the previously existing regulatory requirement, so it is understandable why it is higher than what is reported here, even for small lenders.

TABLE 15: ESTIMATES OF IMPLEMENTATION COSTS PER MORTGAGE ORIGINATED IN 2015 OVERALL AND BY SIZE QUARTILE (DOLLARS)

Size Quartile	Overall	First size quartile	Second size quartile	Third size quartile	Fourth size quartile
25th percentile	58.68	220.59	58.33	63.33	28.68
Median	146.51	350.00	226.67	120.00	59.03
75th percentile	412.51	803.57	578.51	266.67	123.05
Sample size	76	17	17	23	19

Implementation costs can arise from many sources. To better understand the relative importance of these different cost sources, the survey asked respondents to estimate five different types of implementation cost. Respondents could also define their own cost type in an "other" category.[282] Table 16 shows the average share of each type of implementation cost.[283] Updating or creating loan origination systems and related information technology systems accounted for close to the largest share of costs at 26.7 percent. This is consistent with the 2013 Final Rule's benefit-cost analysis and with comments submitted in response to the November 2019 RFI that indicated that lenders had to adopt new technology systems.[284, 285] Understanding the requirements of TRID and updating or creating relevant policies and procedures accounted for 28.4 percent of implementation costs, on average. This is consistent with TRID being a complex rule to understand and with the qualitative responses that emphasized the difficulty of getting guidance and the importance of resources from the CFPB and other sources. Similarly, respondents indicated that 21.0 percent of implementation costs stemmed from initial training of sales and operations staff to come into compliance with the

[282] This assessment did not attempt to categorize "other" responses. It is possible that some of these responses fit under one or more of the pre-defined cost types.

[283] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, question 16.

[284] For example, a trade group representing credit unions stated industry incurred one-time costs preparing compliance systems. In addition, a trade group representing home builders stated that some creditors needed to purchase or upgrade loan origination systems.

[285] There may have already been a movement towards digitization under way as TRID took effect. If so, lenders would have incurred some of the implementation costs for systems upgrades in the absence of the Rule, only at a later date. This makes it challenging to define a benchmark against which to measure incremental costs due to the TRID Rule. For example, in a 2007 Fannie Mae survey of 169 lenders, 72 percent expected their companies to adopt eSignatures, and 44 percent expected them to adopt a full eClosing solution. *See,* Fannie Mae (2007, January), eMortgages: Research Findings on the State of Industry Adoption. From presentation by Fannie Mae to the Mortgage Bankers Association eMortgage Adoption Task Force on January 29, 2007.

Rule. By comparison, reviewing relationships and renegotiating contracts with mortgage brokers, closing agents, and title companies accounted for only 5.1 percent of implementation costs.[286] This means that, while these interactions were challenging as evidenced by the qualitative responses above, they represented a small share of overall costs.

TABLE 16: AVERAGE SHARE OF VARIOUS COST TYPES IN IMPLEMENTATION FOR LENDERS

Cost types	Cost share
Updating or creating loan origination systems and related information technology systems	26.7
Understanding the requirements of TRID and updating or creating relevant policies and procedures	28.4
Initial training of sales and operations staff to come into compliance with the Rule	21.0
Updating or creating compliance tools, such as templates, job aids, and recorded trainings	11.0
Reviewing relationships and renegotiating contracts, where applicable, with mortgage brokers, closing agents, and title companies	5.1
Other costs	7.8
Sample size	74

Note: Columns may not add to 100 due to rounding.

Ongoing costs and revenues

In addition to implementation costs, three-quarters of respondents to the TRID Lender Survey reported short-term increases in the ongoing costs of origination. A similar fraction reported long-run increases as well. Table 17 reports the fraction of respondents who reported facing increased costs in specific categories.[287] Most respondents reported increases in most

[286] The 2013 Final Rule's benefit-cost analysis discussed the possibility that lenders would enter into fixed-price contracts with service providers or even vertically integrate to increase certainty about costs. The low share in this category may imply that this effect did not materialize in response to the Rule. *See*, 78 Fed. Reg. 79730, 80086 (Dec. 31, 2013).

In response to survey questions about actions lenders take to avoid tolerance violations, only 26 percent of respondents said they entered at least sometimes into contracts or agreements with settlement providers to limit rate fluctuation in the year after the Rule took effect. This is slightly more than the 24 percent of respondents who said they entered into such agreements in the year prior to the Rule. *See* Appendix D, Survey of Mortgage Originators, questions 21 and 22.

[287] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, question 20.

categories, but relatively more reported higher costs due to lower origination efficiency, an increase in disclosure revisions, and the need for training. Fewer respondents, about a quarter, cited significantly greater costs resulting from consumer questions.

TABLE 17: SHARE OF LENDER RESPONDENTS WHO INDICATED FOR EACH COST COMPONENT THAT IT SIGNIFICANTLY INCREASED OR INCREASED ONGOING COSTS

Cost component	Increased costs	Significantly increased costs	Sample Size
Changes in origination efficiency	83.2	55.1	89
Revised disclosure number	87.6	55.1	89
Training	92.1	56.2	89
Closing timing	89.9	51.7	89
Disclosure ease	83.0	48.9	88
Initial disclosure number	73.6	43.7	87
Closing cost verification	88.1	47.6	84
Disclosures for unusual mortgages	77.1	42.2	83
Third party coordination	81.2	45.9	85
Quality control	86.1	45.4	86
Audit and verification	86.2	46.0	87
Tolerance violations	90.8	40.2	87
Consumer questions	68.8	30.0	80
Legal advice	75.6	39.0	82
Other	85.7	57.1	7

4.3.2 Results from the Mortgage Bankers Association reports

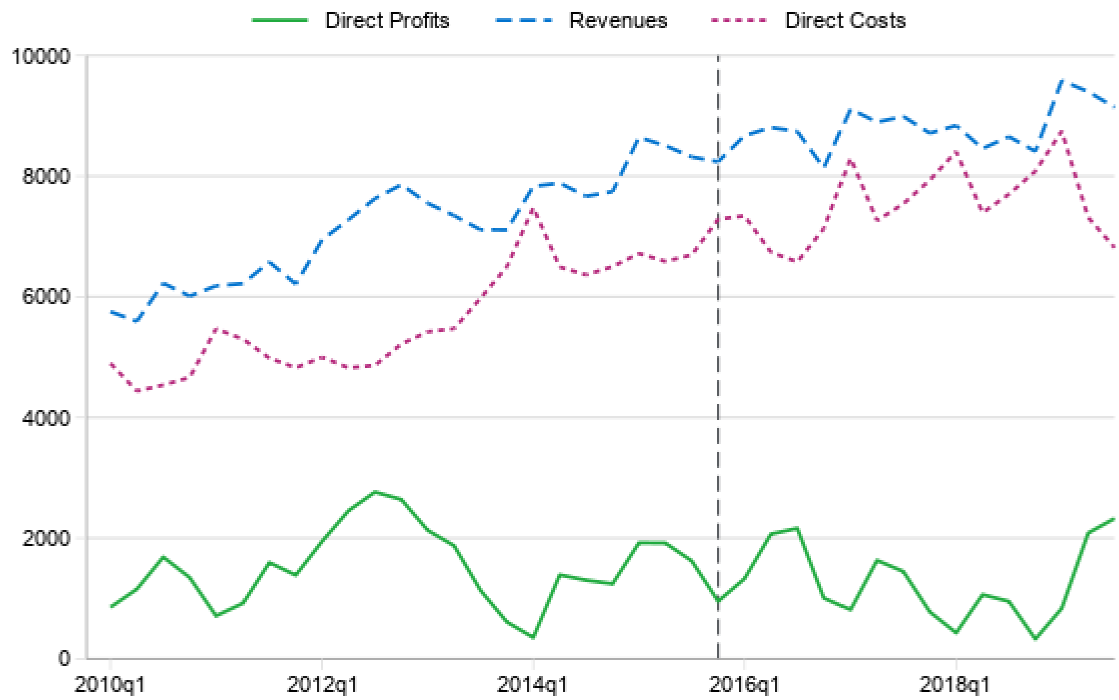
The Mortgage Bankers Association reports quarterly statistics on non-bank mortgage originators' average origination profits, revenues, and costs.[288] These statistics are based on detailed data from the Mortgage Bankers' Financial Reporting Form. Respondents in 2016 represented around 74.2 percent of the mortgage origination volume of non-bank mortgage companies and 34.4 percent of the volume originated market-wide.[289] The cost series encompasses all types of origination costs and therefore reflects both implementation costs as well as ongoing costs. Figure 12 plots MBA data on firms' quarterly average revenue, cost, and profit per mortgage origination, while Figure 13 presents the cost series divided into four broad categories: personnel expenses; occupancy and equipment expenses; technology-related expenses; and other expenses.[290]

[288]The TRID Lender Survey also administered one question each about respondents' ongoing costs and revenues. The responses to these single questions resulted in cost and revenue estimates vastly outside the estimates reported in the MBA reports that rely on detailed data from the Mortgage Bankers' Financial Reporting Form. This indicates the difficulty in capturing mortgage origination costs through simple survey questions. As a result, this analysis focuses on the MBA data. For a summary of survey responses to these questions, *see* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 18 and 19.

[289] Bureau of Consumer Fin. Prot., *Ability-to-Repay and Qualified Mortgage Rule Assessment Report*, p. 78, (Jan. 2019), https://files.consumerfinance.gov/f/documents/cfpb_ability-to-repay-qualified-mortgage_assessment-report.pdf.

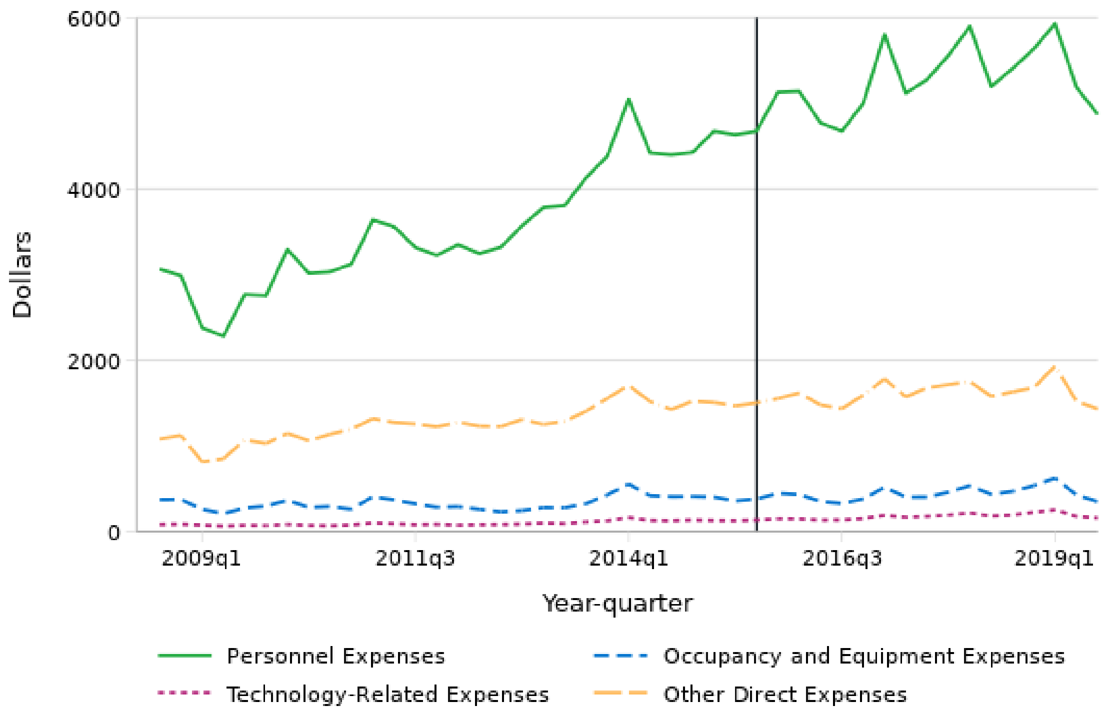
[290] Figure 12 defines "Direct Loan Production Expenses" as "Direct Costs," which is "Total Loan Production Expenses" less "Corporate Allocation." It defines the sum of "Total Net Production Income" and "Corporate Allocation" from the MBA Quarterly Performance Reports as "Direct Profits." "Revenues" are defined as the sum of direct costs and direct profits. This measure of revenue coincides with MBA's "Total Loan Production Revenue" from Q1 2016 through the end of the series. The Quarterly Performance Reports do not report "Total Loan Production Revenue" from Q2 2014 through Q4 2015, only reporting "Total Origination Related Income." "Total Loan Production Revenue" is reported in earlier reports, but its definition coincides with "Total Origination Related Income" and is much lower than the sum of direct profits and direct costs.

FIGURE 12: TOTAL AVERAGE PER LOAN REVENUE, COST, AND PROFIT FROM MORTGAGE ORIGINATION



Profits generally fluctuated between $0 and $2000 per loan between 2010 and mid-2019. The lack of an apparent trend in profits over the period is consistent with similar overall growth in revenues and costs over the period. Neither the cost nor profit series show an unusually large, discontinuous jump around the effective date, which would be indicative of one-time implementation costs. Further, the series does not show any departure from trend beginning at the effective date, which would suggest an increase in ongoing costs as a result of the Rule. The lack of apparent significant response to the TRID Rule in these series is not inconsistent with the survey results on implementation costs. The year-to-year fluctuations in costs and profits are on the order of $1,000 per mortgage. Against these fluctuations, the Lender Survey's median implementation cost of $146 per mortgage is modest at best. If lenders experienced increases in ongoing origination costs of a similar magnitude as the $146 per mortgage reported for implementation costs, then these increases would be also difficult to distinguish from typical fluctuations in the cost series.[291, 292]

FIGURE 13: FOUR COST COMPONENTS OF PER-LOAN MORTGAGE ORIGINATION COSTS OVER TIME



[291] Some of the cost fluctuations can be explained by lenders' inability to adjust all cost components in response to short-term fluctuations in the number of loans originated. These cost components are known as fixed or quasi-fixed costs. A simple econometric model can be used to account for the presence of such quasi-fixed costs in a regression of changes in costs on changes in volume and a constant to allow for long-run changes. According to the model, right after the implementation of the TRID Rule, in the fourth quarter of 2015, the predicted change in expense per loan was 7.1 percent, while the observed change was 8.4 percent, a difference of 1.3 percent. This difference is not statistically significant, nor is it economically significant given that the average absolute change in expense per loan is 7.1 percent over this period. This implies that there was no statistically significant change in expense per loan around the time of the TRID Rule's implementation according to these data.

[292] In an analysis of these data conducted in March 2016, the MBA suggested that the TRID Rule decreased profits by increasing average expenses. This conclusion may have been, in part, because per-loan production expenses were at the second-highest level observed to date in the series. *See* https://www.mba.org/2016-press-releases/march/independent-mortgage-banks-profits-down-60-percent-in-4th-quarter.

Similarly, individual cost categories do not show apparent departures from trends, which suggests that the category-specific cost increases reported by respondents to the lender survey may have been small relative to average category-specific costs.[293] For example, reported Rule-related increases in technology expenses per loan appear to be swamped by the magnitude of personnel costs that prevailed over the decade. Personnel expenses, the largest cost category, ticked up in the fourth quarter of 2015, but a change of this size is not unusual given the general volatility of the series.

Taken together, the MBA data show no significant change in origination costs of nonbank lenders (e.g., personnel costs, equipment costs, etc.) around the Rule's effective date. The Bureau is not aware of comparable data on the origination costs of depository lenders. Given that depository and nonbank lenders compete directly for consumers in the mortgage market and that the TRID Rule applied to all lenders regardless of type, the effect of the Rule would be similar, to the extent that their cost structures are similar.

4.4 Effects on settlement agents

The 2013 Final Rule's benefit-cost analysis estimated that the Rule's major costs for settlement agents would be one-time implementation costs of approximately $339 million, or $45 per closing conducted in 2011, primarily personnel costs, to implement new processes. As in the case of lenders, the Bureau estimated that the ongoing costs for settlement agents due to the Rule would be "negligible" relative to the baseline of existing regulatory requirements.[294] Nevertheless, through industry outreach after the Rule took effect, the Bureau learned that both implementation costs and ongoing costs could potentially be greater than the estimates in the Final Rule.

The section analyzes data from the Closing Company Survey to describe settlement agents' challenges in complying with the Rule and changes in their one-time and ongoing costs.

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[293] The increased technology costs that survey respondents identified as imposing implementation costs may appear as an increase in technology-related expenses, while the increased compliance training costs that survey respondents identified as imposing both implementation and ongoing costs may appear as increases in personnel costs. *See* Table 16.

[294] 78 Fed. Reg. 79730, 80076 (Dec. 31, 2013).

According to TRID Closing Company Survey data, the median implementation cost among settlement agents who responded was approximately $39 per closing in 2015.[295] The interquartile range was approximately $16 to $93 per mortgage. Implementation costs were reported to have come from a variety of sources, with the largest being the cost of understanding the requirements of TRID and updating or creating relevant policies and procedures. The median cost of closing among surveyed settlement agents increased from $400 per closing before the Rule to $500 after the Rule, while reported revenues increased from $600 per closing in the year before the Rule to $725 per closing in 2018.[296] Again, when interpreting these results, it should be kept in mind that the survey was voluntary and closings conducted by the respondents accounted for 3.7 percent of all mortgage closings in 2015.

4.4.1 Compliance challenges around implementation

The Closing Company Survey suggests that many respondents may have found it challenging to comply with the TRID Rule by the effective date. More than one third (36 percent) of survey respondents needed more time to comply with the Rule and used temporary compliance measures to meet the Rule's effective date.[297] Table 18 breaks down the various compliance tasks and when respondents achieved their long-term solution for each for respondents who answered all the component questions.[298,299] More than 75 percent of closing agents reached their long-term compliance goals within two months of the effective date (that is, by December 3, 2015). Updating or creating information technology systems was the task that the smallest share of respondents (65.0 percent) completed using their long-term solution by the effective date.

[295] Again, the survey asked settlement agents to estimate their implementation costs by type and their total implementation costs. This was then normalized with the number of closings that the settlement agent conducted in 2015 to adjust for settlement agent size.

[296] *See* Appendix D, TRID Assessment Survey of Closing Companies, questions 12 and 13.

[297] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 5.

[298] The relevant skip logic of the survey was not administered for the lender version of the survey which means we cannot report similar results for lenders.

[299] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 7. The survey was structured to imply that respondents would be in compliance with the Rule by using temporary compliance measures until the date reported by the respondent.

TABLE 18: SHARE OF SETTLEMENT AGENT RESPONDENTS WHO COMPLETED TRID-RELATED TASKS BY DATE

Task	By Oct 3, 2015	By Dec 3, 2015	By Oct 3, 2016	After Oct 3, 2016	Sample Size
Understanding the requirements of TRID and updating or creating relevant policies and procedures	76.3	12.5	6.3	5.0	80
Initial training of sales and operations staff to come into compliance with the Rule	78.8	7.5	8.8	5.0	80
Updating or creating compliance tools, such as templates, job aids, and recorded trainings	73.8	11.3	10.0	5.0	80
Reviewing relationships and renegotiating contracts, where applicable	71.3	13.8	10.0	5.0	80
Updating or creating information technology systems (including internal and consumer-facing systems)	65.0	15.0	13.8	6.3	80
All of the above tasks	63.8	13.8	16.3	6.3	80

Most survey respondents perceived challenges when compliance involved coordinating with external parties. Table 19 shows settlement agents' perceptions of how challenging it was to interact with the CFPB, mortgage originators, and third parties (e.g., software vendors).[300] Generally, closing agents found these interactions somewhat or very challenging. In fact, interaction with the CFPB was very challenging for 59.5 percent of respondents. That was somewhat higher than the share of closing agents who found interactions with loan originators very challenging (57.0 percent) and notably higher than the share of closing agents who found interactions with third parties very challenging (41.8 percent).

[300] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 8. We include responses where the respondents answered all the component questions.

TABLE 19: SHARE OF SETTLEMENT AGENT RESPONDENTS BY HOW CHALLENGING THEY VIEWED VARIOUS INTERACTIONS DURING IMPLEMENTATION

Interaction	Not challenging	Somewhat challenging	Very challenging	Sample Size
Receiving guidance from CFPB	12.7	27.9	59.5	79
Coordinating with mortgage loan originators	8.9	34.2	57.0	79
Coordinating with third parties (*e.g.* software vendors)	16.5	41.8	41.8	79

Several entities, including the CFPB, provided resources to mitigate compliance challenges. Table 20 shows how helpful closing agents found various resources.[301] Generally, closing agents found industry resources more helpful than the resources provided by the CFPB, which were also used by a smaller share of respondents. By far, the resource respondents reported to find the most helpful was information from title insurance underwriters, which two-thirds of respondents found very helpful.

TABLE 20: SHARE OF SETTLEMENT AGENT RESPONDENTS BY HOW HELPFUL THEY VIEWED VARIOUS RESOURCES DURING IMPLEMENTATION

Resource	Did not use resource	Not helpful	Somewhat helpful	Very helpful	Sample Size
Title insurance underwriters	4.6	3.6	25.5	66.4	110
Trade groups or other industry sources	15.5	10.0	34.6	40.0	110
Software vendors	4.6	12.7	40.0	42.7	110
CFPB websites for real estate and settlement professionals	17.3	31.8	41.8	9.1	110
CFPB’s Small Entity compliance guide or CFPB's Guide to the Loan Estimate and Closing Disclosure forms	26.4	24.6	37.3	11.8	110
Option to submit question to CFPB’s Regulations Inquiries email box	47.3	36.4	16.4	0.0	110

[301] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 9. We include responses where the respondents answered all the component questions.

4.4.2 Implementation costs

Table 21 shows survey respondents' estimates of implementation costs per closing.[302] The first column presents cost estimates for all 98 respondents who provided sufficient responses, and the remaining columns of the table present cost estimates by the size of the respondent's firm:[303] the second column presents costs for the first quartile of firms (the smallest firm up to the firm that is the 25th percentile in size), the third column presents costs for the second quartile, and so on.[304] The overall median implementation cost per closing was $39.20, and the interquartile range was $16.30 to $92.90 per closing. The 25th percentile, median, and 75th percentiles of implementation costs per closing generally decrease as firm size increases, though the relationship is not monotonic as it is for lenders. The median firm in the bottom size quartile reported $90.00 per closing in implementation costs, and the median firm in the top size quartile incurred $26.90 per closing in implementation costs. This is consistent with a large share of implementation costs being fixed and therefore not increasing with the size of the firm.

TABLE 21: ESTIMATES OF IMPLEMENTATION COSTS PER CLOSING CONDUCTED IN 2015 OVERALL AND BY SIZE QUARTILE (DOLLARS)

Statistic	Overall	First quartile	Second quartile	Third quartile	Fourth quartile
25th percentile	16.30	30.40	17.00	18.80	7.80
Median	39.20	90.00	39.20	45.60	26.90
75th percentile	92.90	163.50	72.50	106.70	61.10
Sample size	98	20	26	27	25

302 This table combines answers to TRID Assessment Survey of Closing Companies, questions 2, 10, and 11.

303 Size of firm is here defined to be the number of closings conducted for residential real estate transactions that were secured by mortgages covered by the TRID rule in 2015.

304 Similar to the definition used above for lenders, size quartiles are defined in the overall sample based on all responses. Not all of these respondents answered the implementation cost question, which explains why the number of respondents in each quartile is not the same.

Implementation costs can arise from many sources. To better understand the sources of these costs, the survey asked respondents to estimate five different types of implementation cost.[305] Respondents could also define their own cost type in an "other" category.[306] Table 22 shows the average share of each type of implementation cost. These results are quite similar to the results for lenders, with the costs of understanding the requirements of TRID and updating relevant policies and procedures, and the cost of updating or creating information technology systems, accounting for 27.7 percent and 26.4 percent, respectively. The information technology cost is notable since closing agents were no longer responsible for delivering disclosure forms to consumers. Nonetheless, this suggests that closing agents may have made substantial information technology upgrades so they could provide information to lenders. The cost of the initial training of sales and operations staff represented 18.9 percent of implementation costs. Similarly to lenders, reviewing relationships and renegotiating contracts accounted for a small share (4.3 percent) of implementation costs.

TABLE 22: AVERAGE SHARE OF VARIOUS COST TYPES IN IMPLEMENTATION FOR SETTLEMENT AGENTS

Cost types	Cost share
Understanding the requirements of TRID and updating or creating relevant policies and procedures	27.7
Updating or creating information technology systems (including internal and consumer-facing systems)	26.4
Initial training of sales and operations staff to come into compliance with the Rule	18.9
Updating or creating compliance tools, such as templates, job aids, and recorded trainings	11.6
Reviewing relationships and renegotiating contracts, where applicable	4.3
Other costs	11.1
Sample size	94

305 *See* Appendix D, TRID Assessment Survey of Closing Companies, question 10.

306 This assessment did not attempt to categorize "other" responses. It is possible that some of these responses fit under one or more of the pre-defined cost types.

4.4.3 Ongoing costs and revenues

Table 23 shows survey respondents' estimates of the cost of closing in the year before the Rule, the year after the Rule, and in calendar year 2018.[307,308] The median reported closing cost in the year before the TRID effective date was $400 per closing. The median increased by $100 in the twelve months following the TRID Rule and then remained unchanged in 2018. Similarly, the interquartile range was $240 to $600 per closing before the Rule, increased to $300 to $775 per closing in the twelve months following the Rule, and then narrowed only slightly as the 75th percentile fell to $750. These increases are consistent with the TRID Rule increasing ongoing costs for settlement agents.

TABLE 23: ESTIMATES OF ONGOING COST PER CLOSING (DOLLARS)

Statistic	Year before the TRID Rule	Year after the TRID Rule	Calendar 2018
25th percentile	240.00	300.00	300.00
Median	400.00	500.00	500.00
75th percentile	600.00	775.00	750.00
Sample size	90	92	92

Table 24 breaks out respondents' cost increases by specific categories.[309] Respondents generally reported increased costs for each of the surveyed categories. Requirements to provide updated Loan Estimate or Closing Disclosure forms when loan costs or terms change, coordinating with loan originators, and the timing of closings were the most commonly cited sources of significantly increased costs, whereas relatively fewer respondents cited training and legal advice as having significantly increased costs.

307 *See* Appendix D, TRID Assessment Survey of Closing Companies, question 12. Note that the statistics in Table 23 exclude a few outliers (such as reports of costs of $0) that are included in the statistics reported in Appendix D.

308 In recognition of the fact that different settlement agents may provide different settlement services at closing, the survey question was eliciting the cost of "providing settlement services for a closing." To the extent that the set of services provided changed over time, the cost numbers are not directly comparable over time. That said, the cost and revenue estimates were elicited the same way, therefore those are comparable at a point in time.

309 *See* Appendix D, TRID Assessment Survey of Closing Companies, question 14.

TABLE 24: SHARE OF RESPONDENTS WHO INDICATED FOR EACH COST COMPONENT THAT IT SIGNIFICANTLY INCREASED OR INCREASED ONGOING COSTS

Cost Component	Increased costs	Significantly increased costs	Sample Size
Change in Number of Revised Disclosures	89.3	63.1	103
Loan Originator Coordination	94.2	62.1	103
Closing Timing	87.0	54.0	100
Consumer and Realtor Interactions	86.0	45.0	100
Third Party Coordination	78.8	40.4	99
Training	82.0	35.0	100
Legal Advice	56.2	24.7	89

Firms that face an increase in costs may pass some of the higher costs on to consumers through higher prices.[310] The survey data can provide suggestive evidence as to whether firms passed through costs; more definitive evidence would require more complete information on all the costs and revenue sources of the firms in the market. Table 25 displays survey respondents' reported revenue in the year before the Rule, the year after the Rule, and in calendar year 2018.[311] Median firm revenue dropped by $25 per closing in the year after the Rule took effect before increasing by $150 per closing in 2018. The 25th percentile of revenue decreased slightly in the year after the Rule compared with the prior year and then increased to $350 in 2018 while the 75th percentile was steady at $1200 per closing and then increased somewhat to $1250 per closing in 2018.[312] These data might suggest that some settlement agents may have passed

[310] A firm's ability to pass through costs depends on many factors including the relative sensitivity of demand and supply to changes in price, the degree of competition in the market, other firms' costs changes and responses, and how the firm's marginal costs change with output. *See* RBB Econ., *Cost pass-through: theory, measurement, and potential policy implications* (Feb. 2014), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/320912/Cost_Pass-Through_Report.pdf.

[311] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 13.

[312] The large dispersion in costs and revenues may be indicative that, similar to lenders, settlement agents also had some difficulty reporting the cost of and revenues from conducting a closing. It is notable, though, that the spread

through increased costs to consumers in 2018. However, examining individual survey responses (not shown), increases in reported revenues are not significantly positively correlated with increases in reported ongoing costs. This suggest that increased ongoing costs are not generally responsible for settlement agents' increase in revenues.[313]

TABLE 25: ESTIMATES OF ONGOING REVENUE PER CLOSING (DOLLARS)

Statistic	Year before the TRID Rule	Year after the TRID Rule	Calendar 2018
25th percentile	312.50	300.00	350.00
Median	600.00	575.00	725.00
75th percentile	1,200.00	1200.00	1250.00
Sample size	76	75	74

4.5 Compliance

4.5.1 Regulatory uncertainty

Regulatory uncertainty can impose significant costs on businesses.[314] For example, businesses may expend additional resources trying to understand an uncertain regulatory regime, or they may refrain from engaging in profitable innovations for fear of regulatory non-compliance. In the case of the TRID Rule, there were several sources of perceived or actual regulatory uncertainty, including items identified in response to the November 2019 RFI and summarized in Appendix B: Comment summary. For example, several commenters stated there is regulatory

observed for settlement agents is much smaller than that observed for lenders, suggesting that settlement agents had less difficulty providing these figures overall.

313 Several responses to the November 2019 RFI stated that settlement charges to consumers increased. Estimates ranged from $130 to $1,600 in increased settlement costs for borrowers. *See* Appendix B: Comment Summary.

314 *See* Steven J. Davis, *Regulatory Complexity and Policy Uncertainty: Headwinds of Our Own Making* (Jan. 30, 2017), http://www.policyuncertainty.com/media/Davis_RegulatoryComplexity.pdf.

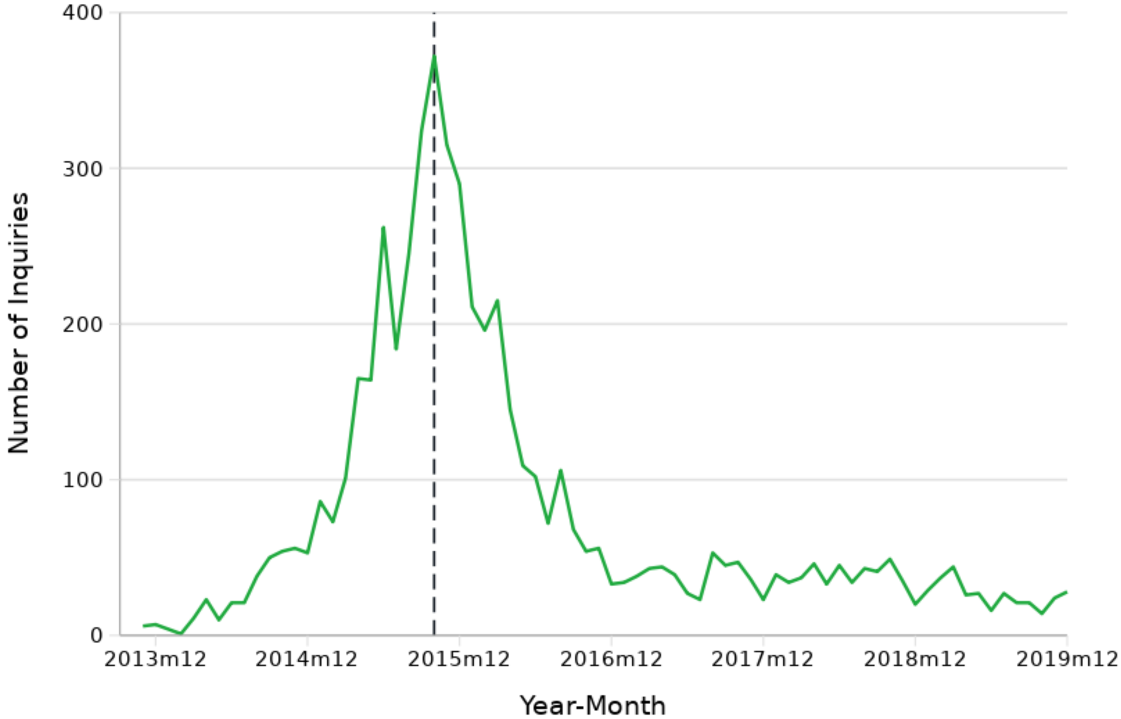
uncertainty regarding consumers' ability to waive the Closing Disclosure's three-business-day waiting period and that the uncertainty is delaying transactions.

Regulatory uncertainty is difficult to quantify. One indicator, though, is the number of inquiries made to the Bureau. The Bureau's Office of Regulations' individual guidance function offers financial institutions, service providers, and others informal staff guidance on specific questions about the Bureau's regulations and statutes under its authority.[315] The guidance is not official Bureau interpretations or legal advice. Figure 14 shows the volume of regulatory inquiries related to the TRID Rule received and addressed by Bureau staff by month received. The number of inquiries peaked around the effective date at 372 inquiries received in October 2015. After the effective date, the monthly volume of inquiries dropped and continued to drop after a minor spike corresponding to the issuance of the TRID amendments in July 2017. By 2019, the volume dropped to 30–40 inquiries per month, and volumes continue to trend down in 2020. The number of inquiries is at best an imperfect proxy for the amount of uncertainty firms in the market face. Inquiry volume can change for reasons unrelated to the level of market uncertainty, such as changes in the expectation whether Bureau staff would resolve an inquiry in a timely way or the availability of other resources and avenues for inquiry. Nevertheless, the patterns noted in Figure 14 may indicate that firms' uncertainty surrounding how to comply with the Rule peaked around the Rule's effective date and has since declined.

The inquiries were on a variety of topics. Many related to the Loan Estimate and the Closing Disclosure and how to disclose various items on these forms. Other inquiries related to revisions and tolerances, the timing of disclosures, and the party responsible for delivering the disclosure.

[315] *See* Bureau of Consumer Fin. Prot., *Submit a regulatory inquiry*, https://reginquiries.consumerfinance.gov/.

FIGURE 14: VOLUME OF TRID RULE REGULATORY INDIVIDUAL GUIDANCE INQUIRIES, BY MONTH RECEIVED



In addition to answering these inquiries, the CFPB made several efforts to address actual and perceived uncertainty, and thereby reduce the cost of complying with the Rule. The Bureau has provided resources to support the implementation of the TRID Rule including the Bureau's website with extensive written implementation and guidance materials, which answer many common questions;[316] a small entity compliance guide; and a guide to forms.[317] As shown in Table 14 in Section 4.3.1 and Table 19 in Section 4.4.1, these resources were found to be useful by a significant share of survey respondents. In addition, as discussed in Chapter 2: The TRID Rule, the Bureau addressed actual and perceived uncertainty and facilitated compliance as part of amendments to the 2013 Final Rule in January and July of 2015, July of 2017, and April of 2018.

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[316] *See* Bureau of Consumer Fin. Prot., *TILA-RESPA Integrated Disclosures (TRID)*, https://www.consumerfinance.gov/policy-compliance/guidance/mortgage-resources/tila-respa-integrated-disclosures/.

[317] Id.

Beyond the Bureau's efforts, industry also attempted to address regulatory uncertainty and reduce the resulting cost. Most notably, the Structured Finance Association (SFA) led an effort to "help secondary market participants"—including Third Party Review firms, aggregators, attorneys, lenders, and rating agencies—in "defining the liability surrounding the new disclosure obligations and attempting to quantify the risk that a secondary market investor may face in the event that [an] investor purchased a loan that contained a violation of TRID."[318] The SFA formed the Due Diligence, Data, and Disclosure Working Group, which brought together secondary market participants to tie the provisions of the TRID Rule to the specific liability provisions of TILA. The group's primary goal was to create a uniform due diligence testing standard, and this effort resulted in the publication of the TRID Compliance Review Scope (also referred to as the "TRID Grid") on June 15, 2016. Subsequently, the Working Group published updated versions on October 18, 2018, and most recently on December 5, 2019. These updates are colloquially known as TRID Grid 2.0 and 3.0.

4.5.2 Evidence from Supervisory Exams

If the Rule resulted in additional regulatory uncertainty or other costs of compliance, then firms may have also more likely to violate the law, even if unintentionally. On the other hand, if the Rule reduced compliance burden, as anticipated, then the Rule could have resulted in fewer violations.[319]

The Bureau periodically publishes Supervisory Highlights based on findings from the Bureau's supervisory examinations to help industry limit risks to consumers and comply with Federal consumer financial law.[320] The Bureau has published 21 Supervisory Highlights since 2012. The Bureau started the supervisory examination of mortgage originators for compliance with the TRID rule in 2016 and has conducted examinations for compliance with TILA and RESPA since 2011. This section summarizes the findings from these examinations based on information included in the Supervisory Highlights.

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[318] *See* Structured Fin. Ass'n, *TRID Grid 3.0 Overview* (Dec. 5, 2019), https://structuredfinance.org/resource-details/trid-grid-3-0-overview/.

[319] *See* Appendix A, section A.3.3 for a discussion of how the Rule met the Bureau's objective that "Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens."

[320] *See* Bureau Consumer Fin. Prot., *Supervisory Highlights*, https://www.consumerfinance.gov/policy-compliance/guidance/supervisory-highlights/ (for a list of all published Supervisory Highlights from 2012 to 2020).

1. Examinations before the TRID Rule

The assessment team reviewed the Supervisory Highlights for examination findings related to TILA and RESPA disclosure provisions during the year before TRID took effect. Examiners found the following types of violations:

- The entity(ies) failed to provide the consumer a GFE within three business days of receipt of a complete application.
- The entity(ies) failed to provide the consumer a timely revised GFE within three business days of receiving information to establish a changed circumstance.
- The entity(ies) failed to include all fees on a GFE.
- The entity(ies) listed on GFEs certain estimated charges that Regulation X does not permit to increase at settlement, yet the actual charges at settlement for these items increased.
- The entity(ies) included on GFEs estimated charges for which the sum could not increase by more than 10 percent at settlement, yet the sum of actual charges at settlement exceeded the 10 percent tolerance.
- The entity(ies) failed to properly document changed circumstances to support charges that increased at settlement beyond the allowable tolerances.
- The policies and procedures of the entity(ies) did not define sufficiently when an application was received. As a result, the lender did not measure the three-business-day period accurately, and this caused the Good Faith Estimates to be delayed beyond the three-business-day requirement.

2. Examinations after the TRID Rule

The Bureau completed its first round of supervisory examinations for compliance with the TRID Rule in September of 2017. These initial examinations were sensitive to progress made by supervised entities who made a good faith effort to come into compliance with the Rule. The initial findings concluded that, for the most part, both bank and nonbank supervised entities effectively implemented and complied with the Rule. Specifically, the Bureau concluded that the mortgage origination compliance programs of examined entities were overall strong for the size, risk profile, and operational complexity of their mortgage origination business. Generally, the Bureau found that boards of directors and management were involved in reviewing and approving policies and procedures; entity compliance programs were consistent with applicable Federal consumer financial laws, and; training was tailored to the role of employees and was updated and delivered annually. In addition, the examinations concluded that the monitoring functions at most institutions adapted to changes and took corrective action to address deficiencies; institutions had policies and procedures that established clear expectations for timely handling and resolution of complaints and analyzed the root causes of complaints; and audit programs were comprehensive and independent of the compliance program and business functions.

While the overall results were satisfactory, examiners concluded that the mortgage origination compliance programs at some institutions were weak. Those institutions did not conduct compliance audits of mortgage origination activities, had weak oversight of service providers, or had not implemented policies and procedures that established clear expectations to adequately mitigate the risk of harm from service providers.

Examiners found the following violations with respect to the content and timing of Loan Estimates and Closing Disclosures during one or more examinations:

- Amounts paid by the consumer at closing exceeded the amount disclosed on the Loan Estimate beyond the applicable tolerance threshold;
- The entity(ies) failed to retain evidence of compliance with the requirements associated with the Loan Estimate;
- The entity(ies) failed to obtain or document the consumer's intent to proceed with the transaction prior to imposing a fee in connection with the consumer's application;
- Waivers of the three-day review period did not contain a bona fide personal financial emergency;
- The entity(ies) failed to provide consumers with a list identifying at least one available settlement service provider, if the creditor permits the consumer to shop for a settlement service;
- The entity(ies) failed to disclose the amount payable into an escrow account on the Loan Estimate and Closing Disclosure when the consumer elected to escrow taxes and insurance;
- Loan Estimates did not include the date and time at which estimated closing costs expire;
- The entity(ies) failed to properly disclose on the Closing Disclosure fees the consumer paid prior to closing.

These high-level examination results before and after the implementation of the TRID Rule do not show any significant change in the strength of entities' compliance programs. The Supervisory Highlights identified seven violations of disclosure requirements of TILA and RESPA in the year leading to the implementation of the TRID rule and eight violations in the year after the implementation of the TRID rule.

4.6 Secondary market effects

As detailed in Section 4.2, Background, after a mortgage is originated, it is typically either kept in the portfolio of the lender or wholesaler or funded by private label securitizations, or securitizations guaranteed by the GSEs or Ginnie Mae. This section considers possible effects of the TRID Rule on the secondary mortgage market due, for example, to investor concerns about liability for compliance errors that may have affected lenders' abilities to sell mortgages on the secondary market. While the TRID Rule appears to have led to an increase in the number of mortgages with regulation-related defects, the increase was relatively small and short-lived. Perhaps because the rise was relatively small and transitory, the TRID Rule did not appear to change the shares of loans that were securitized or kept in portfolio.

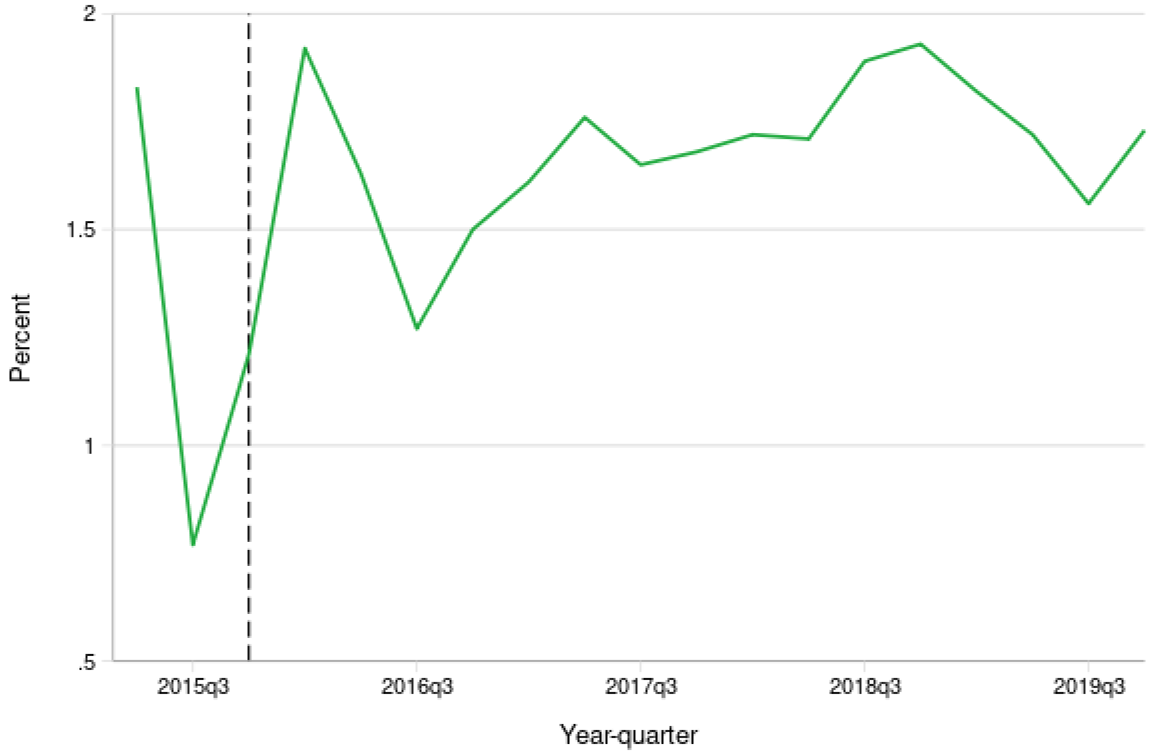
4.6.1 Loan quality defects

Defects in a mortgage's disclosures can affect the ability to sell the mortgage or the price the lender receives, particularly as liability for the defect may transfer to the purchaser of the mortgage. Using data from ARMCO, a mortgage quality control software provider, Figure 15 reports the share of loans with at least one critical defect identified during post-closing quality control review using ARMCO's software.[321] ARMCO categorizes defects using Fannie Mae's loan defect taxonomy and defines a "critical defect" as a defect that would result in the loan being uninsurable or ineligible for sale.[322]

[321] The data comprise between 50,000 and 90,000 unique loans per quarter that were predominantly sold to the GSEs or guaranteed by Ginnie Mae.

[322] Critical is the top severity level that can be assigned to a defect using the taxonomy. A critical defect in a loan intended for sale to Fannie Mae makes that loan ineligible for delivery to Fannie Mae. *See* https://singlefamily.fanniemae.com/media/16731/display. ARMCO reports the share of loans with at least one critical defect.

FIGURE 15: SHARE OF MORTGAGES WITH AT LEAST ONE CRITICAL DEFECT



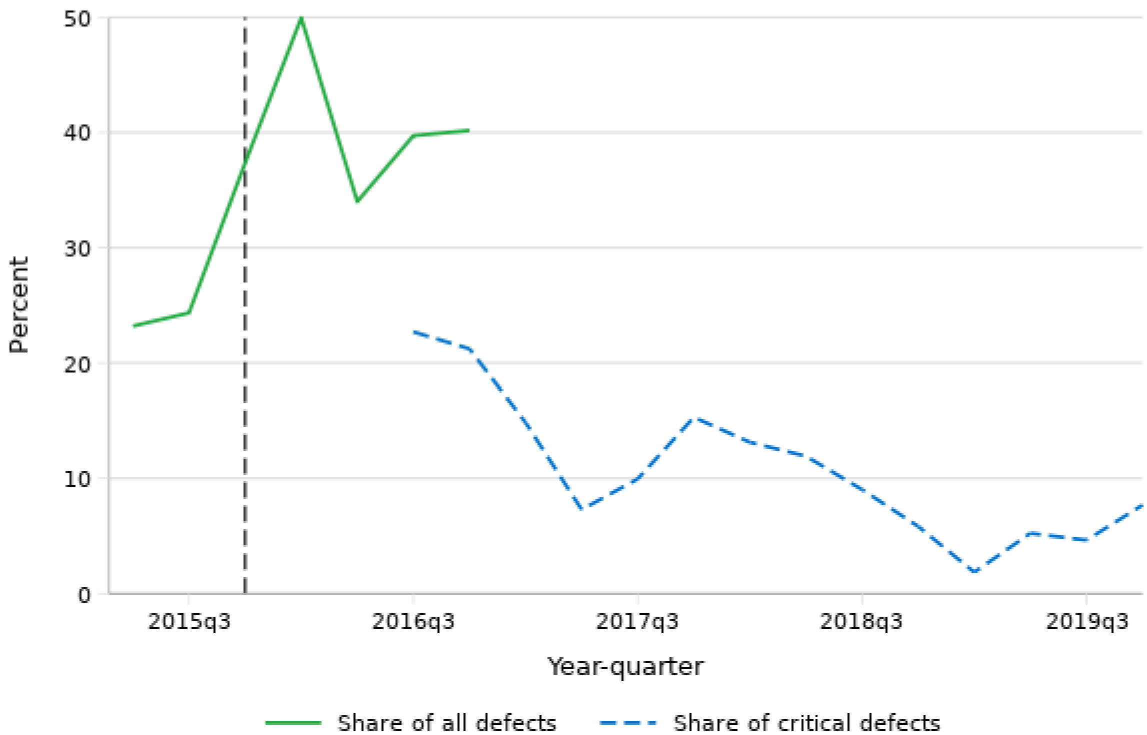
According to these data, the overall mortgage critical defect rate jumped from 0.77 percent of mortgages in 2015 Q3 to 1.92 percent in 2016 Q1, a level just higher than the share in 2015 Q2.[323] The overall critical defect rate generally remained between 1.5 and two percent in subsequent quarters.

Some of the increase in late 2015 to early 2016 may have been attributable to the TRID Rule. This is apparently supported by Figure 16 which shows the share of defects that fall into the Legal/Regulatory/Compliance category (the category that would contain TRID violations). The green line shows the share of total defects (critical and non-critical) that fell into the Legal/Regulatory/Compliance category. This share peaked at 50 percent in the first quarter after the Rule took effect (first quarter of 2016) but then dropped to about 40 percent by the end of 2016. The blue dashed line shows the share of critical defects that fell into the Legal/Regulatory/Compliance category. This series began at about 23 percent in the third quarter of 2016 but then dropped below 10 percent by 2017 and stayed around this lower level. The lower share among critical defects than among overall defects in the overlapping quarters

[323] ARMCO data available to the Bureau range from 2015 Q2 to 2019 Q4.

indicates that Legal/Regulatory/Compliance defects (many of which were likely due to TRID violations) were less likely to be critical (i.e. leading to the loan being uninsurable or ineligible for sale). In terms of the trend, neither series extends far enough before and after the Rule took effect to show a clear change in trend after the Rule took effect. Nevertheless, together, these data on defects suggest that the Rule affected a small proportion of mortgages and the effect subsided within about a year.[324]

FIGURE 16: SHARE OF ALL DEFECTS AND CRITICAL DEFECTS THAT FALL INTO THE LEGAL, REGULATORY, OR COMPLIANCE CATEGORY



[324] In response to the November 2019 RFI, a joint letter of trade groups representing several groups of industry participants stated that uncertainty and inconsistent interpretations caused large percentages of loans to be labeled as defective by investors, even where such defects were only technical and presented no credit risk nor risk of harm to consumers. In its response to the November 2019 RFI, the Structured Finance Association (SFA) stated in part that, based upon projections and the small number of reviews that have been performed since December 2019, the number of exceptions for TRID Rule violations has been drastically reduced under the revised industry standards, with early estimates noting that compliance "exception counts" are around two percent, which is roughly in line with the number of exception counts that existed prior to 2009. *See* Appendix B: Comment summary.

4.6.2 Secondary market composition

The TRID Rule may have affected the composition of mortgages in the secondary market in many ways. For example, if an increase in critical defects led to lenders having trouble selling mortgages in the secondary market, then they could have retained a greater share of mortgages in their portfolios. In other cases, the Rule may have affected shares in potentially offsetting ways. For example, of loans that were securitized, the share securitized through the GSEs may have increased relative to the share securitized as PLS because the GSEs issued letters on October 6, 2015, stating that, while they "expect[] lenders to make good faith efforts to comply with TRID," "until further notice, [they] will not conduct routine post-purchase loan file reviews for technical compliance with TRID."[325] On the other hand, lenders may have been wary of selling loans to the GSEs given that the GSEs reminded lenders that "under the generally applicable provisions of [their contracts, they] retain the right to require a repurchase for a lender's violation of applicable law if the lender's failure to comply could be expected to impair [the GSE's] ability to enforce the note or mortgage, or to impose assignee liability on [the GSE]." Further, so-called "scratch and dent" mortgages—mortgages with critical defects that are unable to be sold to their intended recipients, would also have been issued as PLS.[326] If the increase in defects led lenders to be unable to sell their mortgages as planned, then PLS volumes may have increased relative to GSE volumes.

This section draws on the NMDB and the Lender Survey to examine the net effect of these potential considerations on the share of originations kept in portfolio and the composition of loans in the secondary market. Figure 17 shows that the share of purchase loan dollar volumes in each category are fairly stable over time with no notable break around the Rules' effective date.

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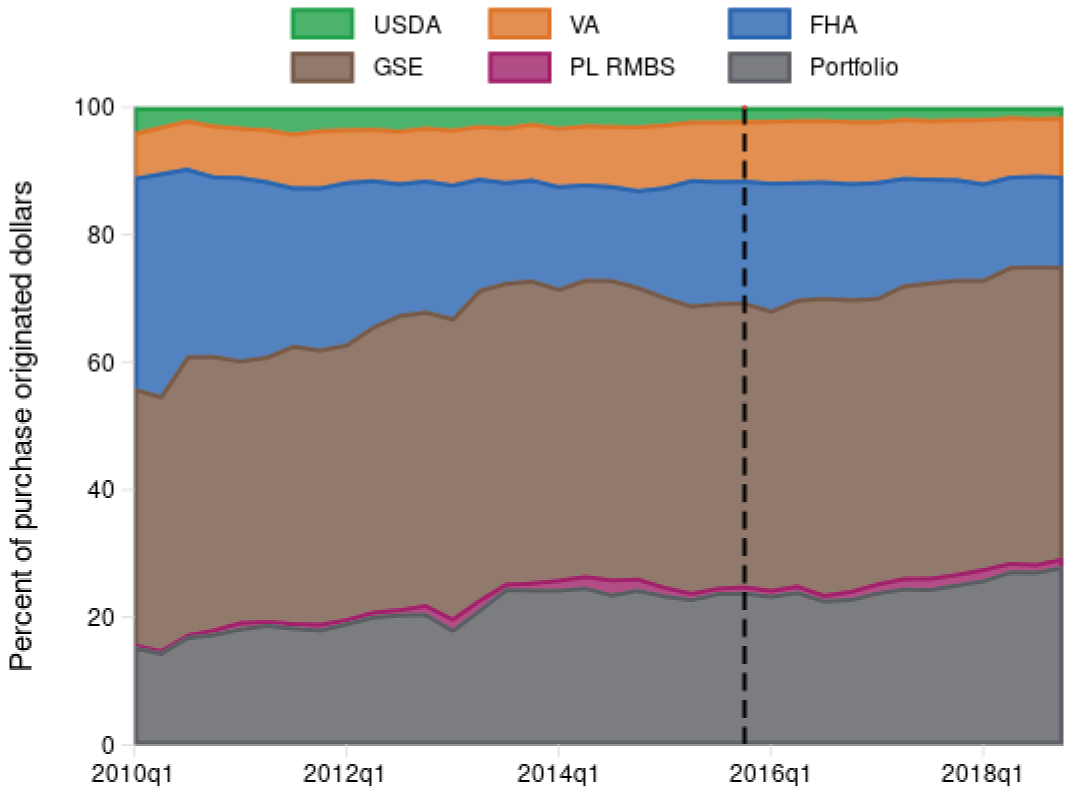
[325] The GSEs continued to review mortgages to evaluate whether the correct forms were used in connection with the origination of the mortgage. Fannie Mae Lender Letter LL-2015-06 (Oct. 6, 2015), https://singlefamily.fanniemae.com/media/15396/display; and Freddie Mac Letter, Information Related to the Know Before You Owe TILA-RESPA Integrated Mortgage Disclosure Rule (Oct. 6, 2015), http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/iltr100615.pdf.

[326] The term "scratch and dent" is not always used consistently across the industry. IMF, the provider of the data underlying Figure 18, since the financial crisis has defined "scratch and dent" as issuances that are backed largely by "re-performing" and sometimes "non-performing" loans. Prior to the financial crisis, "scratch and dent" more commonly referred to RMBS collateralized by loans that for some reason didn't qualify for the program to which they were intended to be sold. For example, if a lender had a batch of loans that turned out not to meet GSE guidelines, it might sell these loans to an aggregator that would issue a security. In discussions regarding the TRID Rule, this is the definition most commonly used. A re-performing mortgage is a mortgage that at some time in the past became delinquent, but on which the borrower has resumed making payments. Generally, a non-performing mortgage is a mortgage that is in default.

FIGURE 17: BREAKDOWN OF PURCHASE ORIGINATION DOLLAR VOLUME BY LOAN TYPE



The stability of origination dollar volumes, at least in aggregate, around the Rule's effective date is consistent with evidence from the Lender Survey. The survey asked respondents how the share of mortgages that their institution kept in portfolio or sold for inclusion in various types of securities changed in the twelve months after the TRID Rule's effective date. In all cases, over two-thirds of respondents reported no change (Table 26).[327] Of the 82 respondents who reported keeping loans in portfolio, 57 said their portfolio share stayed the same, six reported a decrease in their portfolio share, and nineteen reported an increase in their portfolio share. Of those who reported an increase or decrease, roughly half of respondents attributed the change in their portfolio share to the Rule (not shown).[328]

[327] The questions were not applicable to all lenders, depending on their choices to sell loans. For example, the question about how the portfolio share changed was not applicable to nine respondents who said their institutions do not keep loans in portfolio. Similarly, 33 respondents said their institutions do not sell loans to the GSEs.

[328] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 32 and 33.

TABLE 26: SHARE OF LENDER RESPONDENTS BY CHANGE IN THE SHARE OF MORTGAGES KEPT IN PORTFOLIO OR SOLD IN VARIOUS SECONDARY MARKET CHANNELS THE YEAR AFTER TRID TOOK EFFECT COMPARED TO THE YEAR BEFORE TRID TOOK EFFECT

Change in the share of mortgages	Portfolio	GSEs	Ginnie Mae	PLS
Increased significantly	4.9	0	5.0	0
Increased somewhat	18.3	1.8	5.0	12.5
Remained the same	69.5	93.0	85.0	68.8
Decreased somewhat	1.2	3.5	5.0	12.5
Decreased significantly	6.1	1.8	0	6.3
Sample Size	82	57	20	16

Similarly, of the 57 respondents who reported selling mortgages to GSEs, 53 said their share stayed the same, three respondents reported a decrease, and one respondent reported an increase. Only one of those who reported a change attributed the change to the Rule (not shown).[329] Seventeen of 20 respondents who reported selling mortgages for inclusion in Ginnie Mae guaranteed securities reported their share stayed the same. Of those who reported a change, two respondents attributed the change to the Rule.[330] Finally, 11 out of the 16 respondents who reported selling mortgages for inclusion in PLS said their share stayed the same, three respondents reported a decrease, and two respondents reported an increase. Of those who reported a change, two respondents attributed the change to the Rule (not shown).[331]

329 *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 34 and 35.

330 *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 36 and 37.

331 *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 38 and 39.

Private label securities and "scratch and dent"

The Lender Survey separately asked several questions about the "scratch and dent" market. When asked about mortgages with final disclosures that contained at least one error (either the HUD-1 settlement statement or the Closing Disclosure), no respondents said selling the mortgage on the "scratch and dent market" was a strategy their institution employed. Instead, most respondents reported selling such mortgages to a different buyer for approximately the originally expected price, or "curing" the mortgage/disclosure.[332] Also, when asked how the share of mortgages that their institution sold on the "scratch and dent" market changed in the twelve months after the TRID Rule's effective date, no respondents reported a decrease, and two respondents reported an increase, with both respondents attributing the change to the Rule.[333] Nearly three-quarters of respondents (73 of 99) said their institutions do not sell loans for inclusion in PLS.

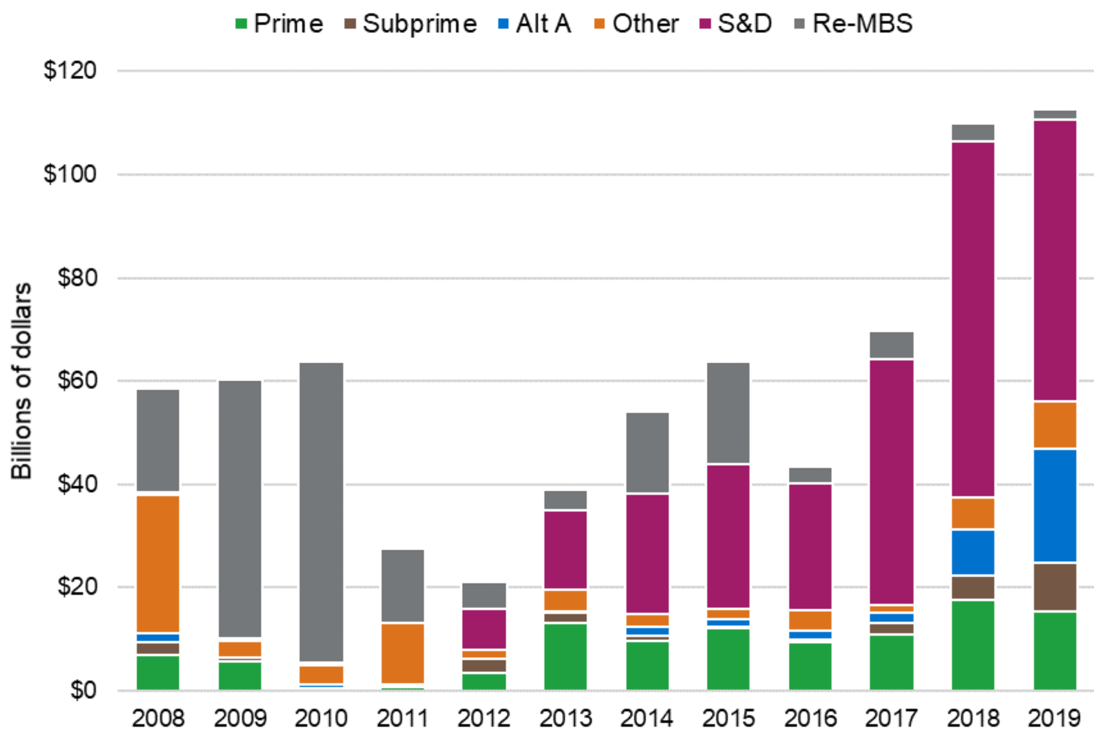
Examining volumes rather than shares, Figure 18 shows the volume of Private Label (*i.e.*, non-agency) RMBS issuances since 2008 by type of issuance, according to IMF data. The PLS market has been growing since 2012, with some setbacks in 2016. While the 2016 drop in issuances closely follows the effective date of the TRID Rule, examining the composition of issuances makes it unlikely that the TRID Rule had a role in this drop. Specifically, the drop is mostly accounted for by a drop in Re-MBS and "scratch and dent" (S&D) issuances which, in the IMF data, both contain "seasoned" mortgages and therefore are unlikely to have been affected by the TRID Rule so soon after its effective date.[334]

[332] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 30 and 31.

[333] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, questions 40 and 41.

[334] In the IMF data, both Re-MBS and "scratch and dent" securities contain loans that are seasoned—mortgages that were originated some time ago—and often years have passed since they were first originated. "Scratch and dent" also consist of either re-performing or non-performing.

FIGURE 18: NON-AGENCY RESIDENTIAL MORTGAGE-BACKED ISSUANCE BY TYPE OVER TIME, 2008-2019



4.6.3 GSE guarantee fees

Although there was no apparent change in the share of mortgages sold to the GSEs, the GSEs themselves could have reacted to the increased risk of defect by raising the prices they charge to guarantee mortgages. When a lender sells mortgages to the GSEs, in most cases, the GSEs securitize them into RMBS. The GSEs guarantee the payment of principal and interest for these RMBS in exchange for a guarantee fee (g-fee) from the lender. The g-fee covers projected credit losses from borrower defaults over the life of the mortgages, administrative costs, and a return on capital. Lender g-fee payments are ongoing monthly payments based primarily on the product type, such as a 30-year fixed rate or a 15-year fixed-rate mortgage. They usually also include an upfront payment at the time of mortgage acquisition based on a mortgage's risk attributes such as LTV and credit score.[335]

335 Fannie Mae refers to upfront fees as "loan level price adjustments," while Freddie Mac refers to them as "delivery fees."

Figure 19 plots g-fees over time using data reported in FHFA reports.[336] Because the TRID Rule was implemented in October of 2015, any effect would likely have manifested between 2014 and 2016. The average g-fee increased by two basis points between 2014 and 2015 and decreased by three basis points between 2015 and 2016.[337] In 2015, the increase was due to an increase in upfront fees. FHFA reports that the primary driver for this fee increase was due to a technical change in calculations.[338] In fact, the TRID Rule is never mentioned as a source of g-fee changes in any FHFA reports between 2014 and 2018.[339]

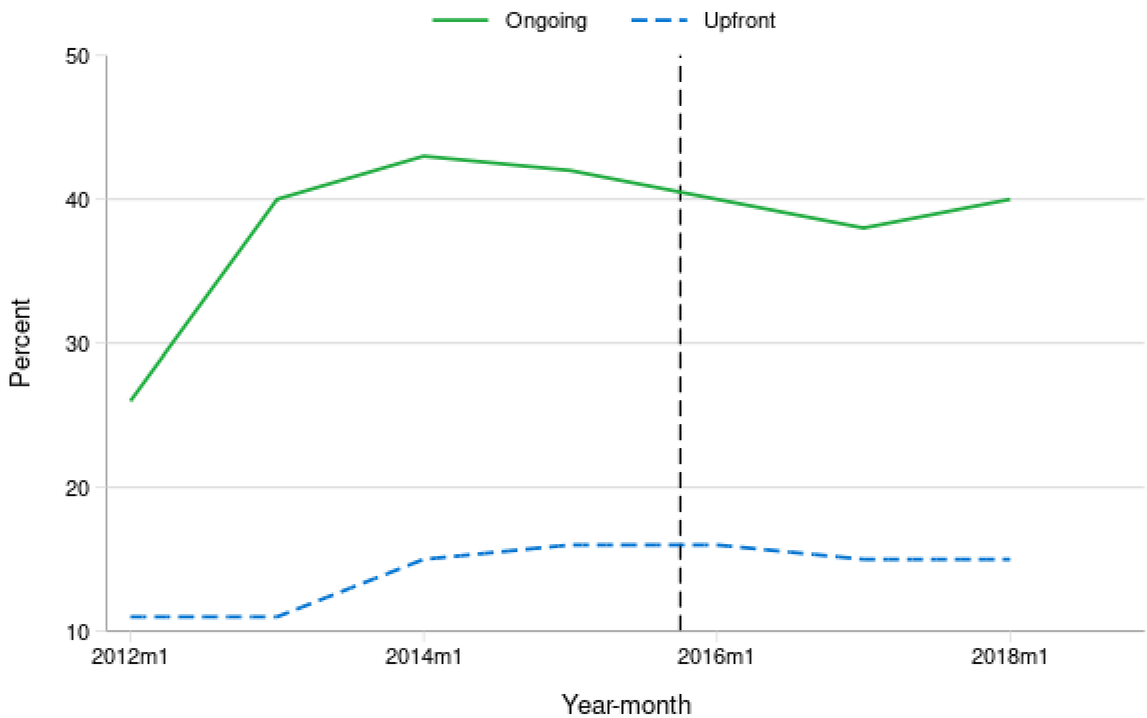
[336] Section 1601 of the Housing and Economic Recovery Act of 2008 requires the FHFA to conduct an ongoing study of g-fees and to submit annual reports to Congress, based on aggregated data collected from the GSEs, regarding the amount of g-fees and the criteria used by the GSEs to determine them. The Bureau reviewed the annual reports from 2012 through 2018 for this assessment report. Fed. Hous. Fin. Agency, *Fannie Mae and Freddie Mac Reports*, https://www.fhfa.gov/AboutUs/reportsplans/Pages/Fannie-Mae-Freddie-Mac-Reports.aspx.

[337] In a 2015 report, the FHFA reviewed g-fees and "found no compelling economic reason to change the overall level of fees." That said, FHFA "directed the [GSEs] to make certain minor and targeted fee adjustments effective with September 2015 deliveries." These included the elimination of a prior adverse market charge in all markets and the addition of targeted increases for specific loan groups. FHFA concluded, "Overall, the set of changes to guarantee fees aimed to be approximately revenue neutral, with little or no change in loan interest rates for most borrowers." *See,* Fed. Hous. Fin. Agency, *Annual Report to Congress* p. 10 (2015), https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/FHFA_2015_Report-to-Congress.pdf.*See,*

[338] The GSEs use present value multiples (PVM) to convert upfront fees into the ongoing fee equivalent. For example, when a loan has a PVM of five, a 25 basis point upfront fee is equivalent to a five basis point ongoing fee. The total g-fees reported by FHFA are estimated fees since the upfront fee portion is annualized based on the assumed life of a loan at the time of acquisition. Fannie Mae updated its PVM calculations in 2015, which FHFA asserted made it difficult to compare both the upfront and total fees with the results from prior years.

[339] In addition, perceived risk of repurchase notwithstanding, there is no evidence of any realized increased in repurchase volume based on data from IMF. In fact, repurchase volume by the GSEs declined every year between 2015 and 2019.

FIGURE 19: AVERAGE GSE GUARANTEE FEE OVER TIME, 2012-2018



5. Market effects

5.1 Introduction

This chapter examines market-level measures such as interest rates, mortgage volumes, and closing times. It considers, in particular, whether and how the measures changed around the TRID Rule's effective date. The chapter begins by summarizing the data sources used in the analyses and highlighting key findings. The analysis tracks the following market-level data at periodic intervals before and after the introduction of the TRID Rule: interest rates, applications, originations, mortgage closing times, and measures of credit availability. The chapter concludes by analyzing responses to the TRID Assessment Survey of Closing Companies about the volumes and prices of owner's title insurance.

This chapter primarily analyzes aggregated market-level data and looks for discontinuities or breaks in trend around the Rule's effective date. Focusing on changes near the effective date essentially nets out the effects of at least some longer-term trends in the market that the analysis does not control for when exploring potential consequences of the Rule. As described in the Introduction, this approach involves many challenges to establishing clear, causal effects of the Rule. As a result, this chapter concludes that changes it identifies are merely suggestive of effects of the TRID Rule; not definitive. Similarly, it acknowledges that measures on which it does not find a change may nonetheless have been affected by the Rule.

The analyses in this chapter indicate that the Rule had a noticeable short-run impact on closing times of purchase mortgages but that closing times decreased to pre-Rule levels over the following two years. Increased closing times appear to have reduced mortgage origination volumes in the two months after the effective date by pushing origination dates to subsequent months. Overall, origination and application volumes do not appear to have been significantly affected, however.

5.1.1 Key Findings

- The average interest rate spread between new purchase and refinance loans and 10-year Treasury notes exhibited no clear deviation after the Rule's effective date.
- Across home purchase and refinance loans, monthly applications dipped slightly after the Rule's effective date, but rebounded quickly.

- Daily application volume for both purchase and refinance mortgages increased slightly from trend in the week leading up to the effective date before roughly doubling on October 2, the day before the Rule's effective date. This suggests lenders may have encouraged prospective clients to submit applications sooner in anticipation of the effective date. However, given the how small the deviation in trend was, it suggests that, overall, the Rule did not cause significant disruptions to application volumes. Indeed, monthly application volumes did not change notably around the Rule's effective date.

- Purchase closing times lengthened by about 13 percent after the Rule took effect but returned to typical pre-Rule durations within two years. Closing times for refinance mortgages also lengthened, by about 10 percent, after the Rule took effect, but refinance closing times have varied greatly, historically, and a change in refinance closing times of this amount (or more) over a short period of time is not unusual.

- Originations of home purchase mortgages and refinance mortgages dropped notably in the first two months after the Rule's effective date (roughly 14 percent and eight percent, respectively) before recovering just as quickly. This pattern may be explained by the above-noted increase in typical closing times, which would have pushed back the origination dates for some mortgages from the months immediately after the Rule's effective date to subsequent months.

- The share of applications that resulted in an origination fell in October 2015 in both urban and rural areas. This fraction recovered quickly and so does not indicate persistent decreases in access to credit.

- Few respondents to the Closing Company Survey indicated that the share of consumers who bought owner's title policies decreased or that owner's title premiums decreased.[340] This suggests that the Rule did not decrease consumer demand for owner's title policies, as might be expected if the TRID disclosures regarding title insurance confused consumers or otherwise made owner's title policies appear unnecessary.

[340] *See supra* note 24.

5.1.2 Data Sources and Measures

This chapter draws on five data sources to assess market effects of the Rule. Appendix C: Data Summary provides additional information about each of these data sources. Appendix XYZ: Technical Details provides additional information about the analyses conducted in this chapter.

1. The *Home Mortgage Disclosure Act (HMDA)* requires many financial institutions that meet asset, loan volume, loan activity, and location requirements to maintain, report, and publicly disclose loan-level information about mortgages.[341] These data cover over 90 percent of all residential mortgage originations and offer comprehensive details on mortgage applications and originations. The HMDA data contain both application and closing dates for mortgage applications that result in an origination. These data therefore allow for an analysis of application volumes, origination volumes, and closing times.

2. The *National Mortgage Database (NMDB)* is a nationally representative five percent sample of first-lien residential mortgages in the United States. The NMDB consists of origination data that includes information about mortgages such as loan purpose, loan type, and interest rate; as well as about borrowers, such as credit score. These data are therefore used to track various aggregate measures in the mortgage market.

3. The *Call Report Data* include FFIEC call reports and NCUA call reports. The FFIEC data contain call report information from state member banks, state nonmember banks, national banks, and savings associations, while the NCUA data contain call report information from federally insured credit unions that are regulated by the NCUA. The data do not include non-depository institutions. The data for both sets of call reports include aggregate, institution-level data with income and balance sheet information that is reported quarterly. This analysis uses information about institution's stock of outstanding residential construction loans.

4. *The TRID Assessment Industry Surveys* are surveys the Bureau conducted for this assessment. Beginning in January 2020, the Bureau surveyed mortgage origination companies; closing companies; and lenders' loan officers and brokers operating before

[341] Small financial institutions and those exclusively in non-metropolitan areas are not required to report data for HMDA. For more information on HMDA reporting requirements. *See* Bureau of Consumer Fin. Prot., *Home Mortgage Disclosure Reporting Requirements (HMDA)*, https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1003/2/. The volume thresholds for HMDA reporting changed in 2017 and 2018. Therefore, for data after 2016, HMDA coverage of the mortgage market may also have changed.

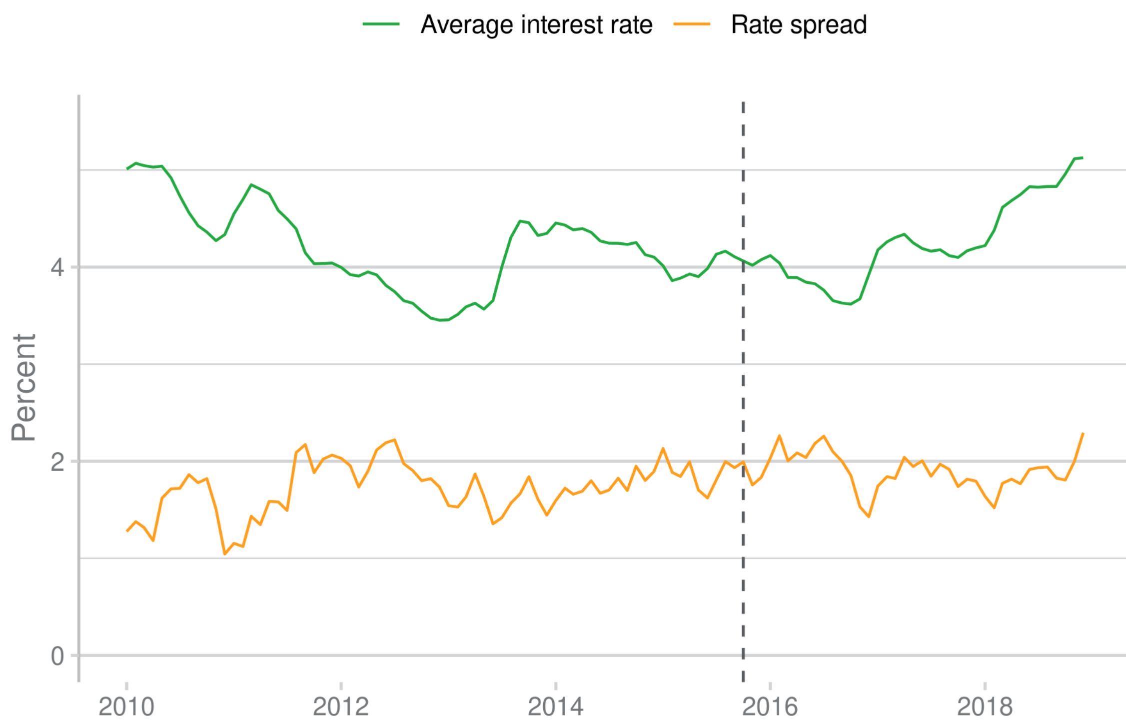
and after the Rule's effective date. The surveys asked respondents about their experiences with the TRID Rule. This chapter specifically analyzes respondents' opinions on how their institutions changed their practices or pricing for certain mortgage products as well as for lender's title insurance. Responding to these surveys was voluntary, and the response rates were low (respondents to the TRID Assessment of Closing Companies represented only 3.7 percent of their market's volume in 2015, and respondents to the TRID Assessment of Mortgage Originators represent about 4.8 percent of all originations in 2015), so the results cannot be taken to be representative of the target populations. In addition, in some cases, respondents were asked to recall figures or practices from before the Rule took effect. Estimates based on these questions may be subject to recall error. Additional information about the surveys is provided in Appendix D: TRID Assessment Industry Surveys.

5.2 Interest rates

This section uses data from the NMDB to examine average mortgage interest rates. Figure 20 reports the monthly average interest rate for purchase and refinance loans at origination and the difference, or "rate spread," between this average interest rate and the average rate on a 10-year treasury note. The interest rate for a 10-year Treasury note proxies for the costs that lenders and financial institutions pay to raise money to fund mortgages.[342] The rate spread is thus a proxy for the additional amount the lender charges the consumer above its own cost of funds. Variation in the rate spread reflects changes in myriad factors in the mortgage market including shifts in the composition of mortgage originations, changes in market competition, changes in perceived default risk, or changes in consumer demand for mortgages. These factors also include lenders' costs, and if the Rule created new costs for lenders, these could theoretically be passed on to consumers through a higher rate spread.

[342] *See* Laurie Goodman, *The Impact of Higher Interest Rates on the Mortgage Market* (Urban Institute, Aug. 2017), https://www.urban.org/sites/default/files/publication/92541/the-impact-of-higher-interest-rates-on-the-mortgage-market.pdf

FIGURE 20: MONTHLY AVERAGE INTEREST RATE AT ORIGINATION AND RATE SPREAD BETWEEN AVERAGE INTEREST RATE AND AVERAGE 10-YEAR TREASURY RATES, 2010 – 2018



Source: National Mortgage Database v10.0

The two series show no notable changes coinciding with the Rule's effective date in October 2015 (demarcated in the figure with a vertical line). The movements in interest rates closely track the 10-year Treasury rate, and this is reflected in the relative stability of the rate spread series. In the month of the Rule's effective date, the rate spread remained stable. In the month after the Rule's effective date, the rate spread dropped, although this drop was in line with month-to-month changes before and after the Rule took effect.

5.3 Volumes of loan applications and originations

This section analyzes whether the TRID Rule affected mortgage volumes across three different loan categories: home purchase loans, refinance loans, and construction loans.

Because the Rule reduced the amount of information required from consumers to constitute a mortgage application, it may have increased the total number of applications. Similarly, if the Rule led consumers to shop more, or if rising costs caused lenders to become more selective with their offers of credit (requiring consumers to search among more lenders before finding a mortgage), then the number of applications submitted per origination may have increased. If lenders became more selective, or if lenders exited the mortgage market due to compliance costs, then the total number of originations may have decreased.[343] The Rule also may have affected origination volumes through consumer behavior, but the expected direction is less clear. On the one hand, the Rule may have increased the quantity of originations if better-informed consumers were more likely to find loans that met their needs. On the other hand, consumers may have decided to forgo a mortgage completely after receiving better information about the costs and risks of the mortgages for which they qualified.[344]

The analyses show that total volumes of loan applications decreased slightly after the Rule took effect, but the drop was brief and small relative to total volumes. There were decreases in monthly originations immediately following the Rule, but these appear to be the result of longer closing times pushing origination dates to subsequent months, rather than a result of a decrease in overall origination volumes.[345]

5.3.1 Home Purchase Loans

The Rule does not appear to have resulted in additional purchase applications. Figure 21 plots seasonally adjusted monthly volume of mortgage applications for first-lien, purchase loans for 1–4 family properties (excluding manufactured housing) in the HMDA data.[346] The green line plots total applications and the blue dashed line plots applications that ultimately resulted in an

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343 In response to the November 2019 RFI, a trade group representing credit unions stated that it had surveyed its members and 57 percent of respondents reported the ongoing costs of TRID compliance diminished lending capacity due to longer timelines for borrowers and increased costs to offer and execute loans.

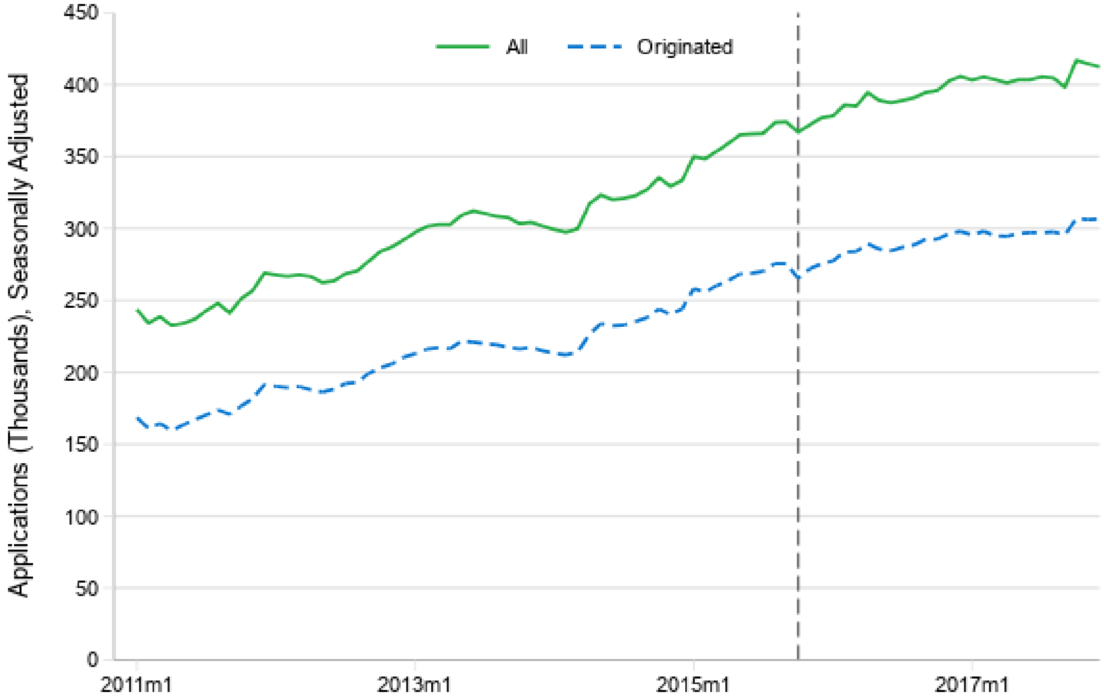
344 This is one of the benefits of Rule hypothesized in the Rule's 1022(b) analysis. *See* Fed. Reg. 78 79730, 80075 (Dec. 31, 2013).

345 *See* section 5.4 for an analysis of the Rule's effect on closing times.

346 These analyses use HMDA data because they report applications and because they require application dates for originations. The 2018 HMDA data categorize some loans as being for "other purposes" than for purchase or refinance, contrasting with earlier HMDA data. Other purpose loans are excluded from the analysis, and the change in definition likely only affect a small share of loans at the end of 2017. NMDB does not include applications, nor does it track application date for originations.

origination. Both series generally increased smoothly from 2011 until the Rule's effective date, and both series continued to increase at essentially the same rate after the Rule's effective date.

FIGURE 21: MONTHLY PURCHASE MORTGAGE APPLICATIONS, 2011--2017, SEASONALLY ADJUSTED



Source: HMDA

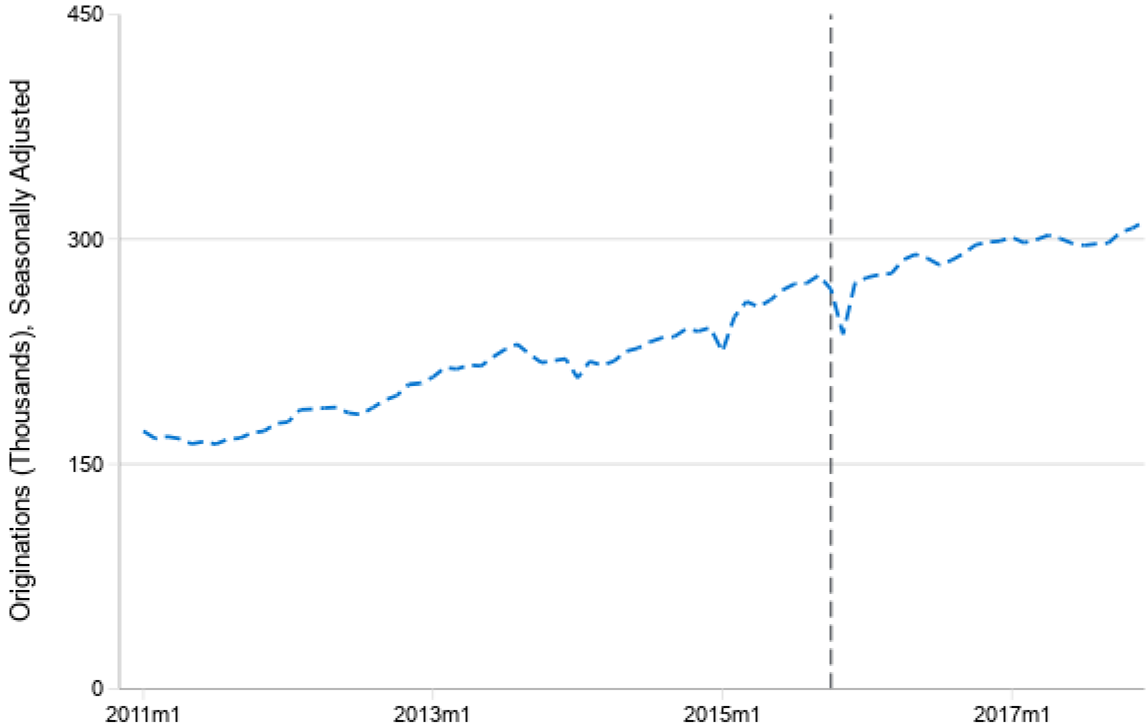
Total applications and originated applications both dipped in October 2015, the month of the effective date, but these drops are of a similar size to other fluctuations throughout the decade and small relative to total volumes of applications (1.7 percent and 4.3 percent of total volume, respectively). Section 6.5 analyzes the ratio of these two series, which could speak to the Rule's effects on consumer shopping or lender selectiveness.

The Rule appears to have affected the timing of mortgage originations, but not the overall volume.[347] Figure 22 plots seasonally adjusted purchase originations per month in the HMDA

[347] Applications originated (Figure 21) and originations (Figure 22) display the same total originations (except at the beginning and end of the time series). Therefore, the fact that the Rule does not appear to have affected applications originated is the same evidence that it appears that the Rule did not affect total originations. This link between the

data. This series captures the same originations as those in the originated applications series in Figure 21. The difference between the two series is that Figure 21 counts originations by application date whereas Figure 22 counts originations by origination date. Thus, the difference between where any single mortgage appears in the two series is simply the amount of time it took for the mortgage to go from application to origination—its "closing time."

FIGURE 22: MONTHLY PURCHASE MORTGAGE ORIGINATIONS, 2011–2017, SEASONALLY ADJUSTED



Source: HMDA

The two series can look different from one another (and not just a shift to the left or right) for two reasons: first, because closing times vary across mortgages, and mortgages that are applied for in the same month can be originated over a range of months (a spike in applications in a

two series and total originations does not hold close to the beginning or end of the time range displayed in the figures. At the beginning, some originations will appear that were applied for before the start of the time range. At the end, some applications will have been originated after the end of the series. Nevertheless, the Rule's effective date is far enough away from the beginning or end of the displayed time range that the above relationship should hold or be very close.

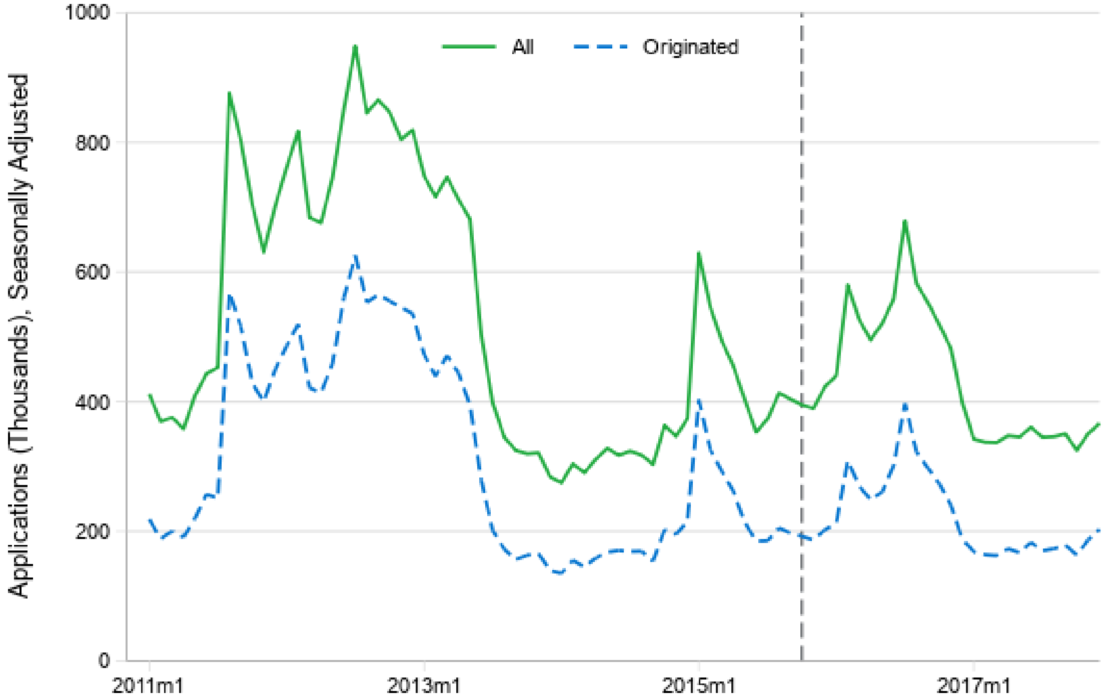
single month, for example, would lead to a bump in originations that is dispersed over a longer period); and second, because closing times change from month-to-month.

Originations in October and November 2015 dropped by roughly 15 percent relative to September. The lack of a commensurate drop in applications originated means that this was not due to a reduction in the total number of mortgages originated, but rather was caused by changing closing times. Indeed, a closer analysis of closing times in Section 6.4 shows increases in average closing times of about 15 percent for mortgages applied for in October 2015 relative to the month before the effective date. This means that mortgages that would otherwise have been originated in October or November were pushed to future months. Because application volume did not significantly decline, and because closing times slowly began to return to normal, the effects of closing times on the originations series appear to mostly subside by December 2015.

5.3.2 Refinance Loans

The Rule does not appear to have affected refinance applications or originations. Figure 25 displays seasonally adjusted monthly volume of applications for mortgage refinancing and Figure 26 displays seasonally adjusted monthly originations, both using HMDA data. These data exhibit more volatility than those in Figure 23 and Figure 24, in part reflecting the close relationship between refinance trends and interest rates.

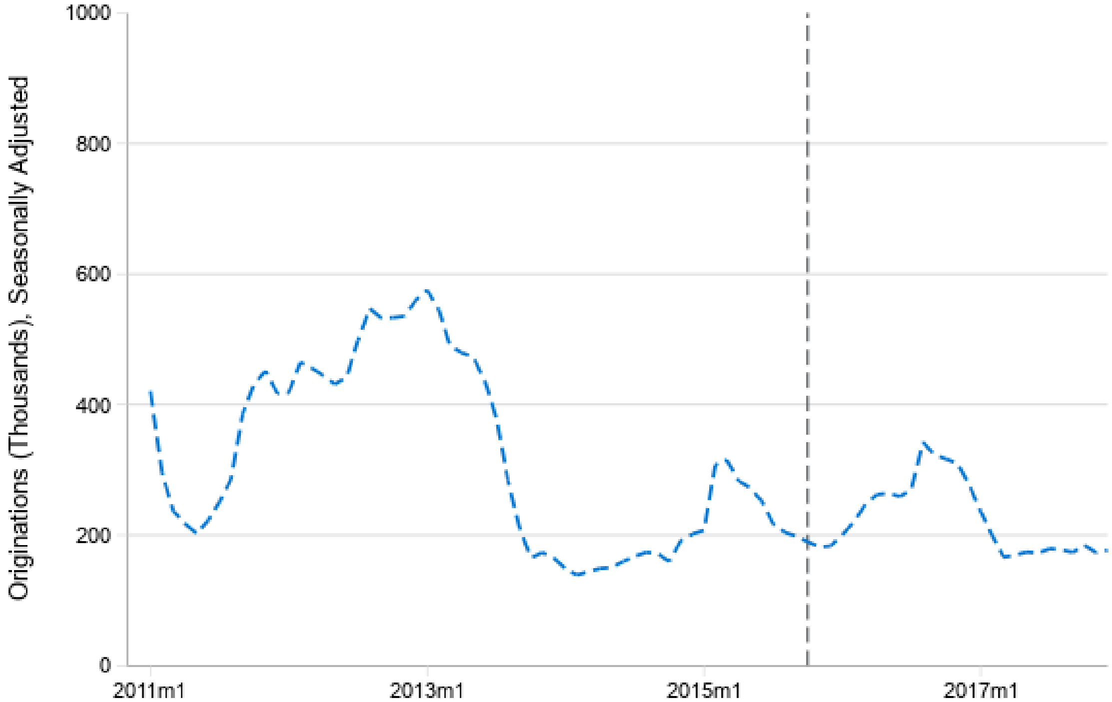
FIGURE 23: MONTHLY REFINANCE MORTGAGE APPLICATIONS, 2011–2017, SEASONALLY ADJUSTED



Source: HMDA

Refinance applications and originations were higher mid-2011 through early 2013, corresponding to a period of lower interest rates relative to the previous decade. Refinances were lower in 2014 when interest rates were relatively higher. Around the effective date of the Rule, refinances were at a relative trough, but there was no visible change in applications or originations around the Rule's effective date. The analysis of closing times in Section 5.4 shows about a 10 percent increase in closing times for refinances relative to the month before the Rule's effective date. However, the magnitude of this change is in line with the general volatility of refinance closing times, so the change in closing times does not show up sharply in refinance originations as it does in purchase originations.

FIGURE 24: MONTHLY REFINANCE MORTGAGE ORIGINATIONS, 2011–2017, SEASONALLY ADJUSTED



Source: HMDA

5.3.3 Construction loans

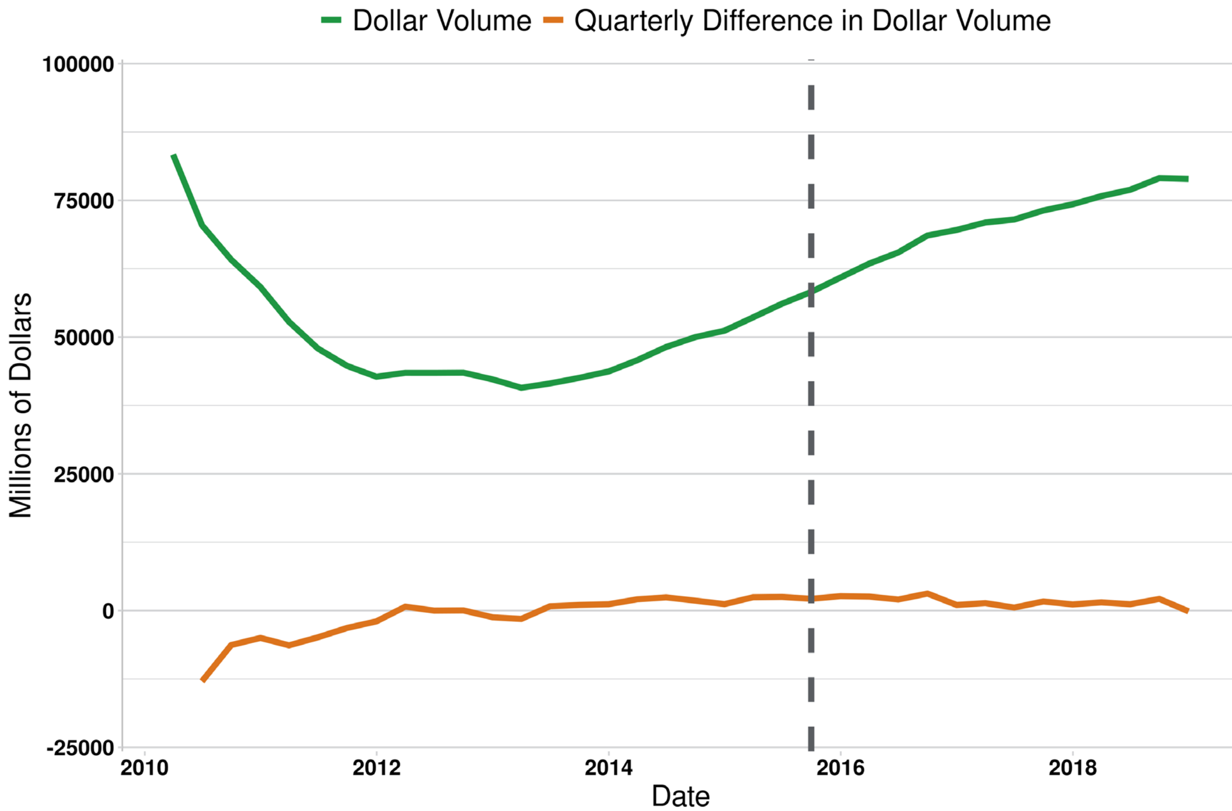
The TRID Rule may have affected construction loans in at least two ways. First, some construction loans were previously exempt from RESPA but covered under TRID.[348] Second, lenders may have had particular difficulty complying with the Rule's requirements when originating residential construction loans.[349] Construction loans are used to build new homes or renovate existing property. Challenges can arise because disclosure forms are typically provided *before* construction but many costs of construction are only realized *during* construction. Therefore, lenders may have difficulty complying, or understanding how to comply, with the disclosure accuracy requirements of the TRID Rule. Because of this difficulty, or perceived

348 *See* Bd. of Governors of the Fed. Res. Sys., *RESPA Supplemental Manual*, https://www.federalreserve.gov/boarddocs/supmanual/cch/200601/respa.pdf

349 Responses to the November 2019 RFI generally indicated that construction loan disclosure under the TRID Rule is confusing. Several trade groups stated that creditors are abandoning or otherwise providing fewer construction loans because of the TRID Rule. *See* Appendix B: Comment summary.

compliance risk resulting from this difficulty, lenders may have reduced the number of construction loans they originated.

FIGURE 25: RESIDENTIAL CONSTRUCTION LOANS OUTSTANDING; TOTAL DOLLAR VOLUME AND CHANGE IN TOTAL DOLLAR VOLUME FROM PREVIOUS QUARTER, 2010–2018



Source: Bank and credit union call reports

The Rule does not appear to have affected the stock of residential construction loans or the rate of net change for these construction loans, among lenders represented in bank and credit union call reports.[350] Figure 25 reports the total quarterly volume of outstanding 1-4 family residential construction loans (that is, the stock of these loans, which is what is reported in the call report data) from 2010–2018 (green), as reported in bank and credit union call reports. Volume

[350] Neither HMDA data nor NMDB cover construction loans. Call report data are reported by banks and credit unions and therefore do not include construction loan data from non-depositories. Further, the call report data do not differentiate between loans to consumers and loans to builders.

outstanding declined by almost half from more than $80 billion in 2010 to roughly $40 billion and began to rise in the second half of 2013.

Figure 25 also shows the net change in the residential construction loan stock from the previous quarter (orange). The stock of outstanding loans could change, among other reasons, because new construction loans were originated (adding to the stock) or because borrowers paid down the loans or refinanced the loan into a permanent loan or the loan was charged off (each of which would reduce the stock). Quarterly changes in these data, therefore, are not necessarily an indication that quarterly originations changed.

Nevertheless, neither series shows a substantial visible change coinciding with the Rule's effective date. In fact, the net change in 1-4 family residential construction loan stock remains high after the Rule's effective date, relative to historical levels. For this pattern to have been consistent with a *decrease* in originations of these types of loans, the rate at which loans were removed from the stock of outstanding loans would have had to decrease comparably.

These findings are consistent with results from the TRID Lender Survey. Of the respondents who reported about their institution's construction loan originations (n=57), 77.2 percent of respondents reported their institution's construction lending remaining the same in the year after the Rule's implementation compared to one year prior. Similar shares of respondents reported increases (10.5 percent) and decreases (12.2 percent).[351]

5.4 Closing times

This section considers whether the TRID Rule affected the length of time between mortgage application and closing based on HMDA data from 2010 to 2018. The section first analyzes whether lenders encouraged consumers to apply for mortgages earlier prior to the effective date in anticipation of the Rule and its costs and potential delays. The second part of the analysis compares how closing times changed following the effective date, in part to analyze the concern expressed by several RFI commenters that the Closing Disclosure three-business-day waiting

[351] *See* Appendix D, TRID Assessment Survey of Mortgage Originators, question 49.

period, coupled with delayed or inaccurate information from third parties, contributed to closing delays.[352]

Altogether, the analyses suggest that the TRID Rule had an initial lengthening effect on closing times, especially for purchase mortgages. The longer-term effects are less certain but are consistent with lenders adapting and learning to comply with the new regulations.

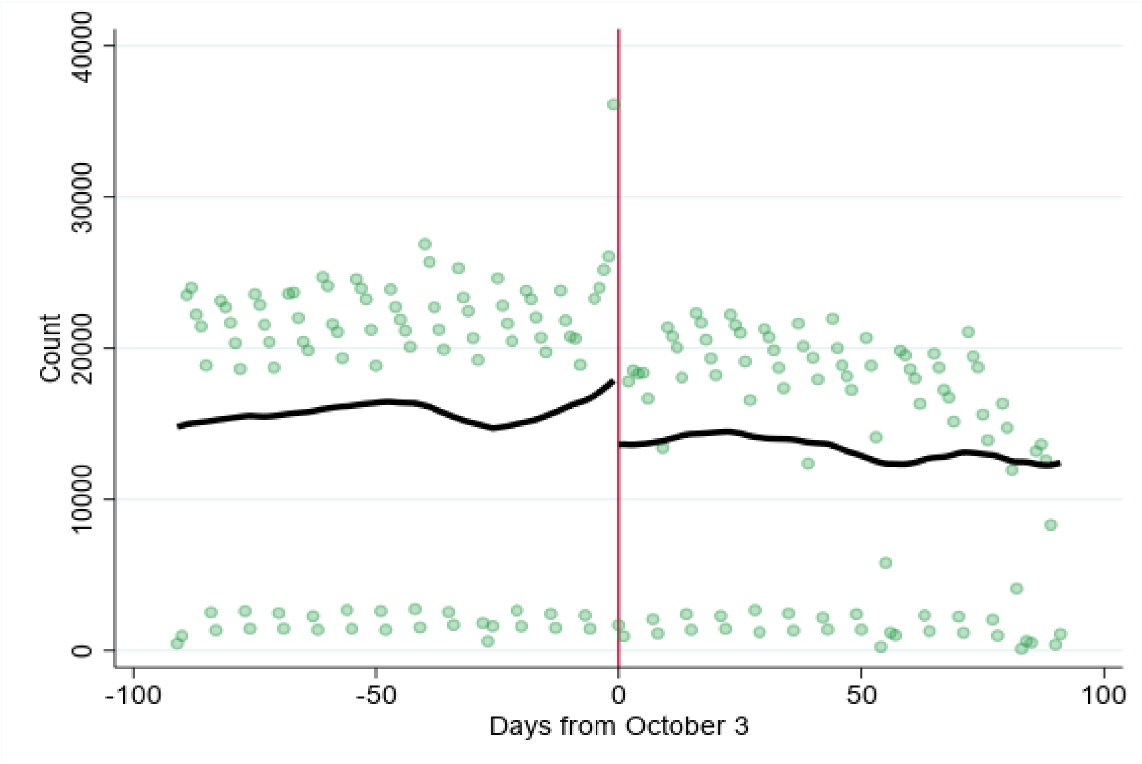
5.4.1 Anticipatory effects of the Rule

The disclosure standards imposed by the TRID Rule apply to mortgages depending on their application date relative to the effective date. Lenders potentially perceived costs associated with complying with the Rule or potentially anticipated that originations could be temporarily slowed as they transitioned to new systems and processes. If so, those lenders may have been motivated to have prospective clients submit applications for mortgages earlier, which would have in turn resulted in increased application volume immediately before the effective date followed by depressed application volume immediately after.

Figure 26 plots application volumes in a six-month window surrounding the Rule's effective date using HMDA data, pooling together applications from purchase mortgages and refinances. The dots represent daily application volumes with application volumes on weekend days significantly below the daily volume on weekdays. The solid lines fit weighted moving average curves to the series, separately before and after the effective date, adjusting for predictable fluctuations arising from weekends, holidays, and time-of-month. Given the way the solid lines are constructed, there is naturally a break between them at the effective date, with the size of the gap reflecting the size of the break in the underlying series.

[352] In response to the November 2019 RFI, a trade group representing credit unions stated that one of its members' real estate departments' productivity fell when the Rule took effect. Another trade group representing credit unions stated that their members also spent more time on each loan file. Many other commenters stated that consumers experienced longer timeframes to close their mortgage, with several stating that the Rule's waiting periods caused such delays. *See* Appendix B: Comment summary.

FIGURE 26: DAILY MORTGAGE APPLICATION VOLUME SURROUNDING THE RULE'S EFFECTIVE DATE

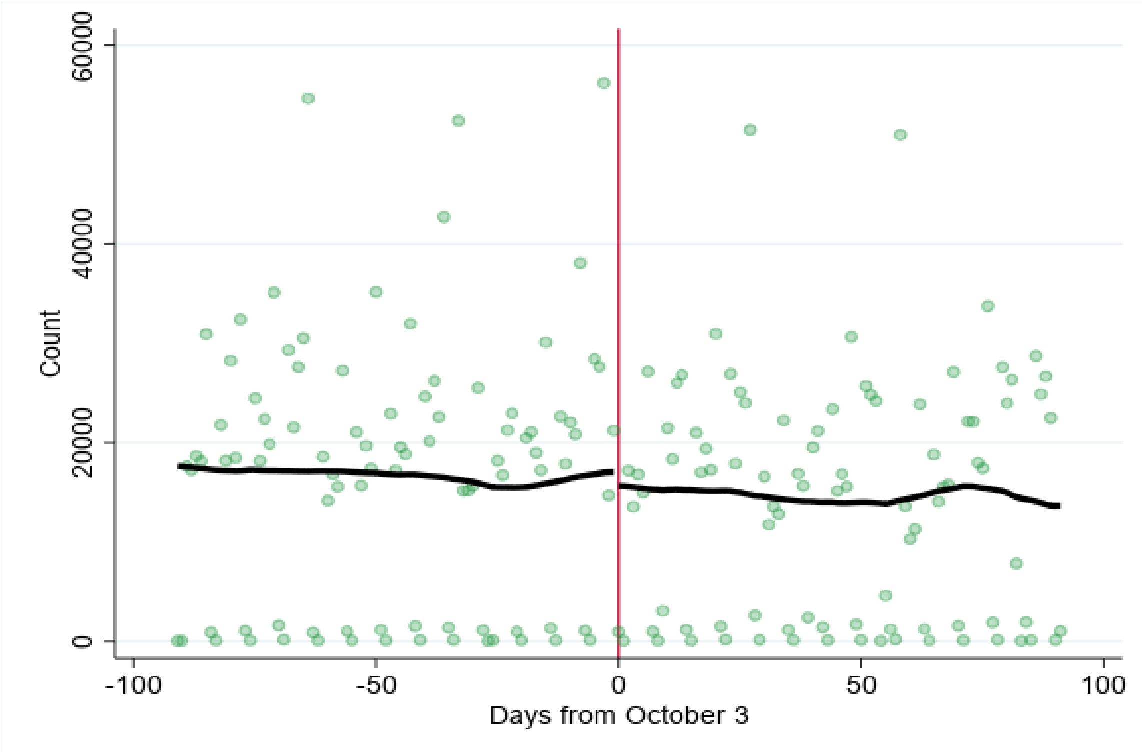


Source: HMDA

Other than predictably low application volume on weekends (the pairs of points well below 1000 in Figure 26), application volumes were generally stable and changed little in the week leading up to the effective date. Then application volume doubled on October 2, the Friday before the effective date leading to an uptick in the adjusted moving average line. Similar patterns hold analyzing mortgage applications for purchase mortgages and refinances separately.

By way of comparison, the origination volumes in a six-month window surrounding the effective date plotted in Figure 27 do not show a significant gap between the two fitted series at the effective date, implying that there is no clear break in the trend. The solid line plots a similar adjusted moving average series.

FIGURE 27: DAILY MORTGAGE ORIGINATION VOLUME SURROUNDING THE RULE'S EFFECTIVE DATE



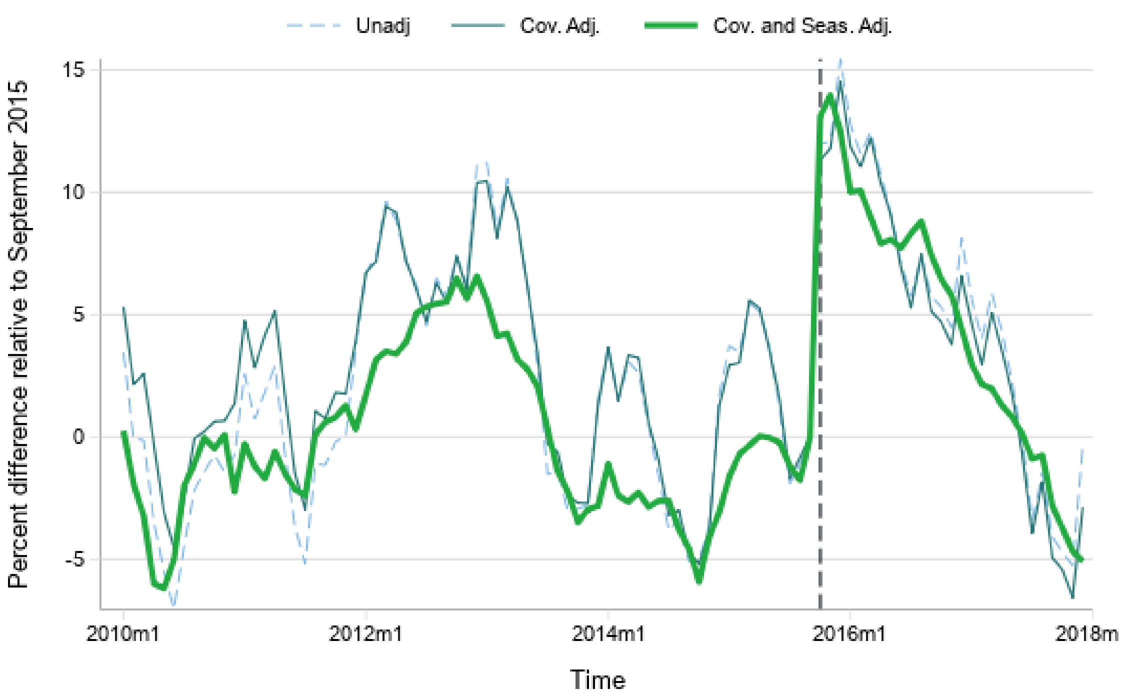
Source: HMDA

Despite coming from the same sample of originated mortgages, the time trend of origination volumes is more variable than the time trend in application volumes. Figure 27 shows a regular pattern of higher daily origination volume coming at the end of the month, including September 2015 (the five dates with greater than 50,000 originations in Figure 27). This may owe, at least in part, to homebuyers timing their purchases to reduce the amount of prepaid taxes and insurance. After applying adjustments for predictable fluctuations in daily originations similar to Figure 26, the break in the moving average is much less pronounced for originations than for applications. Similar patterns hold analyzing purchase and refinance volumes separately.

5.4.2 Effect on closing times

Using HMDA data for purchase mortgages from 2010 through 2018, Figure 28 plots percent differences in average closing times according to their application date relative to the average closing time in the month before the Rule's effective date (51.8 days). The dashed green line plots unadjusted percent differences. To account for changing mortgage and borrower characteristics over time, the solid light-green line adjusts the differences for covariates such as loan amount, borrower race and ethnicity, mortgage volumes at the county and month level, and geography. Finally, to capture predictable seasonality in the duration of time it takes to originate a mortgage, the bold dark-green line makes further adjustments for seasonality.[353]

FIGURE 28: PERCENT DIFFERENCE IN CLOSING TIMES FOR PURCHASE MORTGAGES RELATIVE TO SEPTEMBER 2015



Source: HMDA

Each of the series shows that mortgages applied for in October 2015 had closing times roughly 12 percent longer than those applied for in September 2015. The immediate effects are unlikely to be confounded by other coincident but unobserved changes in the composition of mortgages. First, the unadjusted (12.0 percent), covariate-adjusted (11.3 percent), and covariate- and seasonally-adjusted (13.1 percent) series yield similar results. Second, the narrow comparison of mortgages just before (September) to just after (October) limits the scope of longer-term evolutions in the mortgage origination market to affect the results. Most of the other notable changes in average closing times take place over at least a few months. Third, while the above

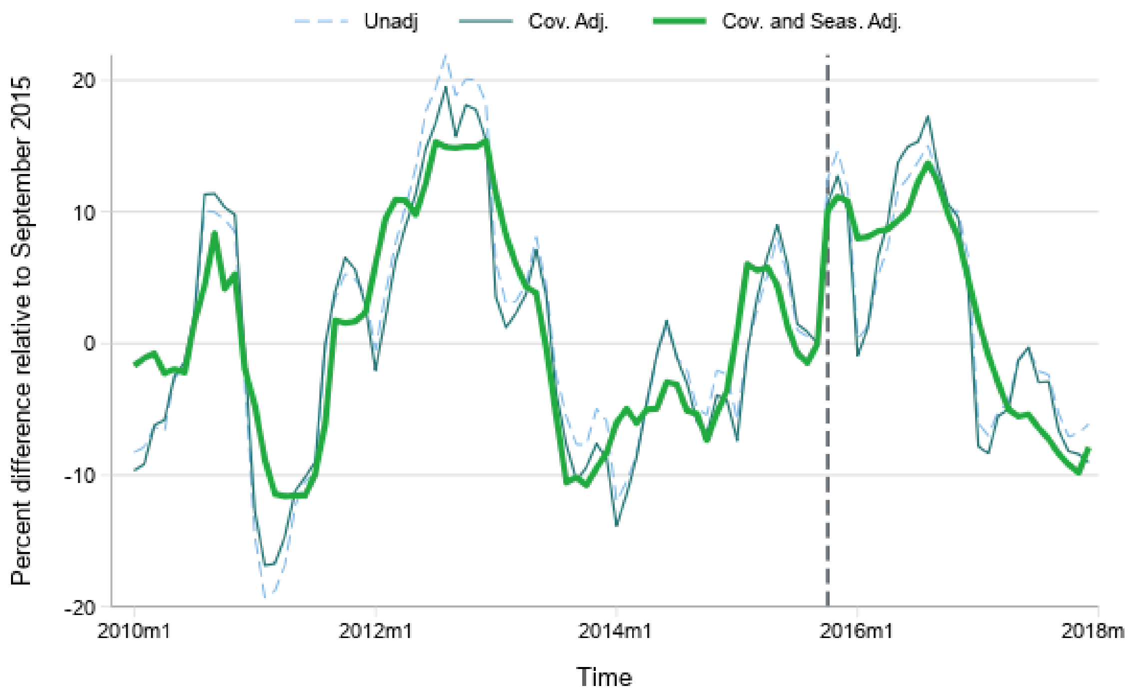
[353] *See* Appendix E: Technical appendix for details.

analysis of application volumes suggests that lenders succeeded in pulling forward some mortgage applications by a few days in anticipation of the TRID Rule, the number of these applications pales in comparison to the typical volume of applications seen in any given month. These relatively few mortgage applications are unlikely to dramatically influence the differences in closing times.

Closing times for purchase mortgages lengthened substantially and immediately after the TRID Rule took effect. Accounting for other factors, closing times right after the effective date were nearly 15 percent longer than the average in September 2015, right before the Rule became effective. Closing times then declined fairly steadily in 2016 and remained within the range observed before TRID throughout 2017. By comparison, fluctuations in adjusted average closing times since 2010 were typically within about five percent of the September 2015 value, some of which may have been driven by changes in business standards and other regulations. Figure 28 strongly suggests that TRID lengthened closing times for purchase mortgages in the short-run since, to the Bureau's knowledge, no other factor around October 2015 could explain the observed large spike. The figure is also consistent with the possibility that TRID had little long-term effect. The immediate effects on closing times dissipated within a year, but the decline in the series through 2016 and 2017 may also reflect changes in closing times unrelated to TRID.

The time series of closing times for refinances (Figure 29) yields a somewhat different story than for purchase mortgages. As was the case for purchases, closing times for refinance mortgages lengthened right after the Rule took effect. However, the jump in adjusted closing durations of about 10 percent is quantitatively much less striking than for purchases against the backdrop of historical variation in closing times, which vary by more than 10 percent. Further, whereas closing times for purchase mortgages began falling soon after the initial peak, closing times for refinances remained longer through 2016 and in fact peaked again in August 2016 before falling through 2017. On the whole, Figure 29 suggests that the TRID Rule likely had an immediate effect of extending closing times for refinanced mortgages, but those short-term effects were likely smaller than for purchase mortgages and may be more difficult to discern from other factors that influence closing times for refinances.

FIGURE 29: PERCENT DIFFERENCE IN CLOSING TIMES FOR REFINANCE MORTGAGES RELATIVE TO SEPTEMBER 2015

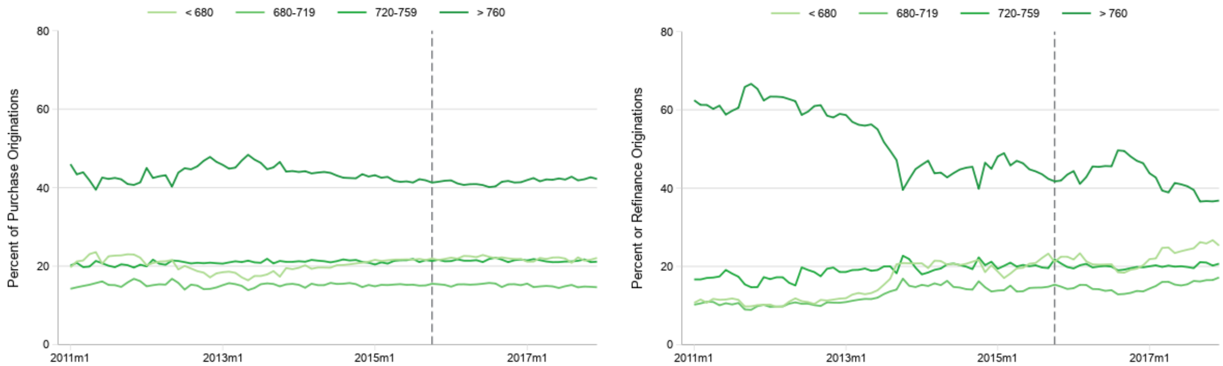


Source: HMDA

5.5 Differences across subgroups

Analyses in previous sections examined changes in aggregate rates and volumes. However, these conclusions for borrowers as a whole could mask changes in the composition of borrowers or differences in the Rule's effects for different sets of borrowers. This section considers monthly originations for different credit score groups and compares the rate at which consumers' mortgage applications became mortgage originations for rural and urban borrowers. Altogether, the analyses in this chapter do not show heterogeneous effects in origination volume and the share of applications originated around the Rule's effective date.

FIGURE 30: PURCHASE ORIGINATION SHARES BY CREDIT SCORE (LEFT) AND REFINANCE ORIGINATION SHARES BY CREDIT SCORE (RIGHT), 2011-2018, SEASONALLY ADJUSTED



Source: National Mortgage Database 10.0

The Rule does not appear to have differentially affected mortgage originations across credit score groups. Figure 30 displays purchase origination shares (left) and refinance origination shares (right) across the spectrum of credit scores using data from the NMDB.[354] The data show no notable change in shares around the Rule's effective date.[355]

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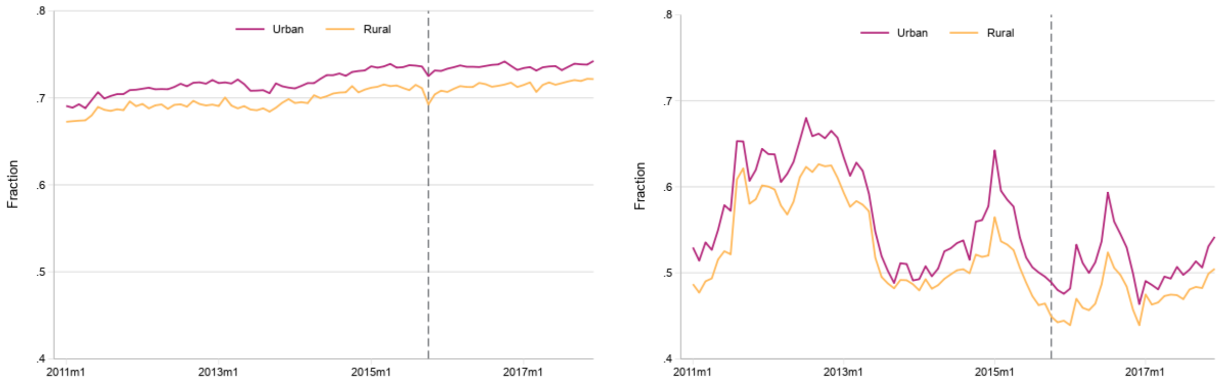
[354] Credit scores are not available in HMDA data until 2018, precluding an analysis of credit score at the time of the Rule's effective date. The NMDB does not include applications or track the application date of originations. This section therefore analyzes only originations organized by their origination date.

[355] Total purchase originations across the credit scores (not shown) mirror the patterns seen in Figure 22, purchase originations dip by almost 20 percent among all groups in October and November 2015 before rebounding to pre-existing trends.

FIGURE 31: FRACTION OF APPLICATIONS ORIGINATED FOR PURCHASE (LEFT) AND REFINANCES (RIGHT) LOANS, BY URBAN AND RURAL, 2011–2017, SEASONALLY ADJUSTED



Source: HMDA

The Rule appears to have caused a short-run reduction in the fraction of purchase applications that lenders originated for both urban and rural borrowers.[356] Figure 31 plots the fraction of loan applications in HMDA that became originated mortgages within a year.[357] The left panel plots the purchase origination rate, and the right panel plots the refinance origination rate. Each panel plots the rate separately for urban (purple) and rural (orange) borrowers. For both rural and urban home purchasers, the fraction of originated mortgages appears to have dropped by about one percentage point in the month the Rule took effect, before rebounding.

[356] The fraction of applications originated is the total number of applications in a given month divided by the number of those applications that were eventually originated. For purchase mortgages, both of these numbers are plotted over time in Figure 21. For refinance mortgages, these numbers are plotted over time in Figure 23. The fraction of applications that become originated mortgages may change for several reasons. First, the ease with which borrowers can obtain mortgages may change—if borrowers must submit more applications to find a lender or if more borrowers who submitted applications cannot find a lender at all, then the fraction would go down. Second, the amount of shopping by prospective borrowers may change—if, on average, borrowers submit more applications in order to compare mortgage offers, then the fraction would go down. Third, the types of consumers who are applying for mortgages may change—all else equal, if higher risk applicants submitted more applications, then the fraction would likely go down. Nevertheless, Figures 30 shows that there were little changes in originations by credit score, suggesting that applicants also may not have changed.

[357] *See supra* note 261. HMDA likely underreports rural lenders since those exclusively in non-metropolitan areas are not required to report data for HMDA. Similarly, non-depository institutions with fewer than 100 purchase-money or refinance loans or less than five applications, originations, or purchased loans from metropolitan areas are not required to report.

5.6 Owner's title insurance

The Rule changed the way title insurance is disclosed. In particular, when a consumer purchases owner's title insurance that is not required by the creditor, the owner's title policy is marked on the Loan Estimate and Closing Disclosure as "optional."[358] In addition, the Rule created a formula for disclosing rates when a consumer purchases both lender's and owner's title insurance from the same company.[359] This formula ensures that rates are disclosed consistently, in a way that does not depend on whether the consumer purchases the owner's and lender's title insurance policies individually or simultaneously.[360]

It is possible that the use of "optional" to describe owner's title may have reduced consumers' demand for owner's title policies.[361] Moreover, since title insurance is regulated by state law the Rule's disclosure requirement can conflict with state consumer disclosure requirements.[362] If this inconsistency led to confusion among borrowers, then it too could have affected demand, although the hypothesized direction is not clear.[363]

Nevertheless, responses to the Bureau's Closing Company Survey are inconsistent with a general reduction in consumer demand for owner's title policies. A reduction in demand may be associated with a reduction in quantity. However, based on responses to the Closing Company Survey, the number of owner's title policies sold to consumers does not appear to have decreased since the Rule's effective date. Nearly 80 percent of respondents indicated that the fraction of consumers who bought an owner's title insurance policy was roughly unchanged in 2018 compared with the year before the Rule took effect. About 11 percent of respondents said

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[358] 12 C.F.R §§ 1026.37(g)(4)(ii) and 38(g)(4)(ii).

[359] Title companies often offer a different rate, called a "single" or "simultaneous" rate when lender's and owner's title are purchased simultaneously.

[360] 12 C.F.R §§ 1026.37 1026.37(g)(4)(ii) and 38(g)(4)(ii); Comments 37(g)(4)-2 and 38(g)(4)-2.

[361] Responses to the November 2019 RFI generally stated that the Rule's prescribed calculation for the disclosure of simultaneous title insurance policy premiums is inaccurate and confusing to consumers and industry. *See* Appendix B: Comment summary.

[362] See Bureau of Consumer Fin. Prot., Why is the title insurance premium on the Loan Estimate and Closing Disclosure different from the premium listed on the paperwork I received from the title insurance company? Am I being charged more?, https://www.consumerfinance.gov/ask-cfpb/why-is-the-title-insurance-premium-on-the-loan-estimate-and-closing-disclosure-different-from-the-premium-listed-on-the-paperwork-i-received-from-the-title-insurance-company-am-i-being-charged-more-en-1993/#:~:text=Depending%20on%20the%20state%20where,you%20are%20being%20charged%20more. (Last Updated March 03, 2017).

[363] Some commenters discussed TRID disclosures on title insurance causing confusion among borrowers and settlement agents. *See* Appendix B: Comment summary.

this fraction increased compared with nine percent who reported the share who bought owner's title insurance had declined.

TABLE 27: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENTAGE OF CONSUMERS WHO PURCHASED AN OWNER'S TITLE INSURANCE POLICY CHANGE?

Response	Percent
Increased significantly in 2018	5.6
Increased somewhat in 2018	5.6
Remained about the same	79.6
Decreased somewhat in 2018	6.5
Decreased significantly in 2018	2.8
I don't know	0.0
Number of Responses	108

Note: Columns may not add to 100 due to rounding.

A reduction in demand may also be associated with a reduction in prices; however, owner's title premiums do not appear to have decreased since the year before the Rule's effective date.[364] Table 28 shows that two-thirds of respondents reported unchanged title insurance policy premiums and only three percent reported a decrease in insurance policy premiums.[365]

TABLE 28: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID OWNER'S TITLE INSURANCE POLICY PREMIUMS CHANGE?

Response	Percent
Increased significantly in 2018	1.9

[364] *See* Appendix D, TRID Assessment Survey of Closing Companies, question 21.

[365] The ability of market forces to change prices is limited by the fact that, in many states, title insurance premiums are set at the state level. Because the Closing Company Survey was anonymous, the Bureau cannot differentiate responses by the states of respondents.

Response	Percent
Increased somewhat in 2018	28.6
Remained about the same	66.7
Decreased somewhat in 2018	1.9
Decreased significantly in 2018	1.0
I don’t know	0.0
Number of Responses	105

Note: Columns may not add to 100 due to rounding.

APPENDIX A: TRID RULE GOALS AND BUREAU PURPOSES AND OBJECTIVES

A.1 Introduction

As discussed in the Introduction of this report, section 1022(d) of the Dodd-Frank Act requires the Bureau to conduct an assessment of each significant rule or order adopted by the Bureau under Federal consumer financial law. Section 1022(d) requires that the assessment address, among other relevant factors, the Rule's effectiveness in meeting the specific goals stated by the Bureau, as well as the Bureau's purposes and objectives specified in section 1021 of title X of the Dodd-Frank Act. This appendix summarizes the evidence presented in this report on each purpose, objective, and goal.[366]

A.2 Purposes of title X of the Dodd-Frank Act

Under section 1021(a) of the Dodd-Frank Act, "[t]he Bureau shall seek to implement and, where applicable, enforce federal consumer financial law consistently for the purpose of ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive."[367]

A.2.1 All consumers have access to markets for consumer financial products and services.

The Rule does not prohibit or restrict particular types of mortgage products or the features of such products and therefore does not directly affect consumers' access to mortgage products. However, access to credit could be affected indirectly if, for example, the Rule affected lenders' expected profitability of extending credit or borrowers' expected benefit of borrowing. An increase in the cost of origination or changes in post-origination expected costs or revenue could

[366] As evidenced below, the degree to which the TRID Rule implicates each of the purposes and objectives of title X varies, and the Bureau has endeavored to include in this appendix information that may be relevant to those purposes and objectives directly and indirectly implicated. The Bureau further acknowledges that some of the title X purposes and objectives of title X and goals of the Rule may overlap and some of the findings discussed below may be relevant for multiple purposes and objectives or goals of the Rule. Thus, while this appendix distinguishes between purposes and objectives of title X and goals of the Rule in order to highlight key findings in the body of the report, the appendix is not meant as a comprehensive summary of all findings relevant to each purpose and objective of title X or goal of the Rule.

[367] 12 U.S.C. § 5511(a).

cause lenders to tighten lending standards or increase rates or fees, either of which could reduce access to mortgage credit. When promulgating the Rule, the Bureau predicted that the Rule would reduce the marginal cost of origination and that these lower costs could pass through to consumers. By lowering the price of obtaining a mortgage, this would increase consumers' access to credit.[368]

- Chapter 4: Firm effects, section 4.3 considers the potential effects of the Rule on lender profitability and finds that the Rule does not appear to have significantly affected average origination costs or revenues.

- Chapter 4: Firm effects, section 4.4 considers the potential effects of the Rule on closing company profitability and finds that the Rule may have increased the average costs and revenues of closing companies. Revenues for closing companies are costs for consumers. Since revenues for closing companies increased, this suggests that consumers' costs for closing and other settlement services may have also increased.[369] It is not clear whether the TRID Rule contributed to the reported increases in ongoing costs and revenue.

The Bureau predicted in 2013 that the Rule would facilitate shopping for mortgages and mortgage services. Increased shopping could indirectly increase access to mortgages if shopping resulted in more favorable mortgage terms or lower costs for consumers.

- Chapter 3: Consumer effects, section 3.4 considers available data on the potential effects of the Rule on consumer shopping behavior and finds mixed evidence. Respondents to the NSMO who obtained a mortgage after the TRID Rule's effective date were more likely to report applying for a mortgage from more than one lender or broker. In contrast, respondents to the NSMO who obtained a mortgage after the TRID Rule's effective date were less likely to shop for a closing agent. This evidence suggests it is unclear whether changes in consumer shopping behavior affected access.

When issuing the Rule, the Bureau stated that it did not expect the Rule would adversely affect consumers' access to credit.[370] This report considered several market-level measures related to access to credit.

- Chapter 5: Market effects, section 5.2 considers the potential effects of the Rule on interest rates. It does not show clear increases or decreases in interest rates or rate

[368] 78 Fed. Reg. 79730, 80080 (Dec. 31, 2013).

[369] These aggregate estimates may mask a change in revenues from sellers of properties relative to those from buyers of properties. If this composition of revenues changed, then prices for buyers of properties who borrow using a mortgage may have changed more or less than closing companies' revenues.

[370] 78 Fed. Reg. 79730, 80080 (Dec. 31, 2013).

spreads around the Rule's effective date, suggesting the Rule did not change rates and thereby change access to credit.

- Chapter 5: Market effects, section 5.3 considers the potential effects of the Rule on mortgage applications or originations across multiple mortgage product categories (home purchase loans, refinance loans, construction loans), and finds that the Rule may be associated with a small drop in originations at the time of the effective date, but that originations apparently rebounded quickly in subsequent months. This suggests that any effect on consumers' access was small and short-lived.

- Chapter 5: Market effects, section 5.5 considers the potential effects of the Rule on different subgroups of borrowers. It finds no evidence that the Rule affected consumers with dissimilar credit risks differently. In particular, the analysis groups mortgage originations by borrowers' credit scores and finds no clear changes in the shares of mortgages originated to each credit score group. The analysis documents a small drop in the likelihood that lenders would originate mortgage applications for both homes in rural locations and homes in urban locations. However, the likelihood appears to have rebounded to pre-Rule levels quickly in the months following the Rule's effective date, suggesting that any effect on consumers' access was small and short-lived.

A.2.2 Markets for consumer financial products and services are fair, transparent, and competitive.

Fairness

The Bureau does not have data that would allow it to directly assess the Rule's effectiveness in meeting the purpose of making the mortgage market more fair. However, the TRID Rule generally applies to all creditors that originate closed-end consumer credit transactions secured by real property or a cooperative unit, other than reverse mortgages. This broad coverage promotes fairness in the sense of establishing a level playing field among participants in this market.

Transparency

With regard to transparency, for most closed-end mortgages, the Rule requires mortgage lenders to provide standardized forms to consumers and specifies the timing for providing the forms. The Loan Estimate is designed to provide information that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage for which they are applying. The Closing Disclosure is designed to provide information that will be helpful to consumers in understanding all of the costs of a mortgage transaction.

Competitiveness

Mortgage lenders compete with each other to offer mortgage loans to consumers, and closing companies compete with each other to offer closing and other settlement services. If the Rule increased costs for some firms more than for others, then these firms would be relatively less competitive. Similarly, if the Rule resulted in firm entry or exit, then this might affect the degree of competition in the market.

- Chapter 4: Firm effects, section 4.3 considers the potential effects of the Rule on lenders' costs and revenues. Findings include:

    - Although the Rule does not appear to have significantly affected average origination costs or revenues, the Bureau does not have data that would allow it to accurately evaluate disparate effects of the Rule on different lenders' ongoing costs or revenues.

    - Smaller lenders had higher per loan costs than other lenders to implement the rule in 2015. These higher costs may have affected smaller lenders ability to compete with other lenders. Such an effect could be limited to the short-run if firms pay implementation costs at the time of implementation. However, such an effect could persist if, for example, implementation costs were financed and paid over time. The Bureau does not have data that would allow it to identify such an effect or its duration.

- Chapter 4: Firm effects, section 4.4 considers the potential effects of the Rule on settlement companies' costs and revenues. Findings include:

    - Closing companies' median costs and revenues increased after the Rule took effect. However, the Bureau does not have data that would allow it to accurately evaluate disparate effects of the Rule on different closing companies' ongoing costs or revenues.

    - Smaller settlement firms had higher costs per closing to implement the Rule in 2015. This may have affected smaller firms' competitiveness.

A.3 Objectives of title X of the Dodd-Frank Act

The objectives of the Bureau are listed in section 1021(b) of the Dodd-Frank Act.[371]

A.3.1 Consumers are provided with timely and understandable information to make responsible decisions about financial transactions.

When issuing the 2013 Final Rule, the Bureau stated that it was intended to provide consumers with timely and understandable information to make responsible decisions concerning mortgages.[372] As discussed above with respect to transparency, the Rule requires mortgage lenders to provide certain disclosures to consumers and specifies the timing for providing the disclosures.

Timely information

- The Bureau analyzed data related to the accuracy and timeliness of TRID mortgage disclosure forms, including an analysis of approximately 50,000 mortgages originated between March 2016 and November 2017.[373] The study's findings regarding the timeliness of mortgage disclosure forms include:

    - Responses to the Loan Officer Survey suggest that after the lender's first contact with the borrower, the first Loan Estimate was delivered with similar timing as was the first Good Faith Estimate (before the Rule took effect). This suggests that the Rule did not result in borrowers receiving their initial disclosure sooner in their mortgage shopping process.

    - The median number of days in the study's data between application and receipt of the first Loan Estimate was one calendar day.[374]

[371] 12 U.S.C. § 5511(b).

[372] 78 Fed. Reg. 79730, 79755 (Dec. 31, 2013).

[373] *See* Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

[374] Although this analysis uses calendar days rather than business days, it suggests that, for most mortgages, lenders provided the Loan Estimate to borrowers sooner than they were required to under the TRID Rule.

- The median number of days between the first Closing Disclosure and closing was six days in the study's data.[375]

- Responses to the TRID Assessment Survey of Loan Officers and the TRID Assessment Survey of Closing Companies suggest lenders delivered the Closing Disclosure to borrowers much earlier before closing than they had delivered the RESPA settlement statement prior to the TRID Rule.

Understandable information

- Chapter 3: Consumer effects, section 3.3.4 considers evidence about whether the Rule aided consumers in understanding mortgages they were applying for and whether the Rule aided consumers in understanding mortgage transactions. The analyses of that section are also briefly summarized in this Appendix, section A.4.6.

A.3.2 Consumers are protected from unfair, deceptive, or abusive acts and practices and discrimination.

In finalizing the TRID Rule, the Bureau stated that the rule is consistent with all of the Bureau's objectives as set forth in section 1021(b) of the Dodd-Frank Act, including protecting borrowers from discrimination or unfair, deceptive, or abusive acts and practices.[376] However, the Rule was not primarily intended to protect consumers from discrimination or to address unfair, deceptive, or abusive acts and practices. The Bureau's analysis did not consider data bearing on if the TRID Rule had this effect.

A.3.3 Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens.

In issuing the 2013 Final Rule, the Bureau indicated that the Rule was intended to reduce unwarranted regulatory burden.[377] As noted, the TRID Rule combined certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). Specifically, the TRID Rule's Loan Estimate form integrated the RESPA Good Faith Estimate

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[375] Although this analysis uses calendar days rather than business days, it suggests that, for most mortgages, lenders provided the Closing Disclosure to borrowers sooner than they were required to under the TRID Rule.

[376] *See supra,* note 7.

[377] *Id.*

(GFE) and the early TILA disclosure; the TRID Rule's Closing Disclosure form integrated the RESPA settlement statement and the final TILA disclosure. In issuing the Rule in 2013, the Bureau observed: "The information on these [non-TRID] forms is overlapping and the language is inconsistent. Not surprisingly, consumers often find the forms confusing [and] … lenders and settlement agents find the [non-TRID] forms burdensome to provide and explain."[378] As described in Chapter 2: The TRID Rule, by combining the TILA and RESPA disclosures, the TRID Rule removed redundant information, and reconciled inconsistencies between TILA and RESPA requirements to reduce unwarranted regulatory burdens.

Moreover, as noted in Chapter 2: The TRID Rule of this report, Title XIV of the Dodd-Frank Act added new disclosure requirements to TILA and RESPA for mortgage transactions (the Title XIV disclosures). In 2013, the Bureau implemented many of the Title XIV disclosures simultaneously with the TRID Rule to "avoid unnecessary regulatory burden by preventing creditors from having to implement multiple rounds of disclosure rules."[379]

After issuing a final rule in 2013 (2013 TRID Final Rule),[380] the Bureau amended the TRID Rule several times before and after its October 3, 2015 effective date to clarify issues and facilitate compliance related to questions raised by regulated entities and other stakeholders. Specifically, the 2013 TRID Final Rule would have required creditors to provide a revised Loan Estimate on the same date the interest rate is locked, but the January 2015 Amendments extended the timing to three business days after the interest rate is locked. The Bureau did so because creditors would otherwise have experienced greater operational challenges in providing redisclosures within a shorter timeframe, and the Bureau determined that the January 2015 Amendments would "reduce the burden on industry and facilitate compliance without harming consumers[.]"[381] In addition, in certain instances involving new construction, the January 2015 Amendments also permitted creditors to include language on the original Loan Estimate that states that the consumer may receive a revised Loan Estimate at any time prior to 60 days before consummation. This statement provides lenders with a valid justification if settlement costs increase.[382] The Bureau made this change in 2015 because, without this amendment, "creditors will have lower incentives to originate these construction loans" and "[c]onsumers

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[378] *Id.* at 79730.

[379] *Id.* at 80098.

[380] *Id.* at 79730.

[381] 80 Fed. Reg. 8767, 8772 (Feb. 19, 2015).

[382] As noted in Chapter 2 of this report and similar to the preexisting RESPA GFE tolerance rules, absent timely revised disclosures from the creditor based on certain valid justifications, the TRID Rule limits various settlement cost increases.

either will not be able to get a commitment to fund construction loans until most of the uncertainty about the terms is resolved or creditors will price in a premium[.]"[383, 384]

Chapter 4: Firm effects, section 4.3 considers evidence from the Lender Survey regarding the effects of the Rule on lenders' costs. Most of the lenders surveyed reported their ongoing costs increased in a variety of ways between the year before the Rule took effect (October 2014–September 2015) and 2018. This is consistent with evidence from the MBA data which show that ongoing costs generally increased over that same period. This evidence may therefore demonstrate that the Rule had an effect contrary to this objective of Title X. Nevertheless, MBA statistics also show that origination costs have increased steadily over the last decade, and this trend does not show a clear change at the time of the Rule's effective date. Therefore, although ongoing costs appear to be higher after the Rule than before, it is not clear that the increase was caused by the Rule.

Chapter 4: Firm effects, section 4.4 considers evidence from the Closing Company Survey regarding the effects of the Rule on closing companies' costs. Most of the closing companies surveyed reported their ongoing costs increased in a variety of ways between the year before the Rule took effect (October 2014–September 2015) and 2018. This evidence may therefore show that the Rule had an effect contrary to this objective of Title X. Nevertheless, these data rely on respondents to recall costs from before the Rule took effect, and therefore may be subject to recall error. Furthermore, as above, the data available to the Bureau do not allow it to determine whether the Rule caused these cost increases or whether these cost increases would have occurred absent the Rule.

Chapter 4: Firm effects, section 4.5 discusses and quantifies uncertainty that industry felt about compliance with the TRID Rule. It also discusses the Bureau's various efforts (such as ongoing regulatory guidance) to reduce that uncertainty.

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383 80 Fed. Reg. 8767, 8774 (Feb. 19, 2015).

384 Additionally, in light of certain procedural requirements under the Congressional Review Act (CRA), the Rule could not take effect on August 1, 2015, as originally provided by the 2013 TRID Final Rule, and would have instead taken effect on August 15, 2015. The July 2015 Amendments extended the effective date by an additional six weeks to minimize costs from the delay to both consumers and industry and to allow industry additional time to implement changes required by the Rule. *See* 80 Fed. Reg. 43911 (July 24, 2015).

A.3.4 Federal consumer financial law is enforced consistently, without regard to the status of a person as a depository institution, in order to promote fair competition.

As noted above, the TRID Rule generally applies to all creditors that originate closed-end consumer credit transactions secured by real property or a cooperative unit, other than reverse mortgages. Hence the TRID rule's coverage is without regard to a person's status as a depository institution and does not create an unlevel playing field between depository institutions and non-depository institutions in the mortgage market.

The Bureau has enforcement authority over non-depository mortgage originators[385] and depositories with assets over $10 billion,[386] and the prudential regulators have enforcement authority with respect to smaller depositories. Since the effective date of the TRID Rule, the Bureau has not brought enforcement actions against any entities, depository or non-depository, for violating the TRID Rule.

The Bureau has supervisory authority concerning depositories with assets over $10 billion[387] and non-depositories engaged in residential mortgage lending.[388] The Bureau has conducted examinations among large depositories and non-depository mortgage originators.

A.3.5 Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Transparent Markets

Potential effects of the Rule on transparency are discussed above in section A.2.2.

Efficient Markets

Generally speaking, a market is made more efficient if someone in a market is made better off without harming any others in the market. Thus, two ways in which a market can be made more efficient are if firms' costs are reduced of if consumers' benefits are increased, all else equal. Conversely, if firms' costs increase, or if consumers' benefits are reduced, then the market is made less efficient, all else equal.

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385 For enforcement authority of non-depositories, *see* 12 U.S.C. § 5514(c).

386 For enforcement authority of depositories, *see* 12 U.S.C. § 5515(c).

387 For supervisory authority of depositories, *see* 12 U.S.C. § 5515(a)-(b).

388 For supervisory authority of non-depositories, *see* 12 U.S.C. § 5514(a)(1)(A).

- As described above in section A.3.3, the Bureau intended to reduce unwarranted regulatory burdens with the 2013 Final Rule and its amendments by, for example, combining certain disclosures under TILA and RESPA. If these efforts were successful, then the Rule increased the efficiency of the market by reducing firms' operating costs through the reduction of regulatory burden. However, the Bureau does not possess data that would allow it to estimate the effects of the Rule ongoing costs. As discussed above in section A.2.2, simply comparing firms' reported ongoing costs before and after the Rule took effect appears to show that lenders' and settlement agents' costs have increased. However, it is possible that these increases are part of trends unrelated to the Rule, or that increases would have been greater were it not for the Rule.

- Chapter 3: Consumer effects, sections 3.3.1–3.3.4 find that the Rule had a variety of positive impacts on consumers' facility and understanding of mortgage disclosure forms. Improvements along these measures are themselves benefits to consumers, and therefore can be considered to improve efficiency, all else equal. Section 3.4.4 shows that consumers' satisfaction improved, or remained the same, across a variety of topics after the Rule took effect. Similarly, improvements in satisfaction are themselves benefits to consumers, and therefore can be considered to improve efficiency, all else equal. As described in this appendix, section A.4.7, the Bureau does not have direct evidence about whether the Rule facilitated consumers' decision-making regarding mortgages. If the Rule helped consumers make better choices, then this also would likely have improved market efficiency as well.

In addition, this report considered the Rule's potential effect on several market-level measures.

- Chapter 5: Market effects, section 5.2 considers the potential effects of the Rule on interest rates. It finds no clear changes around the Rule's effective date.

- Chapter 5: Market effects, section 5.3 considers potential effects of the Rule on mortgage applications or originations across multiple mortgage product categories (home purchase loans, refinance loans, construction loans). It finds that mortgage originations dropped at the time of the Rule's effective date but that originations in subsequent months reverted quickly to trend. The analysis does not show evidence of persistent effects on originations

- Chapter 5: Market effects, section 5.4 considers the potential effects of the Rule on the average time it takes to close a mortgage. It finds the Rule appears to have increased average purchase and refinance closing times in the months after the Rule. This appears to have potentially affected the timing of purchase originations in the short run, pushing originations to subsequent months and causing an apparent drop in purchase originations in the months after the Rule's effective date. By slowing closings, the Rule may have caused some borrowers and creditors to experience delays and incur other costs in the short run.

- Chapter 4: Firm effects, section 4.7 considers the potential effects of the Rule on the secondary mortgage market. It shows that, according to industry data, the share of mortgages with a regulation-related defect rose after the Rule's effective date in 2015. By 2017, the share fell back to below pre-Rule levels. This suggests that the Rule may have somewhat impeded some lenders' ability to sell some mortgages on the secondary market. Nevertheless, perhaps because of the small size of the effect regarding critical defects, neither the composition of secondary market funding sources, nor lenders' average revenues, changed substantially around the Rule's effective date.

Access

Section A.2.1 of this appendix summarizes the Report's evidence regarding access.

Innovation

The Bureau's analysis did not consider data bearing on if the TRID Rule affected innovation.

A.4 Goals of the Rule

The goals of the Rule, as interpreted by this assessment, are listed in Chapter 1: Introduction, section 1.1.5.

A.4.1 To facilitate compliance with the disclosure requirements of TILA and RESPA

Efforts to facilitate compliance with the disclosure requirements of TILA and RESPA are discussed in this Appendix, section A.3.3.

A.4.2 To ensure that information about mortgage loans is disclosed to consumers fully and accurately, and to simplify the technical nature of mortgage loan disclosures

Full and Accurate disclosure

The Bureau intended the Rule to ensure accurate disclosure forms by requiring that disclosures in the Loan Estimate and Closing Disclosure be provided in "good faith." Barring some exceptions, the Rule states that a disclosure is in good faith if it reflects the best information reasonably available to the creditor at the time the disclosure is provided to the consumer. The "reasonably available" standard requires that the creditor, acting in good faith, exercise due diligence in obtaining information.[389] In addition, the Rule also restricts the amount disclosures of settlement costs can change without deeming the disclosure of settlement costs to not be in good faith. The Rule changed the tolerance rules that limit creditors and third-party service providers from charging consumers settlement costs that exceed the estimates that had been previously disclosed. These changes are described in Chapter 2: The TRID Rule, section 2.2. The Bureau analyzed data related to the accuracy and timeliness of TRID mortgage disclosure forms, including an analysis of approximately 50,000 mortgages originated between March 2016 and November 2017.[390] Findings regarding the accuracy of mortgage disclosure forms include:

- Consumers received from lenders at least one revised Loan Estimate for about 62 percent of mortgages in the data analyzed. Consumers received from lenders two or more revised Loans Estimates for about 22 percent of mortgages. The prevalence of consumers receiving revised Loan Estimates may demonstrate that typical initial Loan Estimates are inaccurate in some way, although changes in the disclosure forms could come from many sources, including changes made by lenders or settlement service providers, changes required by the seller (in the case of a purchase mortgage), changes in consumer preferences, or variations in the circumstances of a mortgage.

- When asked to compare the accuracy of Loan Estimates required under the TRID Rule to the accuracy of Good Faith Estimates (GFE) required prior to the TRID Rule, almost half of loan officers responding to the TRID Assessment Survey of Loan Officers said the two forms were equally accurate, about one quarter indicated that GFEs were more accurate than Loan Estimates, and about one quarter indicated that Loan Estimates were more accurate than GFEs.

- Consumer received at least one revised Closing Document for nearly half of the mortgages in the data analyzed. Consumers received two or more revised Closing Disclosures for about 15 percent of mortgages in the data analyzed. The prevalence of revised Closing Disclosures may indicate that typical initial Closing Disclosures are inaccurate in some way; however, as above, changes could have come from many sources, including from the borrower.

- The APR changed between the first Loan Estimate and the last Closing Disclosure for about 40 percent of the mortgages in the Compliance Tool data. The loan amount and

[389] *See* 78 Fed. Reg. 79730, 80313 (Dec. 31, 2013).

[390] *See* Bureau of Consumer Fin. Prot., *Data Point: How Mortgages Change Before Origination* (Oct. 1, 2020), https://www.consumerfinance.gov/data-research/research-reports/data-point-how-mortgages-change-before-origination.

the loan-to-value ratio each changed between the first Loan Estimate and the last Closing Disclosure for almost 24 percent of loans in the Compliance Tool data, and the interest rate changed for about eight percent of loans. In contrast, changes to maturity, loan type (conventional, VA, FHA, USDA), rate type (fixed or adjustable-rate), and loan purpose (purchase, refinance, etc.) were relatively rare between the first Loan Estimate and the last Closing Disclosure.

- How much a term changed between the first Loan Estimate and the last Closing Disclosure in the Compliance Tool data varied across terms. For example, changes in interest rate were relatively large, with a median change of 25 basis points, whereas almost 90 percent of changes to APR were less than 20 basis points.

Simplified technical nature of disclosures

In designing the Loan Estimate and Closing Disclosure forms, the Bureau attempted to reduce the technical nature of the disclosures by using a graphical design that limited wordy descriptions. The process of developing these forms is described in Chapter 2: The TRID Rule, section 2.3.

A.4.3 To make it easier for consumers to locate key information.

Chapter 3: Consumer effects, section 3.3.1 considers evidence for this goal. It finds that, in a laboratory environment, the Rule was generally effective in achieving this goal. The advantages and disadvantages of relying on these data are discussed in Chapter 3: Consumer effects, section 3.1.2.

A.4.4 To help consumers to compare the cost of different mortgage offers.

Chapter 3: Consumer effects, section 3.3.2 considers evidence for this goal. It finds that, in a laboratory environment, the Rule was effective in achieving this goal. The advantages and disadvantages of relying on these data are discussed in Chapter 3: Consumer effects, section 3.1.2.

A.4.5 To aid consumers in comparing estimated and actual loan terms and costs.

Chapter 3: Consumer effects, section 3.3.3 considers evidence for this goal. It finds that, in a laboratory environment, the Rule was effective in achieving this goal. The advantages and disadvantages of relying on these data are discussed in Chapter 3: Consumer effects, section 3.1.2.

A.4.6 To aid consumers in understanding mortgages they are applying for, and to aid consumers in understanding mortgage transactions.

Chapter 3: Consumer effects, section 3.3.4 considers evidence for this goal. It considers evidence from three data sources. Two of these sources suggest that the Rule improved consumer understanding, while the third suggests that the Rule adversely affected consumer understanding.

First, the Bureau's analysis finds that, in a laboratory environment, the Rule was effective in achieving this goal. Second, using evidence from the National Survey of Mortgage Originations (NSMO), the Bureau's analysis finds that the Rule's effective date is correlated with an increase in respondents' subjective assessments of how understandable and useful mortgage disclosure forms were. Third, the Bureau's analysis reports that, relative to pre-TRID disclosure forms, loan officers who responded to the TRID Assessment Survey of Loan Officers were more likely to believe that the Closing Disclosure and Loan Estimate forms were *more* confusing for consumers than they were to believe that the Closing Disclosure and Loan Estimate were *less* confusing for consumers. The advantages and disadvantages of relying on each of these datasets are discussed in Chapter 3: Consumer effects, section 3.1.2.

A.4.7 To help consumers decide whether they can afford a mortgage.

The Bureau does not have data that would allow it to directly assess the Rule's effectiveness in meeting this goal. This is in part because to evaluate this goal would require an understanding of which mortgages consumers can afford, which itself would require detailed information about consumers' individual circumstances (e.g., their incomes and savings) and beliefs (e.g., how they expect their incomes to change over time, and how long they believe they will live in their homes). Therefore, rather than assess the effectiveness of the Rule in *meeting* this goal, this analysis considers whether it is *plausible* that the Rule met this goal. To do this, this analysis considers the goal through the lens of a five-stage model of effective disclosure. In this model, a consumer's mortgage decision is the final stage in a sequence. By considering the degree of success of the Rule in the first four stages (disclosure receipt, consumer attention, consumer understanding, consumer shopping), this analysis provides a sense of whether the Rule could have helped consumers in the final stage, mortgage choice.[391] Overall, it appears the Rule could

[391] This model is adapted from the more general model presented in Beckett and Shu (*in progress*). The model presented here focuses on one path by which a disclosure might influence consumer decision-making—the path by which consumers become informed and make the best choice according to their preferences. The model does not consider other ways that disclosure may influence behavior including, for example, by dissuading certain choices by providing warnings, or by altering market equilibria by changing the behavior of select market actors.

plausibly have met this goal—the Rule appears to have been successful, or made improvements, in each of the stages of the model for which the Bureau has data. Nevertheless, this analysis suggests that the Rule could not have improved mortgage choice for *all* consumers because many consumers do not understand all terms and costs of a mortgage. The model also suggests that some consumers pay too little attention to disclosure forms, or that some consumers comparison shop too little, to have their mortgage choices be much affected by disclosure forms.

Receipt

In this stage, the consumer receives disclosure forms. The Rule appears to have been generally successful in this stage. The Rule requires lenders to provide the consumer with a Loan Estimate within three business days of receiving the consumer's application,[392] and that the consumer receives the Closing Disclosure no later than three business days before closing.[393] Chapter 4: Firm effects, section 4.5 summarizes findings from the Bureau's supervisory examinations and finds that after the Rule took effect, for the most part, both bank and nonbank supervised entities effectively implemented and complied with the Rule (including the disclosure form provision requirements).[394]

Attention

In this stage, the disclosure forms attract the consumer's attention until the consumer reads and processes the information in the disclosure forms.[395] The Bureau does not have data about whether the TRID forms were successful in attracting consumers' attention. However, research on disclosure in general provides reason for skepticism. Cited reasons for inattention to

[392] *See* 12 C.F.R. § 1026.19(e)(1)(iii).

[393] *See* 12 C.F.R. § 1026.19(f)(1)(ii). TILA, as implemented by Regulation Z, generally provides that, if the early TILA disclosures contain an APR that becomes inaccurate, the creditor shall furnish corrected TILA disclosures so that they are received by the consumer not later than three business days before consummation. On the other hand, RESPA and Regulation X generally require that the RESPA settlement statement be provided to the borrower at or before settlement.

[394] Section A.3.1 of this appendix summarizes this report's findings on the timing of TRID disclosures—among other things, the report finds that most disclosures were provided in advance of the timing requirements of the TRID Rule.

[395] Consumer attention was also an important consideration when the TRID rule was drafted. In a public statement issued around the release of the 2013 final rule, the Bureau stated, "by reducing the visual tyranny of the stack of closing documents, we can focus more attention on the new user-friendly closing statement, which may enable further advances in consumer education and understanding." *See* Press Release, Bureau of Consumer Fin. Prot., *Director Cordray remarks at the "Know Before You Owe" mortgage field hearing* (Nov. 20, 2013), https://www.consumerfinance.gov/about-us/newsroom/director-cordray-remarks-at-the-know-before-you-owe-mortgage-field-hearing/; *see also*, the Qualitative Study states, "[t]he housing crisis… established… that the disclosures used at the time were not working optimally. consumers, overwhelmed by the number of documents to sign, sometimes merely signed without reading the disclosures," and "[t]hrough the disclosure design, we must activate consumers' interest in the information and help them pay attention."

disclosure include: consumers' perception that the benefit is outweighed by the cost;[396] consumers' decision aversion;[397] social pressure;[398] consumers' lack of required skills;[399] and competition for attention, including from other disclosure forms.[400]

Consumers' attention to the TRID disclosure forms specifically may be affected by competition from other disclosures. In addition to the Closing Disclosure, consumers may see upwards of 50 other disclosures spread over more than 100 pages in a residential real estate transaction.[401] The Bureau understands the Loan Estimate to generally be provided along with fewer competing disclosures than the Closing Disclosures. Nevertheless, documents that compete for borrowers' attention at this stage include lenders' advertisements or pricing "worksheets" (non-binding documents presenting terms and costs to borrowers). In addition, for purchase mortgages, the TRID disclosure forms are often provided at the same time the consumer is submitting offers for, or closing on, a home—important events that loom large for consumers and which would understandably command the consumer's attention.[402]

Consumer Understanding

In this stage, the consumer synthesizes the information they read and processed into an understanding of the topic(s) in that information. The effects of the Rule on consumer understanding are considered in Chapter 3: Consumer effects, section 3.3.4 and summarized in section A.4.6 of this appendix. Although the evidence is mixed, it appears to indicate that the Rule improved consumer understanding, at least in a laboratory setting.

There also appears to be room for further improvement. First, despite improvements, objective understanding of certain terms remains middling. For example, more than one-third of Quantitative Study respondents could not translate the information on the Loan Estimate into an understanding of how much their first monthly payment would be. Similarly, in the same

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396 Omari Ben-Shahar & Carl Schneider, *More than You Wanted to Know: The Failure of Mandated Disclosure*.", pp 64-77 (Princeton University Press 2014).

397 *Id.* at pp 60-64.

398 Dustin Beckett & Alycia Chin, *Don't watch me read: How mere presence and mandatory waiting periods affect consumer attention to disclosures*.", at 2, 16, (Cambridge University Press: Behavioural Public Policy 2019).

399 Omari Ben-Shahar & Carl Schneider, *More than You Wanted to Know: The Failure of Mandated Disclosure*, pp 75-93 (Princeton University Press 2014).

400 *Id.* at pp 104-106; Thomas Durkin & Gregory Elliehausen, *Truth in Lending: Theory, History, and a Way Forward*, pp 196-197, (Oxford University Press 2011).

401 Omari Ben-Shahar & Carl Schneider, *More than You Wanted to Know: The Failure of Mandated Disclosure*, pp 21-23 (Princeton University Press 2014).

402 *Id.*; William Brandt & George Day, *A Study of Consumer Credit Decisions: Implications for Present and Prospective Legislation*, Volume 1 Nat'l Comm'n on Consumer Fin.: Technical Studies, at 2 (1973).

study, about one-fifth of consumers could not translate the information on the Closing Disclosure into an understanding of the amount of cash they needed at closing.

Consumer Shopping

In this stage, the consumer uses their understanding of one or more products to compare multiple alternatives.[403] The effects of the Rule on consumer understanding are considered in Chapter 3: Consumer effects, section 3.4.1 and summarized in section A.2.1 of this appendix. Based on survey evidence, the Rule appears to be associated with an increase in shopping for mortgages. Nevertheless, as noted in Chapter 3: Consumer effects, consumer shopping for mortgages is limited, with most consumers considering just a single lender and almost 80 percent applying to a single lender.

Among the reasons hypothesized for this behavior for purchase transactions is the fact that mortgage disclosure forms often do not come until after a consumer has chosen a home to purchase, too late in the home-buying process for some consumers to comparison shop.[404] Differences between types of home mortgages allow for an investigation into the hypothesis that the disclosures are provided too late for them to facilitate shopping. In particular, because refinance mortgages are not taken out concurrently with a home purchase, differences between the behavior of refinancers and home-purchases may reveal the effects of timing or attention constraints. The analysis presented in the Chapter 3: Consumer effects, section 3.4.1 disaggregates NSMO responses by type of mortgage and level of consumer experience. Refinancers were the only group to report statistically significant increases in shopping behavior after the Rule took effect. Refinancers also reported greater increases than did experienced home-buyers, which indicates that the difference in shopping behavior is unlikely to be due to refinancers having more experience with the mortgage process.[405] While differences between home-buyers and refinancers extend beyond the need to purchase a home, this analysis is consistent with the hypothesis that, when it comes to consumer shopping, TRID disclosure forms are provided when home-buyers are too time- or attention-constrained to use the forms as a shopping tool.

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[403] This stage does not necessarily come after the previously-discussed stages as consumers can comparison shop before receiving disclosure forms.

[404] *See* Chapter 3: Consumer effects, section 3.2 for a discussion of some of the timing constraints faced by home-buyers. For an information search model that also demonstrates the effects of disclosure timing on consumer shopping behavior, *see* Eva Nagypal, *A model of mortgage search with information disclosure*, (Bureau of Consumer Fin. Prot., No. 20-2 2020), https://ssrn.com/abstract=3701272. For a general discussion of the timeliness of consumer credit disclosures, *see* Thomas Durkin & Gregory Elliehausen, *Truth in Lending: Theory, History, and a Way Forward*, pp 194, (Oxford University Press. 2011).

[405] In responses to the NSMO, refinancers' shopping behavior increased more than did experienced-buyers'. A two-tailed t-test comparing these two groups on the question "Did you seriously consider more than one lender?" yields a p-value of 0.103. A two-tailed t-test comparing these two groups on the question "Did you apply to more than one lender?" yields a p-value of 0.041.

APPENDIX B: COMMENT SUMMARY

B.1 Introduction

On November 22, 2019, the Bureau published a request for information (RFI) on the TRID Rule assessment in the *Federal Register* and invited the public to submit comments and information on a variety of topics. The public comment period closed on January 21, 2020. The Bureau received approximately 170 comments in response to the RFI. The Bureau describes the comments and summarizes the information received on some topics below. The full comments are available on www.regulations.gov.[406]

B.2 Assessment plan comments

B.2.1 Feasibility and effectiveness of the assessment plan

Several industry commenters stated their overall support for the assessment plan including support for the Bureau's ongoing outreach to stakeholders and for the plan to be informed by a cost-benefit perspective. A group of consumer advocates stated that the Bureau must evaluate all impacts on consumers—even ones that cannot be assigned a monetary value. Those consumer advocates also stated that it is premature to draw definitive conclusions about the TRID Rule because the mortgage market has not yet fully recovered from the last mortgage crisis.

Several commenters stated that it would be difficult to distinguish between effects specific to the TRID Rule and the effects of other variables. A joint letter from trade groups stated that it would be difficult to distinguish between costs specific to the TRID Rule and the costs of other mortgage regulations. A creditor stated that it would be challenging to determine with confidence that the TRID Rule was a causative factor in any observed shift in consumer understanding or behavior because of contemporaneous market changes, including increases in

[406] *See* comments to 84 Fed. Reg. 64436, 64437 (Nov. 22, 2019), https://beta.regulations.gov/document/CFPB-2019-0055-0001. As stated in the RFI, the Bureau is not responding to each comment received pursuant to the RFI. ("The Bureau plans to consider relevant comments and other information received as it conducts the assessment and prepares an assessment report. The Bureau does not, however, expect that it will respond to each comment received pursuant to this document in the assessment report. Furthermore, the Bureau does not anticipate that the assessment report will include specific proposals by the Bureau to modify any rules, although the findings made in the assessment will help to inform the Bureau's general understanding of implementation costs and regulatory benefits for future rulemakings.").

the electronic availability of mortgage information to consumers and the TRID Rule's shifting certain disclosure responsibilities from settlement agents to creditors.

B.2.2 Rule objectives to use in the assessment

Several trade groups stated that the Bureau should use the assessment to evaluate the effectiveness of the TRID Rule in meeting the objectives and purposes of Title X of the Dodd-Frank Act—particularly reducing unwarranted regulatory burdens and ensuring that the mortgage market operates transparently and efficiently to facilitate access and innovation—as well as the Bureau's own goals in issuing the TRID Rule.

B.2.3 Outcomes, metrics, baselines, and analytical methods for assessing

A creditor encouraged the use of broader data sets and stated that, although anecdotal accounts can be informative, the selection, reporting, and recall biases inherent in collection of those accounts can result in significant over- or under-representation of a particular experience. An industry commenter stated that prior Bureau analyses of consumer disclosures relying on a handful of focus groups and third-party experts failed to achieve the target results, including the stated statutory goals and objectives.

A creditor stated that, instead of assessing firm effects by focusing on the cost that industry participants have already sunk into their systems, compliance, training, auditing, and more, the Bureau should approach this assessment with a view toward decreasing ongoing maintenance costs in the future. Another creditor recommended that the Bureau survey lenders regarding whether their cost per loan has increased since the TRID Rule was originally announced, and what portion of that cost is attributable to the increased compliance and operations burden associated with the Rule. A trade group stated that a creditor survey could produce helpful information, but it was concerned about burdens such a survey could impose on smaller creditors covered by the TRID Rule. The trade group asserted that the survey should be voluntary, and the Bureau should provide assistance, as requested, to institutions that want to respond.

To assess consumer effects, several commenters, including trade groups and a group of consumer advocates stated that the Bureau should interview consumers and, in the consumer advocates' view, should interview housing counselors as well. The group of consumer advocates stated that the Bureau should analyze the frequency of non-binding informational disclosures before and after receiving an application; loans with a rate discount for on-time payment; loans with closing costs paid through the interest rate; and loans that are exempt from the use of the TRID Rule forms. Those consumer advocates also stated the Bureau should analyze whether the

TRID Rule forms, including their presentation of the annual percentage rate and closing costs, improve consumers' understanding, ability to shop, and decision making.

A creditor stated that the Bureau should survey and interview a broad set of actual borrowers to find out: whether they actually reviewed their Loan Estimates and Closing Disclosures; which parts of the disclosures they paid attention to; and whether they used Loan Estimates to comparison shop. Several trade groups and settlement agents stated that the Bureau should measure the source of questions consumers ask at closing to learn what changes could improve consumer understanding without potential wholesale changes.

A trade group stated that the Bureau should study consumer understanding by asking settlement agents: how long a typical closing takes and how that compares to before the TRID Rule; whether they provide an alternative settlement statement to consumers along with a Closing Disclosure; how much time they spend reviewing various documents with consumers; how often they prepare a preliminary Closing Disclosure for the creditor; and how often they send updated information to the creditor for various types of closing costs necessitating redisclosure. Another trade group stated the Bureau should ask creditors: which aspects of the TRID Rule provisions, if any, cause closing delays; and whether there are any specific items on the Closing Disclosure that consumers seem confused by. An individual commenter stated that the Bureau should analyze the effectiveness of the TRID Rule's waiting periods by analyzing the number of times that consumers canceled or changed a loan during the waiting periods.

Several trade groups stated that the Bureau should obtain data regarding TRID Rule title insurance disclosures by asking recent homebuyers about their experiences and by asking settlement agents: whether they answer more questions regarding the cost of title insurance than before the TRID Rule; whether they use another document to help explain the actual costs of title insurance; who typically pays for the title insurance; and whether consumers expressed confusion or frustration with the TRID Rule title insurance disclosures.

B.2.4 Recommending a focus on effects on small entities

The Small Business Administration's Office of Advocacy (SBA-Advocacy) stated that the assessment would benefit from a comprehensive study to determine the economic impact that the TRID Rule has had on small entities and further outreach to small entities to develop less costly alternatives. SBA-Advocacy stated that the analysis should: consider the impact that the Rule has had on the availability of mortgages, including those in the interior and rural parts of the country as well as by different loan types; include the number of affected small entities by business size; measure the likely compliance costs to those entities; and analyze costs as a Percent of revenues to assess the economic significance. A trade group stated the Bureau should get feedback from creditors of a variety of sizes.

B.2.5 Recommending specific data

A joint letter from trade groups stated that the Bureau should consider trade group member survey data regarding the overall regulatory burden on industry and the impact on consumers but noted that those surveys did not isolate the effects of the TRID Rule from the effects of other regulations. The joint letter stated the importance of the Bureau's attempts to collect information on cost and burden attributable only to TRID; to that end, the joint letter stated that one of the trade groups would continue conducting additional member surveys to gather more data and submit it to the Bureau after the RFI comment period to isolate the impact of the TRID Rule on processes instituted by creditors to comply; the incidence of delays in loan closings; product offerings; frequency of refunds or lender credits; and other matters. However, given the COVID-19 pandemic, the trade group subsequently stated it had not received member survey responses that would provide representative results, and it did not plan to follow-up with another survey.

B.3 General comments about the TRID Rule

B.3.1 Effectiveness

Commenters provided mixed statements on the effectiveness of the TRID Rule. Many industry and trade groups stated that the forms were confusing to consumers, ineffective, hard to understand by consumers, not used by consumers, contained too much information, or had too many pages. An individual industry comment stated without explanation that the Rule did not meet the objectives of Title X of the Dodd-Frank Act. An individual industry commenter, a settlement agent, two trade groups representing settlement agents, a trade group of affiliate companies, a trade group representing community banks, and a local government councilwoman stated that the Rule should be retained, but some indicated that there were areas of the Rule that could be improved (which are discussed below in relation to specific areas).

Many commenters, including trade groups representing several industry segments, also stated that while the Rule should be clarified, the basic provisions should be retained because the costs to change these requirements would be costly to industry. A trade group representing real estate brokers and agents stated that the Rule has been effective overall, but some amendments in specific areas should be made (which are discussed below in relation to specific areas). A creditor stated that most provisions have been effective, but that some elements have been ineffective and caused unintended consequences. Also, a creditor and two industry individual commenters stated that the TRID Rule should be eliminated. An anonymous commenter stated that the TRID Rule should be retained.

A trade group representing secondary market investors stated that in December 2019 it revised its industry standards to eliminate or alter compliance testing for areas that do not impair the ability to sell mortgages on the secondary market. The trade group further stated, based upon projections and the small number of reviews that have been performed since December 2019, that the number of exceptions for TRID Rule violations has been drastically reduced under the revised industry standards, with early estimates noting that exception counts are around two percent, which is roughly in line with the number of exception counts that existed prior to 2009 and under different iterations of Mortgage Disclosure Improvement Act (MDIA). The trade group went on to state that early feedback from market participants notes that prioritizing TRID Rule violations in the way set forth in the trade group's revised industry standards will be beneficial for market participants. SBA-Advocacy stated that, although the costs of TRID implementation were, and continue to be, extremely expensive, stakeholders have been adamant that the Bureau should not go back to square one and design a new system.

There were also mixed statements from commenters in relation to the Loan Estimate and Closing Disclosure forms themselves. An anonymous commenter stated that the Loan Estimate is a good form that enhances the consumer's ability to make the best choice. Other individual industry commenters questioned the Loan Estimate's utility. An individual industry commenter and three settlement agent commenters stated that the Closing Disclosure was beneficial because it was easier for settlement agents to conduct closings, consumers were less stressed, and that it was easier to compare to the Loan Estimate. On the other hand, two individual industry commenters, a settlement agent commenter, and an anonymous commenter stated that the HUD-1 was a better form.

B.3.2 Costs

Many industry commenters stated the TRID Rule increased costs to industry: both one-time costs before and immediately after the effective date of the Rule, and ongoing costs. As to one-time costs, a trade group representing credit unions stated that industry incurred costs training employees and preparing compliance systems, and a trade group representing home builders stated that some creditors needed to purchase or upgrade loan origination systems to comply with the TRID Rule. A local government councilwoman and a trade group representing secondary market investors noted that the one-time costs have largely been accounted for and are no longer affecting industry. For the ongoing costs, various industry commenters reported that the ongoing costs to industry participants have increased as a result of costs associated with tracking changes to settlement charges over time, attorney consultation fees on specific issues, the number of issues associated with the Rule, ongoing revisions to the Rule's requirements, the

Rule's complexity, increased staffing, legal doubt and litigation exposure, the inclusion of a tolerance regime, or the lack of cure provisions in the Rule.

A software provider of loan origination systems to creditors stated that costs of the TRID Rule are difficult to isolate due to other mortgage origination rules that went into effect during a similar timeframe to the Rule or due to system functionality issues. A trade group representing credit unions stated that although expenses for credit unions have increased, they have not passed along the costs to their consumers. An individual commenter, a creditor, and an industry individual commenter stated that costs to consumers and sellers have increased because of the increased burden of compliance on creditors, waiting periods increasing interest and moving costs, the overestimation of fees to ensure that creditors meet settlement charge tolerances, and seller credits provided to cover settlement charges.

A number of commenters provided quantitative statements of the estimated costs to industry or consumers. For consumer costs, an individual industry commenter stated that settlement charges to consumers increased $200 due to duplicative work when settlement statements are provided to consumers by settlement agents in addition to the Closing Disclosure. Another individual industry commenter stated that settlement costs to consumers increased by $1,600 per loan. A trade group representing affiliated companies stated that a survey of their members' estimates settlement costs increased by $209 per loan. A settlement agent stated that for loans involving a $180,000 mortgage, consumer costs have increased by $130 to $204 and indirectly increased seller settlement costs by $100 to $600 due to the rise of "split" closings.

As to industry costs, a trade group representing credit unions stated that its members have reported spending up to $100,000 since implementation on attorney and consultant fees. A trade group representing community banks stated that recurring costs often come in the form hiring and keeping additional staff which can cost close to $100,000 annually just to manage mortgage disclosures. A creditor stated that the time to review correspondent loans for compliance increased 122 percent and that a working group has cost the creditor $5 million and required 60 employees to implement the Rule. A trade group representing secondary market investors stated that anecdotal data suggests that costs at larger firms could easily have surpassed multimillion-dollar sums.

Another creditor stated that 67 percent of mortgages it originated have revised LEs, and 28 percent have revised CDs. Of those with revised LEs, 28 percent had two revisions, 44 percent had three revisions, 18 percent had four revisions, six percent had five revisions, two percent had six revisions, one percent had seven revisions, and 0.4 percent had eight revisions. The same creditor also stated that 39 percent of loans had a payment of a tolerance cure with the average tolerance cure to a consumer of $96.57.

A trade group representing credit unions stated that compliance expenditures for industry alone is estimated to have cost about $563 million. The same trade group also surveyed its members that reported 83 percent of survey participants reported "significant" or "very significant" initial costs related to the TRID Rule's implementation and 63 percent reported "significant" or "very significant" ongoing costs associated with TRID compliance. In addition, 57 percent of survey participants reported the ongoing costs of TRID compliance diminished lending capacity due to longer timelines for borrowers and increased costs to offer and execute loans. Relatedly, 52 percent of the survey group stated the TRID Rule has "somewhat" or "significantly" increased the price of loans and 33 percent acknowledged a "significant" or "somewhat" decrease in loan volume.

Another trade group representing credit unions stated that one of its member credit unions estimated that the upgrade added about $65 in overhead costs to each loan; a total of $85,000. Additionally, the productivity of the real estate department of this credit union's employees fell drastically when the Rule was implemented, as it witnessed 5.36 loans per day per employee in 2012 compared to two loans per day per employee in 2018. A third trade group representing credit unions stated that its members are also spending more time on each loan file, anywhere from 15 minutes to two hours per loan, and that its members have had to increase their settlement charges.

B.3.3 Effects

Commenters also stated that the TRID Rule had effects on consumers, industry participants, and on relationships between industry participants. Commenters indicated different effects of the Rule on consumers. A settlement agent stated that consumers were more at ease and prepared for closings and understood things they appeared to be most interested in. A settlement agent and a trade group representing a specific State's community banks stated that consumers understood settlement charges earlier in the mortgage process as a result of the Rule. An anonymous commenter stated that consumers are assisted by common formatting of the Loan Estimate in response to multiple applications for mortgages. Many other commenters stated that consumers experienced longer timeframes to close their mortgage, with trade groups representing credit unions and a specific State's community banks, a creditor, and an individual industry commenter stating that the Rule's waiting periods caused such delays. A bank commenter also stated that waiting periods also caused chain reactions and delays in other real estate transactions. A trade group of community banks stated that the forms had little effect on the ability to guide or assist consumers through the mortgage origination process.

Commenters also stated that the TRID Rule had effects on industry participants, in addition to the costs associated with the Rule described above. A trade group representing a specific State's banks and a joint letter from trade groups representing several groups of industry participants stated that implementing the TRID Rule was the most difficult of the rules on mortgages issued as a result of the Dodd-Frank Act and that it creates ongoing burdens on creditors due to continuing efforts to understand and implement the Rule. A community bank, a trade group representing a group of specific State community banks, and an anonymous commenter stated that small institutions were leaving the mortgage origination business, with one stating that it was due to a lack of economies of scale. SBA-Advocacy and a trade group representing credit unions stated that their members or representatives of small business on a conference call indicated that they were providing fewer types of mortgages because of the Rule, with some specifically referencing construction-to-permanent mortgages.

Another trade association representing credit unions stated that the Rule resulted in credit unions having a reduced ability to sell mortgages they originated on the secondary market. A creditor stated that the Rule made it difficult for it to keep within State high-cost loan requirements. A creditor and SBA-Advocacy stated that they experienced, or that participants in a conference call of small business representatives indicated, that the Rule caused delays in the origination of mortgages. An individual industry commenter stated that creditors were over-estimating settlement costs due to the tolerance provisions of the Rule. A creditor stated that the Rule limited its ability to collect data required to be reported under the Home Mortgage Disclosure Act (HMDA).

An individual industry commenter and an anonymous commenter stated that settlement agents are now comfortable using and explaining the forms required by the Rule. A credit union stated the Rule did not discourage them from offering mortgages to its members.

A trade group representing real estate brokers and agents stated that it conducted a survey of its members about the effects of the TRID Rule and that the results were as follows: when asked how the new TRID forms compared to disclosures of the past (such as the HUD-1), only 24 percent found the new forms more helpful, compared to 26 percent who found the forms less helpful and 29 percent citing the forms were about the same (and the remaining 21 percent of responses were “don’t know” and “other”). When asked about consumers’ understanding of their mortgage disclosures, 33 percent reported no change, 25 percent reported a slight improvement, and 11 percent stated great improvement, compared to 21 percent who claimed the Rule has made understanding worse. When asked about consumers’ satisfaction with the mortgage disclosures, 35 percent of respondents reported no change, 21 percent cited a slight improvement, and 13 percent a great improvement, compared to 20 percent stating worse satisfaction. When looking at the transaction overall and consumers’ understanding of the closing process, responses were similar, with 39 percent reporting no change, 21 percent slight improvement, and 9 percent great improvement, compared to 23 percent claiming a worse understanding of the overall closing process. This was also reflected when asked about consumers’ satisfaction with the closing process, with 38 percent responding no change, 17 percent a slight improvement, and 12 percent a great improvement, compared to 25 percent seeing worse satisfaction. When asked how the Rule has affected consumers' shopping behaviors for mortgage and settlement services, only 20 percent stated that consumers are often shopping, 57 percent cited no impact on consumer shopping behavior, and 15 percent stated consumers are rarely shopping. The trade group also reported that 30 percent of respondents to the survey stated the Rule improves their ability to explain the disclosures and closing process to consumers, compared to approximately 21 percent who stated the Rule made it worse.

Some commenters stated that the TRID Rule had effects on the relationships between industry participants, particularly between the creditor and settlement agent. Two individual industry commenters and three settlement agents stated that creditors continued to provide closing packages that included instructions and relevant documents at the last minute to settlement agents. A trade group representing mortgage brokers stated that the change in the relationship between the creditor and the real estate agents changed dramatically due to the new responsibility of the creditor for complying with the Closing Disclosure requirements as well as the implementation of the new disclosure requirements. Further, the same trade group stated that the Rule provided less efficiency and better transparency for brokers, but less transparency for creditors.

A joint letter of trade groups representing several groups of industry participants stated that uncertainty and inconsistent interpretations caused a large percent of loans to be labeled as defective by investors, even when such defects were only technical and presented no credit risk nor risk of harm to consumers. An individual industry commenter stated that the Rule put too much pressure on third parties to provide settlement cost amounts to creditors. This joint letter also stated that creditors had to reassess their relationship with vendors and determine whether to produce and deliver the final disclosures rather than assign that function to closing agents. A software vendor stated that there are certain TRID-related data points that are important for compliance review but that do not appear on the Loan Estimate and Closing Disclosure forms themselves, which has made it hard to create uniform TRID processes for automated auditing.

B.3.4 Research cited by commenters

Research cited by commenters regarding effects of the TRID Rule include:

- an industry commenter referenced Credit Outlook, US Mortgage Lenders Face Difficulties Complying with New Rules, a Credit Negative for RMBS, Moody's Investment Service (Dec. 15, 2015);
- an industry commenter referenced Q1 2016 ARMCO Mortgage QC Industry Trends, ARMCO (2016);

- an industry commenter referenced Ben Lane, Community lenders warn CFPB on TRID `black hole': Potential for conflict stems from Loan Estimate and Closing Disclosure timelines, HOUSINGWIRE (Aug. 19, 2015), http://www.housingwire.com/articles/34817-community-lenders-warn-cfpb-on-trid-black-hole/;

- an industry commenter referenced Ryan Smith, Critical loan defects spike — thanks to TRID, MPA (Sept. 6, 2016), https://www.mpamag.com/news/critical-loan-defects-spike--thanks-to-trid-37419.aspx;

- an industry commenter referenced Fannie Mae, TILA-RESPA Integrated Disclosure FAQs (Feb. 2016);

- a trade group referenced 2019 Consumer Financial Protection Bureau (CFPB) Closing Process Rules Survey, Nat'l Ass'n of REALTORS (Jan. 15, 2020), https://narfocus.com/billdatabase/clientfiles/172/21/3490.pdf;

- a trade group referenced Kayla Shoemaker, Trends in Mortgage Originations and Servicing: Nonbanks in the Post-Crisis Period, FDIC Quarterly (2019-Volume 13-Number 4);

- a trade group referenced Credit Union National Association (CUNA), Regulatory Impact Study, 2018;

- trade groups referenced Federal Reserve Bank of St. Louis, "Early Observations on the TILA-RESPA Integrated Disclosure Rule," Consumer Compliance Outlook (First Issue 2019);

- a trade group referenced Bonnie Sinnock, New guidance for RMBS loans may help market triage TRID errors: Fitch, National Mortgage News (Dec. 17, 2019), https://www.nationalmortgagenews.com/news/new-guidance-for-rmbs-loans-may-help-market-triage-trid-errors-fitch;

- a trade group referenced the American Land Title Association, Consumer Title Insurance Shopping Survey, 2016;

- a trade group referenced Brena Swanson, Yes, TRID is expensive, but did the CFPB reach its goal?, HOUSINGWIRE (Mar. 23, 2016), https://www.housingwire.com/articles/36580-yes-trid-is-expensive-but-did-the-cfpbs-goal-work/;

- a creditor referenced Kelsey Ramírez, The cost of originating a mortgage just got ridiculous – again, HOUSINGWIRE (Jun. 7, 2018), https://www.housingwire.com/articles/43625-the-cost-of-originating-a-mortgage-just-got-ridiculous-again/;

- a creditor referenced Monica Anderson, Pew Research Center, Mobile Technology and Home Broadband 2019 (June 13, 2019); and
- a creditor referenced Frank Newport, Gallup, The New Era of Communication Among Americans (Nov. 10, 2014).
- a trade group referenced its own surveys regarding TRID Rule guidance and its members' ability to sell mortgages on the secondary market;
- a group of consumer advocates referenced Kleimann Communications Grp., Inc., Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures at 7 (July 9, 2012);
- a group of consumer advocates referenced Jeanne M. Hogarth and Ellen A. Merry, Fed. Res. Bulletin, Designing Disclosures to Inform Consumer Financial Decisionmaking: Lessons Learned from Consumer Testing (Aug. 2011);
- a group of consumer advocates referenced Susan E. Woodward & Robert E. Hall, Diagnosing Consumer Confusion and Sub-Optimal Shopping Effort: Theory and Mortgage-Market Evidence, 107 Am. Econ. Rev. 3249, 3275 (2012);
- a group of consumer advocates referenced Susan E. Woodward, Urban Inst., A Study of Closing Costs for FHA Mortgages xi, 70 (May 2008), available at www.urban.org;
- a group of consumer advocates referenced JiJi Bahhur, NAFCU Compliance Blog (Apr. 15, 2015), available at https://nafcucomplianceblog.typepad.com/nafcu_weblog/2015/04/tila-respa-disclosing-no-cost-loan-transaction-on-loan-estimate-and-closing-disclosure-sibling-love.html;
- a group of consumer advocates referenced Debra Pogrund Stark, Jessica M. Choplin, Mark Leboeuf, & Andrew Pizor, "Dodd-Frank 2.0: Creating Interactive Home-Loan Disclosures to Enable Shrewd Consumer Decision-Making," 27 Loy. Consumer L. Rev. 95 (2014);
- a joint letter from trade groups referenced ABA, 22nd Annual ABA Real Estate Survey Report, May 2015, https://www.aba.com/-/media/documents/reports-and-surveys/real-estate-survey-lending-report-2015.pdf?rev=fc587e37293441b791937952917fab5b&hash=BCB281AF3874C4B0E784EAD2190DC4F2;

- a joint letter from trade groups referenced ABA, 23rd Annual ABA Residential Real Estate Survey Report, April 2016, https://www.aba.com/-/media/documents/reports-and-surveys/real-estate-survey-lending-report-2016.pdf?rev=95884e39d6204824860a60ba8644f1b5&hash=3DBDE8A0A56E69B8A7E7C44BA6600A92;

- a joint letter from trade groups referenced ABA, 2016 ABA TRID Survey, https://www.aba.com/-/media/documents/reports-and-surveys/migrated-2019/2016-trid-survey.pdf?rev=fd9568905a284e95bf21d2aaada23066;

- a joint letter from trade groups referenced ABA, 25th Annual ABA Residential Real Estate Survey Report, May 2018, https://www.aba.com/-/media/documents/reports-and-surveys/real-estate-lending-survey-report-2018.pdf?rev=b2a6e23dca234eb5b003e0ce0ddd56a0&hash=041B12660E036B4944615AAFB433C01C;

- a joint letter from trade groups referenced ABA, 26th Annual ABA Real Estate Lending Survey Report, May 2019, https://www.aba.com/-/media/documents/reports-and-surveys/real-estate-lending-survey-report-2019.pdf?rev=8689adc29f634cddad62f9e678b0f4aa.

B.4 Specific comments about the TRID Rule

B.4.1 Loan Estimate timing

A group of consumer advocates stated that the requirement to provide a Loan Estimate within three business days after application is important for facilitating consumers' comparison shopping with multiple lenders. The consumer advocates stated that the definition of "application" under the TRID Rule promotes earlier receipt of binding Loan Estimates that limit closing cost increases and that the Bureau should ban the use of disclosures for informational purposes only. An individual commenter stated that the three-business-day deadline enhances consumers' ability to make the best decision in a very time-conscious society.

Several commenters, including trade groups, creditors, other industry commenters, and individual commenters, stated that the three-business-day deadline after application is not enough time for creditors to provide consumers with reliable information on the Loan Estimate. A trade group stated that the mere act of submitting an electronic application should not trigger the three-business-day deadline if the application was rejected contemporaneously and automatically because the data failed a validation rule. Several commenters, including trade groups and a creditor, stated that the six specific items which constitute an application under the TRID Rule should also include a mailing address (if different from the address of the property securing the loan) or an email address. Trade groups and a creditor also stated that limiting an application under the TRID Rule to the six specific items inhibits creditors' ability to obtain other information for purposes of the Equal Credit Opportunity Act or Home Mortgage Disclosure Act regulations and that the regulations should be harmonized with one another.

Several creditors and other industry commenters stated that, although the TRID Rule's good faith determination permits creditors to use revised estimates instead of initial estimates when there is a valid justification, revised estimates are nevertheless confusing or otherwise displeasing to consumers. One of the industry commenters stated that multiple re-disclosures can erode a consumer's confidence in the lending process and the creditor. Another industry commenter stated that consumers interpret anything they receive in writing, including the initial Loan Estimate, as a firm proposal and are displeased when anything changes; to avoid that, the commenter stated it sometimes declines a loan application before the Loan Estimate three-business-day deadline if it does not have sufficient information to determine qualifications for a specific loan program, with an explanation to the consumer that the commenter will continue to work with the consumer to find suitable financing. That commenter further stated that the three-business-day deadline is particularly challenging for consumers who do not have strong credit, salaried income, and liquid assets on hand.

A trade group and another industry commenter stated that the definition of "application" under the TRID Rule has resulted in confusion regarding how creditors may collect pre-approval/pre-qualification information without triggering the Loan Estimate's three-business-day deadline. An industry commenter stated that, rather than allowing a Loan Estimate to be provided at the same time, the Bureau should require creditors to provide consumers with the Loan Estimate before other disclosures—and before a creditor requests a consumer's intent to proceed—to facilitate consumers' ability to review the Loan Estimate and to shop. An industry commenter stated that, for purchase transactions, the Loan Estimate's three-business-day deadline does not effectively help consumers shop because purchase contracts otherwise limit the amount of time consumers have for the transaction. A trade group stated that, to encourage shopping in the context of purchase transactions, the Bureau should remove the property address from the specific items in the definition of "application" under the TRID Rule.

Several industry commenters stated that creditors are not complying with the requirement to provide a Loan Estimate no later than three business days after receiving the six specific items which constitute an application under the TRID Rule. A creditor stated that the TRID Rule does not provide creditors with a cure provision for such violations.

A trade group stated that the Bureau should facilitate timely loan closings by eliminating the requirement to deliver or place in the mail the Loan Estimate no later than seven business days before consummation.

B.4.2 Closing Disclosure timing

Several commenters stated the benefits of the Closing Disclosure three-business-day waiting period. A group of consumer advocates stated that the waiting period is important for consumer understanding and avoiding drastic surprise changes. An industry commenter stated that receiving the Closing Disclosure before consummation improves consumers' ability to check for errors and to ask for help. Another industry commenter stated that, although the initial work of getting the figures to the person preparing the Closing Disclosure forms does cause some stress, it is worth it to have the parties review it all before getting to the closing table, and this has made it simpler to conduct the actual closing. A housing counselor stated that the Closing Disclosure three-business-day waiting period is essential and should remain. An individual commenter stated that most customers appreciate having the Closing Disclosure a few days before closing to absorb and review.

Several commenters, including trade groups, other industry commenters, and individual commenters, stated that the Closing Disclosure three-business-day waiting period is frustrating to consumers when it delays a loan closing. An industry commenter stated that, for purchase transactions, the Closing Disclosure three-business-day waiting period does not effectively help consumers shop because purchase contracts otherwise limit the amount of time consumers have for the transaction. An individual commenter stated that consumers are sometimes confused about circumstances when the waiting period may lead to delays, such as a consumer not acknowledging receipt of the Closing Disclosure or the disclosed APR becoming inaccurate. Several individual commenters stated that, in worst-case scenarios, a consumer could actually lose the ability to complete the transaction due to the delay.

A trade group and another industry commenter stated that the Closing Disclosure three-business-day waiting period can result in a higher rate lock fee. Several individual commenters stated that, when consumers are refinancing to a lower interest rate, delays associated with the waiting period can result in consumers paying additional interest. Regarding purchase transactions, several commenters, including trade groups, creditors, and other industry commenters, provided examples of potential consumer harm from the Closing Disclosure three-business-day waiting period, including forfeited good faith deposits, tax penalties for advances on retirement accounts, and travel, hotel, and moving company costs due to delayed moving dates.

Several industry and individual commenters and SBA-Advocacy stated that the Closing Disclosure three-business-day waiting period is burdensome for industry. Several creditors stated that the waiting period puts undue pressure on creditors to ensure that third-party information is correct and stated that third parties often delay providing information and provide incorrect figures requiring redisclosures and closing delays. Several industry commenters stated that the waiting period puts undue pressure on third parties to try to get accurate information, such as real estate commissions, utility prorations, loan payoffs, wire transfer fees, and license numbers, far in advance. Several individual commenters stated that the waiting period is an unnecessarily long amount of time and should be shortened.

A trade group and an individual commenter stated that the Closing Disclosure three-business-day waiting period is an unnecessary burden because consumers are adequately protected by other TRID Rule provisions such as tolerance limitations on increasing closing costs without having a valid justification and promptly providing revised estimates to the consumer. A creditor stated that the Bureau should not require any three-business-day waiting period for the Closing Disclosure in instances where the APR, loan product, and prepayment penalty disclosures on the most recent Loan Estimate remain accurate. A creditor stated that the waiting period should only apply in first-time homebuyer transactions.

Several commenters, including trade groups, creditors, other industry commenters, and individual commenters stated that the Bureau should provide additional guidance or otherwise streamline consumers' ability to waive the Closing Disclosure three-business-day waiting period. Several trade groups and a creditor stated that a new three-business-day waiting period is unwarranted if the disclosed APR decreases. For refinancing transactions for which there is a three-business-day rescission period after consummation under Regulation Z § 1026.23, several industry and individual commenters stated that requiring a three-business-day waiting before consummation is redundant and an undue burden on consumers. A joint letter from trade groups stated that creditors should not be required to ensure that non-obligors with a right of rescission receive the Closing Disclosure before consummation.

Several commenters, including trade groups, other industry commenters, and individual commenters, stated that consumer benefits of the Closing Disclosure three-business-day waiting period are limited because the information provided on initial Closing Disclosures often varies significantly from the actual amounts on a corrected Closing Disclosure provided at consummation, particularly when creditors fail to exercise required due diligence in obtaining the information. SBA-Advocacy stated that the lender has control over the transaction and, as such, there may be last-minute changes that the title company may not know about if the changes are not incorporated by the creditor until closing. An individual commenter stated that the Bureau should provide additional guidance regarding creditors permitting consumers to inspect the Closing Disclosure during the business day immediately preceding consummation.

A mortgage broker and a settlement agent stated that creditors are not complying with the requirement to ensure that the consumer receives a Closing Disclosure no later than three business days before consummation.

An industry commenter stated that, even when creditors are aware that actual fees have changed from the fees disclosed on the Closing Disclosure, creditors are not providing consumers with a corrected Closing Disclosure at or before consummation but, rather, are providing a corrected Closing Disclosure after consummation. A creditor stated that creditors should not be required to provide the consumer with a post-consummation Closing Disclosure even when an amount paid by the consumer changes within 30 days after consummation; the creditor further stated that, to ensure consumers do not have a negative customer experience and are not confused by receiving a post-consummation Closing Disclosure, the creditor has entered into arrangements with its managed vendors to absorb and pay for post-consummation charges so that the consumer does not pay them. Trade groups and another industry commenter stated that the Closing Disclosure form is not designed to disclose activities that occur after consummation and that the Bureau should clarify disclosure requirements for post-consummation Closing Disclosures.

A creditor stated that the TRID Rule's prohibition on providing both a Loan Estimate and a Closing Disclosure on the same day can delay closing by an additional day and that the Bureau should instead allow a Closing Disclosure to be provided as soon as the consumer acknowledges receipt of the Loan Estimate. A trade group stated that to avoid confusion the Bureau should adopt one definition of the term "business day" for all Loan Estimate and Closing Disclosure timing requirements.

B.4.3 Disclosure form content

As discussed above, there were mixed statements from commenters in relation to the general effectiveness of the Loan Estimate and Closing Disclosure forms. The Bureau also received specific comments regarding the design of the forms or the presentation of the disclosures on the forms themselves. An anonymous commenter stated that the forms should be based on a single page that could have other pages added based on loan terms or features. An individual industry commenter stated that there should be a safe harbor for a simplified disclosure if creditors cover all settlement charges. A trade group representing mortgage brokers stated that the "par" rate should be included in the disclosures. A software vendor and an individual commenter stated that the forms should include a section on explaining changed circumstances. Many individual industry commenters stated that various modifications should be made to the forms, which included: to make it easier for auditors to review settlement charge tolerances and lender credits, to disclose the total interest to be paid over the life of the loan, to change which settlement charges are considered closing costs or to recharacterize or reorder the presentation of the settlement charges, to eliminate signature requirements and add a box where a consumer could indicate disagreement with the settlement charges disclosed, to include the name of service providers of settlement charges on the Loan Estimate, to provide a way to indicate that a disclosure is a revised version, to show a sales contract deposit on the seller's side of the Closing Disclosure, to make the lender credits more visible such as by use of a separate box, to have the totals of columns to appear at the bottom of columns instead of the top. On the other hand, a housing counselor stated that the forms should not be changed. Other specific comments regarding disclosure form content are discussed below.

Aggregate Escrow Adjustment

A trade group, creditor, and another industry commenter stated that, for consistency and to avoid confusion, the Bureau should include an aggregate escrow adjustment disclosure on the Loan Estimate or should exclude it from the Closing Disclosure.

Appraisal Fees

Several industry commenters and an individual commenter stated that the Bureau should require creditors to disclose appraisal fees paid to the appraiser separately from appraisal fees paid to appraisal management companies. A creditor stated that the appraisal disclosure on page 3 of the Loan Estimate form misleads borrowers into believing that they must directly order the appraisal for the bank. To enhance creditors' ability to reliably disclose the appraisal fee on the initial Loan Estimate, several trade groups stated that the Bureau should permit creditors to order an appraisal even before a consumer indicates an intent to proceed with the transaction, so long as the consumer is not required to pay for the appraisal if the consumer ultimately chooses not to proceed.

APR/Finance Charge

A group of consumer advocates stated that the Bureau should eliminate all exemptions from the finance charge definition and consider whether moving the APR disclosure to the first page of the TRID Rule forms would improve consumers' ability to shop or understand the cost of credit. A trade group stated that the APR is confusing and of little value to consumers and the Bureau should consider eliminating it from the TRID Rule forms.

Calculating Cash to Close

Several commenters, including consumer advocates, trade groups, creditors, other industry commenters, stated that consumers are confused by the Calculating Cash to Close table and that it should be overhauled to enhance consumer understanding and ease lender compliance. Industry commenters stated that the Rule requirements for disclosing the table are overly complex and unnecessarily restrictive.

Contact Information

An industry commenter stated that disclosing license identification numbers for mortgage brokers and settlement agents on the TRID forms is unnecessarily burdensome for the creditors who are responsible for the forms. A trade group stated that, under the creditor's identification number on page 3 of the Loan Estimate, instead of listing a loan officer's contact information, the Bureau should allow wholesale creditors to complete these fields with contact information that corresponds to staff best suited to assist the consumer as determined by the wholesale creditor.

Formatting

An individual industry commenter and a creditor stated that the costs disclosed on the Loan Estimate should not be rounded and should include decimals. A trade group commenter stated that rounding inconsistency across the Loan Estimate and Closing Disclosure creates unnecessary confusion for consumers and that creditors should have more options in how they may round so that they can ensure consistency. The same individual industry commenter stated that duplicate charges should not be allowed on the forms, and that an asterisk should be placed next to charges that changed from the amount disclosed on the most recent form provided to the consumer. Another individual industry commenter stated that the itemization of settlement charges has made it harder to compare costs. A settlement agent stated that the settlement charges should not be alphabetized. A creditor stated that the Closing Disclosure should include interest rate lock information and that the Bureau should clarify whether the mortgage insurance case number can be used for FHA and VA case numbers.

Liability After Foreclosure

A trade association of credit unions stated that the liability after foreclosure disclosures are too simplified to distill the complex State law concepts relating to foreclosure and deficiency judgments and in its attempt to do so has created confusion.

Loan Originator Compensation

Several industry individual and anonymous commenters stated that disclosing borrower-paid compensation and lender-paid compensation differently on loans involving a wholesale lender, when compared to disclosure requirements for depository and mortgage banks, allows deceptive disclosure practices by mortgage brokers that are confusing to consumers and often result in the consumer choosing a higher-cost loan.

Recording Fees / Transfer Taxes

An anonymous commenter and a trade group representing a specific State's banks stated that recording fees and transfer taxes should not be lumped together on the forms. A creditor and trade groups representing creditors and affiliates stated that recording fees and transfer taxes should be exempted from tolerance requirements.

Title Insurance

Many commenters, especially trade groups and commenters associated with title insurance industry, stated the Rule's prescribed calculation for the disclosure of simultaneous title insurance policy premiums is inaccurate and confusing to consumers and industry. A trade association representing title companies provided a study of consumers that it stated showed consumers reacted negatively to the Rule's prescribed calculation. Some commenters stated that the Rule should be amended to permit rate calculations established by State law, or to only require the State law calculations. An anonymous commenter and a trade group representing settlement agents stated that creditors should not be required to label the owner's title policy as "optional" on the disclosures.

Total Interest Percent

A creditor, a settlement agent, and an individual industry commenter stated that the Total Interest Percent disclosure is confusing to consumers or not useful. A trade group representing affiliates and trade group representing credit unions stated that the Total Interest Percent disclosure should be removed from the forms.

Total of Payments

A trade group representing manufactured housing providers stated that the Total of Payments disclosure results in the double-counting of fees and should be corrected.

B.4.4 Tolerance rules

Several industry commenters and an individual commenter stated that the tolerance rules benefit consumers by limiting closing cost increases versus the disclosed estimates. Several industry commenters stated that creditors overestimate closing costs on disclosures because creditors fear violating the tolerance limits. An industry commenter stated that consequently creditors now charge higher fees at closing as few consumers shop around. Several industry commenters stated that, in purchase transactions with certain seller concessions, rather than exceeding the "zero tolerance" limit on certain costs charged to the consumer, creditors are applying the seller concession to pay for those costs and the consumer is unable to put the seller concession to other uses.

Several commenters, including trade groups, creditors, and other industry commenters, stated that the tolerance rules are unduly burdensome and complex and that it is not fair for the TRID Rule to hold creditors responsible when third parties' costs exceed the disclosed estimates. A trade group stated that the Bureau should provide additional guidance explaining how to properly disclose third-party fees that are ancillary to services required by the creditor for tolerance purposes. A trade group stated that, since industry has adapted to the tolerance structure, the most cost-effective outcome could be to simply leave the situation as is or only make minor adjustments. The trade group also stated that it is unclear whether RESPA itself grants sufficient legal authority to impose tolerances in the first place. Another trade group stated that the Bureau converted a statutory requirement to provide a cost estimate into a regulatory requirement to provide a cost guarantee and that the Bureau should amend the regulation so that it meets, but does not exceed, the actual statutory mandate.

Several commenters, including creditors and SBA-Advocacy, stated that the "zero tolerance" category is an unduly burdensome standard for estimates. Several creditors stated that, at least, there should be a de minimis tolerance. A creditor stated that the tolerance determination for the "zero tolerance" category should be based on whether the aggregate amount of such charges increased rather than whether a particular charge increased. Several commenters, including a trade group and creditors, stated that lender credits that offset closing costs should not be subject to limitations on decreases if closing costs also decrease.

Several trade groups and other industry commenters stated that transfer taxes and third-party appraisal fees are particularly difficult for creditors to estimate within three business days of application and that the Bureau should not include these fees in the "zero tolerance" category. Several industry commenters stated that transfer taxes can result in tolerance violations that cost thousands of dollars to cure. In purchase transactions where the seller, rather than the consumer, picks the title company, an industry commenter stated that the title company's fees should be in the "zero tolerance" category. For affiliate charges, a trade group stated that the theory for including them in the "zero tolerance" category is that affiliate charges are more easily knowable to creditors than unaffiliated third-party charges and the trade group stated this is usually true. A creditor stated that, to level the playing field for creditors with affiliated service providers, affiliate status should have no impact on how fees are categorized for tolerance purposes.

Several industry commenters stated that the "ten percent tolerance" category is confusing and that it is hard to track when the sum of all costs subject to the ten percent tolerance category has increased by more than ten percent.

A creditor and another industry commenter stated that, for closing costs in the "no tolerance limit" category and that are disclosed based on the best information reasonably available to the creditor at the time of disclosure, it is burdensome to separately determine whether or not the disclosed charge was "unreasonably low." The creditor stated that the "best information reasonably available" standard is sufficient and that an "unreasonably low" standard creates unnecessary confusion. A trade group stated that, for the "no tolerance limit" category, the requirement that charges be lawful and for services actually performed implies that creditors must analyze the legality of each charge under State law and document the service was actually performed to ensure the charge is not subject to tolerances, which has resulted in uncertainty and unsalable loans. A creditor stated that there should not be any limitation on fee increases for third-party services not required by the creditor, even if they are not disclosed based on the best information reasonably available. The creditor also stated that it appears counter to the spirit and intent of the TRID Rule for flood insurance to be in the "no tolerance limit" category when it is a large cost for the consumer.

Several industry commenters stated that, although creditors can reset tolerance limits if there is a valid justification for a cost increase, tracking such changes and issuing revised estimates to the consumer within three business days is unduly burdensome. A creditor stated that, to reset tolerances, the deadline for providing revised estimates should be extended to any time up until seven business days before closing.

B.4.5 Other specific comments

Assumption Transactions

A trade group stated that the Bureau should exempt loan assumptions from the TRID Rule and work with the industry to adopt a simplified disclosure regime that consumers will better understand. Absent an exemption, the trade group and another industry commenter stated that the Bureau should issue additional guidance to address ambiguities.

Business or Commercial Credit

An industry commenter stated that loans to finance dwellings intended to be used as rentals should be considered business-purpose loans and should not be covered by TRID Rule. A trade group stated that commercial or small business loans secured by the consumer's residential property should not be covered by the TRID Rule.

Community Banks

A trade group stated that community banks' share of residential mortgage lending originations from 2008–2017 has trended downward due, in part, too burdensome TRID Rule compliance and that the Bureau should use its exemption authority to provide sufficient regulatory relief to community banks.

Construction Loans

An industry commenter stated that disclosing construction loans under the TRID Rule is confusing to consumers, in particular, because of the variability associated with construction loans' draw schedules, and that loans on vacant land should not be covered by the TRID Rule. A trade group commenter stated that Bureau FAQ guidance on disclosing construction loans under the TRID Rule has proven to be very helpful to regulated entities. Other trade groups and an individual commenter stated that the Bureau's construction loan guidance has been lacking. Several commenters, including trade groups, other industry commenters, and an individual commenter stated that disclosing construction loans under the TRID Rule is confusing and burdensome for creditors and that the Bureau should exempt construction loans from the TRID Rule. Several trade groups stated that creditors are abandoning or otherwise providing fewer construction loans because of the TRID Rule and that exempting construction loans from the TRID Rule could help promote more construction lending.

Closing Disclosure Responsibility

A trade group stated that the relationship between the creditor and the settlement agent has changed dramatically, as settlement agents were previously responsible for the HUD-1 settlement statement but, under the TRID Rule, the creditor is responsible for the Closing Disclosure which is provided to consumers. As similarly stated above with regard to the three-business-day waiting period, several creditors stated that responsibility for the Closing Disclosure puts undue pressure on creditors to ensure that third-party information is correct and stated that third parties often delay providing information and provide incorrect figures requiring redisclosures and closing delays.

A trade group stated that creditors provide settlement agents with detailed instructions but that these instructions are not always followed, which can create significant cost and liability for creditors despite their best efforts to ensure compliance with the TRID Rule. The trade group stated that the Bureau should clarify the responsibility of settlement agents in such circumstances and should take all appropriate steps to encourage all settlement agents to support compliance with the TRID Rule. Another trade group stated that settlement agents should have some responsibility to assure that the information they provide to the lender is accurate and timely.

As also noted above, several industry commenters stated that the waiting period puts undue pressure on third parties to try to get accurate information, such as real estate commissions, utility prorations, loan payoffs, wire transfer fees, and license numbers, far in advance. Several commenters, including trade groups, other industry commenters, and individual commenters, stated that creditors are issuing initial Closing Disclosures without exercising required due diligence in obtaining the information, which often varies significantly from the actual amounts on a corrected Closing Disclosure provided at consummation. An industry commenter stated that, in purchase transactions, creditors having responsibility for the Closing Disclosure has facilitated creditors charging more closing costs where the seller has agreed to pay the consumer's closing costs. A creditor stated that the Bureau should participate in an industry working group concerning standardizing federally related mortgage fees and nomenclature.

Electronic Disclosures

An industry commenter stated that the Bureau should amend the TRID Rule to provide an exception to the Electronic Signatures in Global and National Commerce Act (E-Sign Act, 15

U.S.C. 7001 *et seq*.) for transactions in which a creditor receives an application electronically. Trade groups, a creditor, and another industry commenter stated that the Bureau should assume that an electronic disclosure is received the same day (or, as stated by one trade group, no later than one day after) the electronic disclosure is sent. Trade groups and a creditor stated that the Bureau should provide updated guidance reflecting disclosure timelines and closing processes that are increasingly occurring in an electronic environment.

Guidance / Rulemaking Process

Some commenters stated that the Bureau should provide more guidance concerning the Rule. For example, a creditor stated that the Bureau should provide clarity to help all market participants, and the Bureau should use the variety of guidance tools available to it – *e.g.*, FAQs, Supervisory Highlights, and Bulletins. Other commenters, such as trade associations representing credit unions and another representing secondary market investors, stated that guidance should be made more effective and produced at a quicker rate. A trade association representing credit unions stated that the Bureau should use guidance to update industry instead of rulemaking because it does not create as much burden or cost to industry. A credit union stated that the Bureau should not use non-binding guidance documents instead of official interpretations, as it creates unnecessary risks, and that the Bureau's FAQs should be published in the *Federal Register*. A software vendor commended the Bureau on its industry outreach during the initial implementation and amendments to the Rule. A trade group representing secondary market investors stated that the Bureau should be attentive in future rulemakings to the overall competitive landscape to ensure that consumers benefit from market-based competition among originators and issuers, as larger institutions may have had a comparative advantage relative to smaller firms.

Housing Assistance Loans

Several trade groups stated that the Bureau should provide additional guidance regarding how the TRID Rule applies to certain mortgages provided by state housing finance agencies and other homeownership assistance programs with non-standard repayment terms such as conditional loan forgiveness. A joint letter from members of Congress stated that for some charitable lenders providing the Loan Estimate and Closing Disclosure is more burdensome than providing the preexisting RESPA GFE, HUD-1, and TILA disclosures and that the Bureau should provide regulatory relief that is consistent with their pending legislation.

Liability and Curing Violations

Several trade groups and other industry commenters stated that liability, including assignee liability, associated with TRID Rule violations is unclear and disproportionate to the potential consumer harm caused by common and unavoidable mistakes. A joint letter from trade groups stated that, although the Dodd-Frank Act directed that TILA and RESPA disclosures be combined into a single disclosure, it did not amend the statutory provisions governing liability for the disclosures. These commenters stated that the Bureau's actions to address industry's liability questions have been helpful, but significant ambiguity remains, and this has unnecessarily hindered the sale of loans, resulting in reduced credit availability. Several trade groups stated that there should be no private right of action for errors on Loan Estimates or any Closing Disclosure other than the final Closing Disclosure and there should be no civil liability for errors that are unknown at closing and based on the "best available information" at that time.

Several industry and individual commenters stated that the lack of a mechanism to address technical errors or mistakes on a Loan Estimate or Closing Disclosure increases costs to the creditor which increases costs to the consumer. A trade group stated that some investors take a harder line than others in evaluating the risks associated with a non-material violation. Several trade groups and other industry commenters stated that creditors should be able to cure both numerical and non-numerical disclosure errors on the Loan Estimate or Closing Disclosure if the errors are non-material. Several trade groups and other industry commenters stated that creditors should be allowed to cure untimely provision of the Loan Estimate and Closing Disclosure. Trade groups and a creditor stated that the Bureau should provide clarity on how to apply TILA statutory cure provisions in the context of Closing Disclosure errors.

List of Service Providers

A joint letter of trade groups representing industry segments stated that the requirements for the written list of service providers were overly restrictive and should be clarified that creditors are not required to mirror the Loan Estimate, but rather creditors should only need to disclose providers for each category of services (such as title and settlement services).

Manufactured Housing

A group of consumer advocates stated that the Bureau should require the use of the Loan Estimate and Closing Disclosure for all transactions secured by a manufactured home that is treated as real property under State law. A trade group stated that the Bureau should clarify TRID Rule requirements where a transaction involves the purchase or refinance of land as well as the purchase of a manufactured home from a seller who is separate from the land seller.

Model Forms

A joint letter from a number of trade groups requested that the Bureau update the sample LEs and CDs that illustrate how the disclosures should be completed for various transactions in order to correct errors, reflect changes to the Rule, or to address other transactions where guidance is needed.

Open-End Credit

A trade group commenter stated that the use of significantly different disclosure forms for open-end credit, which is not covered by the TRID Rule, versus closed-end credit is a significant source of confusion for consumers and that the Bureau should provide for an optional way to disclose open-end credit on the Loan Estimate and Closing Disclosure forms.

Pre-application Estimates

A creditor stated that the required disclaimer to be placed on estimates of terms and costs provided to the consumer before the creditor issues a Loan Estimate are hard to place on the first page of the disclosure when electronically provided. A joint letter from consumer groups stated that on estimates of terms and costs provided to the consumer before the creditor issues a Loan Estimate should be banned.

Record Retention

An individual industry commenter stated that the Bureau should require creditors to retain settlement statements from settlement agents, proof that consumers granted permission to run a credit report before the creditor issued a Loan Estimate, and invoices for all third-party settlement charges disclosed on the Closing Disclosure.

Second-Lien Loans

Two trade associations representing credit unions stated that the Bureau should provide additional guidance on disclosing transactions involving second-lien mortgages.

Sharing Disclosures

A trade group representing real estate brokerages and agents and several individual industry commenters stated that the Closing Disclosure should be shared with real estate agents prior to closing to permit real estate agents to better advise their clients, correct errors including those regarding proration adjustments, and overall ensure that creditors are treating their clients honestly.

Wholesale Transactions

A trade group representing mortgage brokers stated that mortgages not being originated with mortgage brokers should be disclosed to show the rate and settlement costs of the mortgage as if the creditor was brokering the mortgage. Another trade group representing mortgage brokers stated that creditors were not being compliant in working with mortgage brokers to provide Loan Estimates. The commenter stated that creditors were treating the forwarding of information as triggering a Loan Estimate, rather than working with mortgage brokers when they have issued a Loan Estimate upon receiving the consumer’s application.

APPENDIX C: SOURCES OF DATA AND INFORMATION

Section 1022(d) of the Dodd-Frank Act states that the Bureau's five-year assessment of its significant rules shall reflect available evidence and any data that the Bureau may reasonably collect.[407] This appendix catalogs the principal internal and external data sources that the Bureau has found most probative and on which the findings in this report are primarily based. The data sources in this appendix are organized into three separate categories: (1) data sources that were available to the Bureau through prior or ongoing work; (2) data sources collected to carry out this assessment; and (3) sources of data and information provided to the Bureau through both the 2018 Call for Evidence RFIs and the November 2019 RFI. Under each data source, there will be information as to where the Bureau acquired the data and a description of the data as it relates to this assessment.

C.1 Existing data sources

C.1.1 2018 Call for Evidence Requests for Information (RFI)s

Source

Public comments submitted in response to an RFI series published by the Bureau in the *Federal Register*.

Description

In the spring of 2018, the Bureau published two separate requests for information (RFI) relating to its adopted and inherited regulations and rulemaking authorities.[408] Most TRID-related comments were submitted to the Adopted Regulations and New Rulemaking Authorities RFI (Adopted Rulemaking RFI) and the Inherited Regulations and Inherited Rulemaking Authorities RFI (Inherited Rulemaking RFI).[409] The Adopted Rulemaking RFI was published on March 21, 2018, and comments were requested by June 19, 2018. This RFI sought comments

[407] 12 U.S.C. § 5512(d).

[408] These requests were part of a series of RFIs. In January 2018, the Bureau commenced a "Call for Evidence" to ensure that the Bureau is fulfilling its proper and appropriate functions to best protect consumers. Over a number of weeks, the Bureau published in the Federal Register a series of Requests for Information seeking comment on enforcement, supervision, rulemaking, market monitoring, complaint handling, and education activities. These RFIs provided an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities. Altogether, over 88,000 comments were received across 12 dockets.

[409] For comments on the Adopted Regulations and New Rulemaking Authorities Request for Information, *see* https://www.regulations.gov/docket?D=CFPB-2018-0011. For comments on the Bureau's Inherited Regulations and Inherited Rulemaking Authorities Request for Information, see https://www.regulations.gov/docket?D=CFPB-2018-0012.

and information to assist the Bureau in considering whether, consistent with its statutory authority to prescribe rules pursuant to the Federal consumer financial laws, the Bureau should amend those rules it has promulgated since its creation or issue certain new rules.

The Inherited Rulemaking RFI was published on March 26, 2018, with comments due by June 25, 2018. This RFI sought comments and information from interested parties to assist the Bureau in considering whether, consistent with its statutory authority to prescribe rules pursuant to the Federal consumer financial laws, the Bureau should amend the regulations or exercise the rulemaking authorities that it inherited from certain other Federal agencies.

These two RFIs resulted in over 308 public comments with 63 of these comments pertaining to the TRID Rule. These comments were used to inform the assessment plan and the assessment RFI published in November 2019. Comments to both the Adopted and Inherited Rulemaking RFIs generally centered on topics and issues pertaining to TRID including curing violations, secondary market issues, applicability to specific products, disclosure redesign, legal liability, and title insurance.

C.1.2 Call Reports

Source

Federal Financial Institutions Examinations Council (FFIEC) and National Credit Union Administration (NCUA).

Description

Call report data refers to two separate data sources: FFIEC call reports and NCUA call reports. The FFIEC data contains call report data from state member banks, state nonmember banks, national banks, and savings associations.[410] The NCUA data contains call report data from federal credit unions, federally insured state credit unions, and some non-federally insured credit unions regulated by the NCUA. The data do not include non-depository institutions.

The data for both sets of call reports used in this report include aggregate, institution-level data with income and balance sheet information that are reported quarterly from 2010 to 2018.

[410] Every national bank, state member bank, insured state nonmember bank, and savings association is required to file a consolidated call report. The specific reporting requirements depend on the size of the total assets of the bank and whether it has any "foreign" offices.

C.1.3 Consumer Complaints

Source

Consumer complaints received by the CFPB between 2013 and 2019.

Description

The Bureau began accepting complaints about financial products and services in July 2011. The Bureau receives complaints through its website, by referral from the White House, congressional offices, and other federal and state agencies, and by telephone, mail, email, and fax. Results in this report are based on complaints received from the Bureau's web and telephone channels. The Bureau routes complaints about financial products and services directly to financial companies and works with them to get consumers a timely response, generally within 15 days. Secure, web-based Company and Consumer Portals protect consumer privacy and company confidentiality. Where appropriate, the Bureau routes complaint referrals to other federal agencies through the secure, web-based Government Portal.[411]

Consumers submitting a complaint identify the financial product or service with which they have a problem, the issue that best describes their complaint, and narrative text describing their situation and a fair resolution to their issue. Consumers submitting a mortgage complaint are not asked to provide further specificity by selecting a sub-issue. While a single selection captures what consumers perceive to be the primary issue or problem they are having, it does not capture other topics that a consumer may raise in the narrative fields (*e.g.*, a consumer who selects "applying for a mortgage or refinancing an existing mortgage," but describes difficulties with closing on a mortgage and problems with their credit report).

[411] Information about consumer complaints is available to the public, through the CFPB's public Consumer Complaint Database, launched on June 19, 2012. The Consumer Complaint Database is a collection of complaints about consumer financial products and services that the CFPB received and sent to companies for response. The database includes mortgage-related complaints since December 1, 2011. Complaints are published after the company responds, confirming a commercial relationship with the consumer, or after 15 days, whichever comes first. Complaints referred to other regulators, such as complaints about depository institutions with less than $10 billion in assets, are not published in the Consumer Complaint Database. For detailed publication criteria, *see* Bureau of Consumer Fin. Prot., *Final Policy Statement for the Consumer Complaint Database*, https://files.consumerfinance.gov/f/201303_cfpb_Final-Policy-Statement-Disclosure-of-Consumer-Complaint-Data.pdf.

C.1.4 Compliance Toolkit

Source

Supervisory exams conducted by the Bureau's Office of Supervision.

Description

The Office of Supervision collects data and information to carry out exams of supervised entities. To facilitate this process, examiners use an automated tool to collect data directly from an institution for use in an exam. The Compliance Tool is an application customized for the CFPB to help its examiners in the field conduct automatic compliance checks related to the Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA), Home Ownership and Equity Protection Act (HOEPA), Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act), and TILA-RESPA Integrated Disclosure. A sample of loan files is run through this tool during an exam to check for compliance and retain certain data fields for analysis. The information that is captured includes borrower and loan characteristics, geography, pricing (interest rate and fees), coverage for different rule thresholds such as HOEPA, and information regarding disclosures provided to borrowers.

Through an agreement with the Office of Supervision, this assessment uses a sample of exam data collected by the Compliance Tool. The report analyzes data from the Compliance Tool for over 60,000 loans consummated between March 2016 and November 2017. The included loans were selected based on data quality and completeness considerations as some entities were able to electronically provide higher quality and more complete data on the disclosures that they issued than others. These data are not representative of all loans or even of all loans examined by the Bureau. That said, these data are informative of disclosure provision in the marketplace and are the sole source of detailed information available to the Bureau to examine issues related to the content of TRID disclosures.

C.1.5 Home Mortgage Disclosure Act

Source

The Federal Reserve Board (FRB) and the Bureau.[412]

[412] The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 and was implemented by the Federal Reserve Board's Regulation C. On July 21, 2011, the rule-writing authority of Regulation C was transferred to the Consumer Financial Protection Bureau (CFPB).

Description

The Home Mortgage Disclosure Act (HMDA) requires many financial institutions that meet asset, loan volume, loan activity, and location requirements to maintain, report, and publicly disclose loan-level information about mortgages.[413] HMDA data contains information on about 90 percent of originated mortgages at the loan level, including lender, application date, origination date, loan type (*e.g.*, FHA versus conventional), property type, property location, loan purpose, loan size, and other fields. The HMDA data also includes applications that are not originated.

Pre-2018 HMDA data do not, however, have detailed pricing information, credit score, or LTV. Although HMDA covers most of the mortgage market, smaller lenders operating exclusively in rural areas and those that do not meet reporting requirements under HMDA are not included in the data.

C.1.6 Inside Mortgage Finance

Source

Inside Mortgage Finance (IMF).

Description

IMF is a publication company that provides industry news and statistics on the residential mortgage market. IMF collects and provides data and research that cover multiple segments of the mortgage market such as originations, servicing, securitizations, insurance, and other investor activities.

Although IMF publishes data on several segments of the mortgage market, the data series on PLS RMBS issuances is primarily used in this report. These data are used for an analysis of the composition of PLS issuances and how the composition may have changed with the implementation of the TRID Rule. The data used in this assessment spans the 2008 and 2019 timeframe and the volume of PLS issuance components, Prime, Subprime, Alt-A, Scratch and Dent, and Re-MBS, can be observed over time.

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[413] For more information on HMDA reporting requirements, *see* Bureau of Consumer Fin. Prot., *Home mortgage disclosure reporting requirements (HMDA)*, https://www.consumerfinance.gov/policy-compliance/guidance/mortgage-resources/hmda-reporting-requirements/.

C.1.7 National Mortgage Database

Source

Federal Housing Finance Agency (FHFA) and the Bureau.

Description

The National Mortgage Database (NMDB) is a component of the NMDB program jointly funded by the Federal Housing Finance Agency (FHFA) and the Bureau.[414] This program is designed to provide a rich source of information about the U.S. mortgage market. The NMDB component is a nationally representative sample of residential mortgages in the United States. Publication of aggregate data from NMDB is a step toward implementing the statutory requirements of section 1324(c) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008. The statute requires FHFA to conduct a monthly mortgage market survey to collect data on the characteristics of individual mortgages, both Enterprise and non-Enterprise, and to make the data available to the public while protecting the privacy of the borrowers.

The NMDB consists of de-identified loan-level origination and quarterly loan performance data. The database is a five percent random sample of closed-end first-lien residential mortgages which contains loan and borrower information such as debt-to-income ratios, loan amounts, interest rates, Loan-to-value (LTV) ratios, and loan types, as well as borrowers' credit scores.

The NMDB is updated each quarter with a five percent sample of mortgages recently reported to the national credit reporting agencies, as well as mortgage performance data from continuing mortgages and borrowers in the database. The database also provides the set of borrowers from which NSMO respondents are sampled.[415]

C.1.8 National Survey of Mortgage Originations

Source

Federal Housing Finance Agency (FHFA) and the Bureau.

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[414] For more detail on the NSMO, *see* Robert Avery & Ron Borzekowski, *National Survey of Mortgage Originations, Cityscape* Vol. 21, at 2 (2009).

[415] Nat'l Mortg. Database, *Technical Report 1: National Mortgage Database Technical Documentation* (Mar. 10 2020). https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/NMDB-Technical-Documentation-20200310.pdf

Description

The National Survey of Mortgage Originations (NSMO) is another component of the NMDB program. The NSMO is a quarterly survey of borrowers who obtained a new mortgage between 2013 and 2017 and is designed to complement NMDB by providing information that is not available in the database such as mortgage borrower experiences in choosing and taking out a mortgage. The NSMO draws its sample from newly originated mortgages from the NMDB resulting in a dataset that combines survey responses with administrative data. The NSMO provides information on recent mortgage borrowers' experiences with applying for and obtaining a mortgage. Participation in the survey is voluntary. Each NSMO quarterly wave is a random draw of 6,000 borrowers of loans newly added to the NMDB, with a response rate of roughly 30 percent across all survey waves.[416]

C.1.9 Quantitative Disclosure Testing

Source

Kleimann Communication Group, Inc. (Kleimann) and the Bureau.

Description

In January 2011, the Bureau began the Mortgage Disclosure Project to integrate the TILA and RESPA disclosures with two phases: a qualitative study and a quantitative study. In July 2012, after issuing the proposed rule, the Bureau began the Quantitative Study, which it completed before issuing the 2013 Final Rule. The Bureau contracted with Kleimann to conduct the studies. This assessment focused on the results from the Quantitative Study.

The Quantitative Study's goal was to validate the results of the qualitative study. The Quantitative study used in-person, proctored, small group sessions with 858 respondents divided into two groups—experienced respondents (424) and inexperienced respondents (434) — in 20 locations across the Census Bureau regions and sub-regions in the continental United States. Respondents received initial and final disclosures with scenarios for the application and closing phases of the loan process. Participants only used either the current (pre-TRID) or proposed disclosures because this was a between-subjects design. All respondents received full-size disclosures, including a HUD-1 on legal-sized paper if they were in the current disclosures group. The disclosures were either fixed-rate or adjustable-rate loan sets and varied from easier to more challenging loans. More challenging loans contained negative amortization, interest

[416] Nat'l Mortg. Database, *Technical Report 2: National Survey of Mortgage Originations Technical Documentation* (Feb. 20, 2020).),). https://www.fhfa.gov/DataTools/Downloads/Documents/NSMO-Public-Use-Files/NSMO-Technical-Documentation-20200220.pdf.

only, or other such features. For all disclosures, the loan features changed from the initial disclosures to the final disclosures.

The Bureau developed the questionnaire using nine key topic areas identified by researchers and consumer advocates as critical for informed consumers. The topics included amortization, annual Percent rate (APR), closing costs/settlement charges, escrow account, interest rate, loan amount, monthly payments, mortgage insurance, and risk factors. The ninth topic—risk factors—included questions from the other eight concept areas that relate to potential risks consumers would weigh in selecting a loan. These key topic areas are addressed by both the current and proposed disclosures.

C.1.10 Supervisory Highlights

Source

The Bureau's Office of Supervision.

Description

The Office of Supervision periodically publishes Supervisory Highlights to share key examination findings.[417] These reports also communicate operational changes to the Bureau's supervision program and provide a convenient and easily accessible resource for information on our recent guidance documents. Supervisory Highlights do not refer to any specific institution to maintain the confidentiality of supervised entities but share key findings to help industry limit risks to consumers and comply with federal consumer financial law. Each Supervisory Highlights publication shares recent examination findings, including information about recent enforcement actions that resulted, at least in part, from the Bureau's supervisory work.

C.2 Data sources collected for this assessment

C.2.1 GSE Guarantee Fee Reports

Source

The Federal Housing Finance Agency (FHFA).

[417] *See* Bureau of Consumer Fin. Prot., *Supervisory Highlights*, https://www.consumerfinance.gov/policy-compliance/guidance/supervisory-highlights/.

Description

The FHFA issues an annual report that contains analyses of the average guarantee fee (g-fee) charged by Fannie Mae and Freddie Mac. The report also analyzes the costs of providing the guarantee and provides a comparison to the prior year.

C.2.2 TRID Assessment Industry Surveys

Source

The Bureau conducted external surveys to collect qualitative and quantitative data from industry participants to inform the TRID assessment. Surveys were sent to loan officers, closing companies, and mortgage origination companies.

Description

Results from the TRID Assessment Industry Surveys are incorporated throughout this report. For more information on the surveys, see Appendix D.

C.2.3 MBA Performance Reports

Source

The Mortgage Bankers Association (MBA).

Description

The MBA provides quarterly and annual performance reports on the revenues and expenses associated with the origination and servicing of one- to four-unit residential mortgage loans. The underlying company data provided in these reports are derived from the quarterly Mortgage Bankers Financial Reporting Web Form (MBFRF) through a joint agreement with MBA, Fannie Mae, Freddie Mac, and Ginnie Mae. Independent mortgage companies are required to submit quarterly MBFRF data to the agencies and have the option of releasing their data to MBA for use in aggregate industry statistics.

These data only include reporting from non-depository institutions and their subsidiaries along with subsidiaries of banks and thrifts that exercise the option of having the data aggregated and published by MBA. Reporting is voluntary so the number of reporters and thus the composition of lenders included in aggregate figures changes over time.

The reports provide annualized data on the revenues and expenses associated with origination and servicing of one-to-four-unit residential mortgage loans. Detailed data on production and servicing volume mixes by product type are included, as well as employee productivity.

C.2.4 TRID Assessment RFI

Source

In November of 2019, as part of this assessment, the Bureau published a Request for Information (RFI) in the *Federal Register* seeking comment on the TRID Rule and the Bureau's plan to assess the TRID Rule.

Description

See Appendix B for a summary of all of the comments that were submitted to the Bureau in response to the RFI.

Relevant sources of data provided to the Bureau from commenters to the November 2019 RFI are incorporated and referenced throughout this report and highlighted in the section below.

C.3 Data sources provided through RFI series[418]

C.3.1 Annual American Bankers Association Real Estate Lending Survey Report

Source

The Annual Bankers Association (ABA).

Description

The American Bankers Association (ABA) conducted a survey of member banks about current activities and expectations surrounding mortgage lending.

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[418] In addition to the primary sources of data catalogued in this appendix, the Bureau reviewed other research referenced by commenters to the November 2019 RFI and listed in Appendix B: Comment Summary.

C.3.2 ARMCO Mortgage QC Industry Trends Reports

Source

Aces Risk Management CO, a mortgage quality control provider.

Description

ARMCO issues a quarterly industry trend report that publishes analyses of quality control findings. The information contained in these reports comes from post-closing quality control data from lenders. The information contained in these reports comes from post-closing quality control data from at least 50,000 mortgages in a given period selected by lenders for full file review. The number of lenders may change over time.

C.3.3 CUNA Regulation Impact Study

Source

Credit Union National Association (CUNA).

Description

CUNA published a study that collected cost data and analyzed the cost that regulations, including the TRID Rule, have had on credit unions and how these effects have changed over time.

APPENDIX D: TRID ASSESSMENT INDUSTRY SURVEYS

In January 2020, the Bureau conducted surveys of mortgage industry participants to collect data on the potential effects of the TRID Rule. The TRID Assessment Industry Surveys were created to supplement the Bureau's assessment of the effectiveness of the TRID Rule by collecting data and information on the experiences of industry participants before, during, and after the Rule's effective date. This appendix summarizes responses to these surveys.

D.1 Background

The TRID Assessment Survey of Mortgage Originators (Lender Survey), the TRID Assessment Survey of Closing Companies (Closing Survey), and the TRID Assessment Survey of Loan Officers (Loan Officer Survey) were distributed to mortgage origination companies, closing company representatives, and mortgage loan officers, respectively. Survey participation was voluntary.

The Lender Survey focused on challenges and costs associated with implementing the Rule, ongoing challenges, and costs associated with compliance with the TRID Rule, the timing of disclosures, and the volume of mortgage products before and after Rule's effective date.

The Closing Survey focused on challenges and costs associated with implementing the Rule, ongoing challenges, and costs associated with compliance with the TRID Rule, the consumer experience during closing, and costs and volumes of settlement services provided to consumers.

The Loan Officer Survey focused on the loan officers' interactions with consumers, their provision of disclosure forms, their observations of consumer shopping, and their impressions of consumer understanding.

D.1.1 Survey distribution

The TRID Assessment Industry Surveys were distributed online and were live from January 22, 2020 to March 13, 2020.

The Loan Officer Survey was for mortgage loan officers. Eligible respondents were individuals acting as loan officers for mortgages covered by the TRID Rule at the time the survey was fielded as well as before the Rule took effect. For the purpose of the survey, a mortgage loan officer was the natural person employed by a creditor or mortgage broker who interacted most frequently with the consumer and who had an NMLSR ID. Loan officers responding to this survey therefore included most individuals who originated or brokered mortgage loans. The Bureau, in coordination with the Conference of State Bank Supervisors (CSBS), distributed the Loan Officer survey to about 40,000 federal and state registered loan officers who fit these criteria.

The Closing Survey was for representatives of companies. Eligible respondents were individuals who represented companies that conducted closings for residential real estate transactions that were secured by mortgage loans covered by the TRID Rule both at the time the survey was fielded as well as before the TRID Rule took effect. For the purpose of this survey, an institution that conducted the closing, or settlement, in a real estate transaction could have included a law firm, a title company, a settlement company, an escrow company, or any other party providing the service of real estate closing. The Bureau relied on the American Land Title Association (ALTA) to promote and distribute the TRID Closing Survey by sending the link to the survey to their members.

The TRID Lender Survey was for representatives of mortgage loan origination companies. Eligible respondents were individuals who represented mortgage loan origination companies that provided residential mortgages covered by the TRID Rule both at the time the survey was fielded as well as before the TRID Rule took effect. For the purpose of this survey, a mortgage loan origination company was any company that originated loans directly to consumers (generally referred to as retail lender or consumer direct lender). This included, for example, banks and credit unions, as well as non-depository institutions.[419] Institution contact information from HMDA data was used to distribute the Lender Survey to roughly 4,000 mortgage origination companies.

D.1.2 Survey responses and report sample

The Bureau received over 1,000 responses across all three surveys. This full sample includes respondents who answered affirmatively to an eligibility screening question at the beginning of each survey asking respondents if they were active and conducting originations or closings before October 2015. Results reported in this report reflect responses of those who responded to at least 65 percent of their survey's questions. This threshold for the fraction of complete responses was chosen to provide a consistent sample of survey respondents for analyses across survey questions.

Table 1 reports the totals for each survey for the sample with at least 65 percent non-missing responses and the full sample.

[419] If a respondent's company originated mortgages through multiple channels, the survey instructed respondents to focus on their mortgage origination activity in the retail/consumer direct channel for residential mortgages covered under the TRID Rule.

TABLE 29: RESPONSES PER SURVEY BY SAMPLE SELECTION

Survey	Sample with ≥65 percent of non-missing responses	Full sample
TRID Loan officer survey	184	486
TRID Closing survey	115	318
TRID Lender survey	99	226
Total	398	1,030

The data provided by these surveys are limited and are not statistically representative of the market as a whole. However, even with these caveats, the Bureau's knowledge regarding the effects of the TRID Rule has been improved.

D.1.3 Comparison of Respondent characteristics

Tables 2-11 display differences in characteristics between the 65 percent samples and the full samples for each survey. The two samples were similar in most respects, although the full sample had much higher rates of non-response.

Loan officer survey

TABLE 30: DID YOU ACT AS A MORTGAGE LOAN OFFICER FOR MORTGAGE LOANS COVERED BY THE TRID RULE PRIOR TO OCTOBER 2015? (RESPONSE REQUIRED)

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
Brokering mortgage loans	40	21.7	77	15.8
Originating mortgage loans	144	78.3	409	84.2
Total	184	100.0	486	100.0

TABLE 31: APPROXIMATELY WHAT WAS THE VALUE OF YOUR INSTITUTION'S ASSETS AT THE END OF 2018?

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
Less than $50 million	3	1.6	11	2.3
$50 million to $100 million	5	2.7	11	2.3
$100 million to $550 million	9	4.9	16	3.3
$550 million to $1 billion	6	3.3	9	1.9
$1 billion to $2 billion	5	2.7	9	1.9
$2 billion to $10 billion	4	2.2	12	2.5
More than $10 billion	5	2.7	20	4.1
Did not respond	147	79.9	398	81.2
Total	184	100.0	486	100.0

TABLE 32: IN CALENDAR YEAR 2018, APPROXIMATELY HOW MANY MORTGAGE LOANS COVERED BY THE TRID RULE DID YOUR INSTITUTION ORIGINATE OR BROKER?

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
0 – 1,000	119	64.7	150	30.9
1,001 – 10,000	30	16.3	50	10.3
10,001 – 50,000	10	5.4	19	3.9
50,001 – 100,000	7	3.8	10	2.1
100,001 – 500,000	3	1.6	6	1.2

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
500,001 – 1,000,000	0	0.0	0	0.0
More than 1,000,000	2	1.1	9	1.9
Did not respond	13	7.1	242	50.2
Total	184	100.0	486	100.0

TABLE 33: IN CALENDAR YEAR 2018, APPROXIMATELY WHAT WAS THE TOTAL DOLLAR AMOUNT OF MORTGAGE LOANS COVERED BY THE TRID RULE YOUR INSTITUTION ORIGINATED OR BROKERED?

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
Less than $5 million	33	17.9	47	9.7
$5 million to $10 million	16	8.7	18	3.7
$10 million to $50 million	49	26.6	61	12.6
$50 million to $100 million	16	8.7	19	3.9
$100 million to $550 million	20	10.9	28	5.8
$550 million to $1 billion	9	4.9	20	4.1
$1 billion to $2 billion	9	4.9	13	2.7
$2 billion to $10 billion	7	3.8	17	3.5
More than $10 billion	9	4.9	18	3.7
Did not respond	16	8.7	245	50.4
Total	184	100.0	486	100.0

Closing survey

TABLE 34: IN 2015, APPROXIMATELY HOW MANY CLOSINGS DID YOUR INSTITUTION CONDUCT? PLEASE USE AN APPROXIMATION, IF AN EXACT NUMBER IS NOT AVAILABLE (RESPONSE REQUIRED).

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
0 – 100	24	20.9	78	24.5
101 – 250	19	16.5	61	19.2
251 – 500	27	23.5	57	17.9
501 – 1,000	12	10.4	39	12.3
1,001 – 5,000	25	21.7	61	19.2
5,000 – 10,000	5	4.4	13	4.1
More than 10,000	3	2.6	9	2.8
Did not respond	0	0.0	0	0.0
Total	115	100.0	318	100.0

TABLE 35: IN 2018, APPROXIMATELY HOW MANY CLOSINGS DID YOUR INSTITUTION CONDUCT? PLEASE USE AN APPROXIMATION, IF AN EXACT NUMBER IS NOT AVAILABLE (RESPONSE REQUIRED).

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
0 – 100	22	19.1	72	22.6
101 – 250	17	14.8	46	14.5
251 – 500	29	25.2	67	21.1

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
501 – 1,000	10	8.7	43	13.5
1,001 – 5,000	28	24.4	66	20.8
5,000 – 10,000	6	5.2	15	4.7
More than 10,000	2	1.7	7	2.2
Did not respond	1	0.9	2	0.6
Total	115	100.0	318	100.0

Lender Survey

TABLE 36: WHICH OF THE FOLLOWING OPTIONS BEST DESCRIBES YOUR INSTITUTION? CHOOSE ONE.

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
A bank	50	50.5	113	50.0
A credit union	25	25.3	49	21.7
A non-depository lender (affiliate)	5	5.1	9	4.0
A non-depository lender (non-affiliate)	19	19.2	54	23.9
Did not respond	0	0.0	1	0.4
Total	99	100.0	226	100.0

TABLE 37: APPROXIMATELY WHAT WAS THE VALUE OF YOUR INSTITUTION'S ASSETS AT THE END OF 2018?

Res pon se	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
Less than $50 million	0	0.0	4	1.8
$50 million to $100 million	7	7.1	22	9.7
$100 million to $550 million	34	34.3	75	33.2
$550 million to $1 billion	11	11.1	21	9.3
$1 billion to $2 billion	10	10.1	19	8.4
$2 billion to $10 billion	7	7.1	14	6.2
More than $10 billion	6	6.1	7	3.1
Did not respond	24	24.2	64	28.3
Total	99	100.0	226	100.0

TABLE 38: IN CALENDAR YEAR 2015, APPROXIMATELY HOW MANY MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE DID YOUR INSTITUTION ORIGINATE? (RESPONSE REQUIRED)

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
0 – 100	35	35.4	80	35.4

Response	65 percent sample count	65 percent sample percent	Full sample count	Full sample percent
101 – 250	14	14.1	39	17.3
251 – 500	14	14.1	30	13.3
501 – 1,000	10	10.1	26	11.5
1,001 – 5,000	16	16.2	33	14.6
5,000 – 10,000	3	3.0	8	3.5
More than 10,000	7	7.1	10	4.4
Did not respond	0	0.0	0	0.0
Total	99	100.0	226	100.0

D.2 Survey of Loan Officers

TABLE 1: DID YOU ACT AS A MORTGAGE LOAN OFFICER FOR MORTGAGE LOANS COVERED BY THE TRID RULE PRIOR TO OCTOBER 2015? (RESPONSE REQUIRED)[420]

Response	Count	Percent
Yes, I was mostly brokering mortgage loans	40	21.7%
Yes, I was mostly originating mortgage loans	144	78.2%
Did not respond	0	0.0%
Total	184	100.0%

[420] Respondents who said that they did not do either prior to October 2015 were dropped from the survey.

TABLE 2: WHICH OF THE FOLLOWING OPTIONS BEST DESCRIBES THE INSTITUTION YOU WORK FOR?

Response	Count	Percent
A bank	29	15.7%
A credit union	8	4.3%
A non-bank – an affiliate of a bank or a credit union	6	3.2%
A non-bank – not an affiliate of a bank or a credit union	100	54.3%
Did not respond	41	22.2%
Total	184	100.0%

TABLE 3: APPROXIMATELY WHAT WAS THE VALUE OF YOUR INSTITUTION'S ASSETS AT THE END OF 2018? (QUESTION ONLY SHOWN IF "A BANK" OR "A CREDIT UNION" IN TABLE 2)

Response	Count	Percent
Less than $50 million	3	8.1%
$50 million – $100 million	5	13.5%
$100 million – $550 million	9	24.3%
$550 million – $1 billion	6	16.2%
$1 billion – $2 billion	5	13.5%
$2 billion – $10 billion	4	10.8%
More than $10 billion	5	13.5%
Did not respond	0	0.0%
Total	37	100.0%

TABLE 4: IN CALENDAR YEAR 2018, APPROXIMATELY HOW MANY MORTGAGE LOANS COVERED BY THE TRID RULE DID YOUR INSTITUTION ORIGINATE OR BROKER?

Response	Count	Percent
0 – 1,000	119	64.6%
1,001 – 10,000	30	16.3%

Response	Count	Percent
10,001 – 50,000	10	5.4%
50,001 – 100,000	7	3.8%
100,001 – 500,000	3	1.6%
500,001 – 1,000,000	0	0.0%
> 1,000,000	2	1.1%
Did not respond	13	7.1%
Total	184	100.0%

TABLE 5: IN CALENDAR YEAR 2018, APPROXIMATELY WHAT WAS THE TOTAL DOLLAR AMOUNT OF MORTGAGE LOANS COVERED BY THE TRID RULE YOUR INSTITUTION ORIGINATED OR BROKERED?

Response	Count	Percent
Less than $5 million	33	17.9%
$5 million – $10 million	16	8.7%
$10 million – $50 million	49	26.6%
$50 million – $100 million	16	8.7%
$100 million – $550 million	20	10.8%
$550 million – $1 billion	9	4.9%
$1 billion – $2 billion	9	4.9%
$2 billion – $10 billion	7	3.8%
More than $10 billion	9	4.9%
Did not respond	16	8.7%
Total	184	100.0%

TABLE 6: IN CALENDAR YEAR 2018, TO APPROXIMATELY WHAT PERCENT OF CONSUMERS WHO APPLIED FOR A MORTGAGE LOAN DID YOU GIVE NON-BINDING DOCUMENTS THAT DESCRIBE LOAN TERMS AND CLOSING COSTS, SOMETIMES KNOWN AS “WORKSHEETS” (IN ADDITION TO GIVING THEM LOAN ESTIMATES (LES))?

Response	Count	Percent
0%	29	15.7%
1% – 25%	30	16.3%
26% – 50%	23	12.5%
51% – 75%	10	5.4%
75% – 100%	80	43.4%
Did not respond	12	6.5%
Total	184	100.0%

TABLE 7: IN THE YEAR BEFORE THE TRID RULE TOOK EFFECT, ON AVERAGE HOW MANY DAYS AFTER FIRST CONTACT BETWEEN YOU AND A CONSUMER WAS A GOOD FAITH ESTIMATE (GFE) SENT TO THE CONSUMER?

Response	Count	Percent
Less than 1 day	6	3.2%
One day	40	21.7%
Two days	51	27.7%
3 – 4 days	40	21.7%
5 – 10 days	22	11.9%
Greater than 10 days	14	7.6%
Did not respond	11	5.9%
Total	184	100.0%

TABLE 8: IN THE CALENDAR YEAR 2018, ON AVERAGE HOW MANY DAYS AFTER FIRST CONTACT BETWEEN YOU AND A CONSUMER WAS A LOAN ESTIMATE (LE) SENT TO THE CONSUMER?

Response	Count	Percent
Less than 1 day	4	2.1%
One day	38	20.6%
Two days	49	26.6%
3 – 4 days	46	25.0%
5 – 10 days	24	13.0%
Greater than 10 days	11	5.9%
Did not respond	12	6.5%
Total	184	100.0%

TABLE 9: IN THE CALENDAR YEAR 2018, AFTER THE INITIAL LOAN ESTIMATE WAS PROVIDED TO A CONSUMER, APPROXIMATELY HOW MANY REVISED LOAN ESTIMATES DID YOU PROVIDE (OFTEN CALLED REISSUE) PER CONSUMER?

Response	Count	Percent
Less than one per consumer	52	28.2%
Between one and two	72	39.1%
Between two and three	33	17.9%
More than three	11	5.9%
I don’t know	5	2.7%
Did not respond	11	5.9%
Total	184	100.0%

TABLE 10: HOW DOES THE NUMBER OF REVISED GOOD FAITH ESTIMATES (GFES) ISSUED PER CONSUMER IN THE YEAR BEFORE THE TRID RULE TOOK EFFECT COMPARE TO THE NUMBER OF REVISED LOAN ESTIMATES ISSUED PER CONSUMER IN CALENDAR YEAR 2018.

Response	Count	Percent
Significantly greater	40	21.7%
Somewhat greater	47	25.5%
About the same	63	34.2%
Somewhat smaller	5	2.7%
Significantly smaller	4	2.1%
I don’t know	13	7.0%
Did not respond	12	6.5%
Total	184	100.0%

TABLE 11: IN CALENDAR YEAR 2018, AFTER THE INITIAL CLOSING DISCLOSURE WAS PROVIDED TO THE CONSUMER, APPROXIMATELY HOW MANY REVISED CLOSING DISCLOSURES DID YOU ISSUE PER CONSUMER?

Response	Count	Percent
Less than one per consumer	85	46.1%
Between one and two	62	33.6%
Between two and three	16	8.6%
More than three	2	1.0%
I don’t know	7	3.8%
Did not respond	12	6.5%
Total	184	100.0%

TABLE 12: IN CALENDAR YEAR 2018, ON AVERAGE, HOW MANY DAYS BEFORE CONSUMMATION WAS A FINAL CLOSING DISCLOSURE (I.E., ONE THAT WAS NOT SUBSEQUENTLY REVISED) SENT TO THE CONSUMER?[421]

Response	Count	Percent
Zero business days before	22	11.9%
One business day before	42	22.8%
Two business days before	25	13.5%
Three or more business days before	67	36.4%
I don’t know	16	8.6%
Did not respond	12	6.5%
Total	184	100.0%

TABLE 13: CONSIDERING ONLY THE INITIAL DISCLOSURE (THAT IS, NOT ANY REVISED DISCLOSURES), WHICH DO YOU THINK HAD MORE ACCURATE ESTIMATES OF THE FINAL LOAN TERMS AND CLOSING COSTS OF A MORTGAGE LOAN?

Response	Count	Percent
Initial Loan Estimate typically had more accurate estimates of final loan terms and closing costs than initial GFEs	44	23.9%
Neither initial Loan Estimate nor initial GFEs was notably better than the other in terms of accuracy of estimates	86	46.7%
Initial GFEs typically had more accurate estimates of final loan terms and closing costs than initial Loan Estimates	43	23.3%
Did not respond	11	5.9%
Total	184	100.0%

[421] This question assumed that initial Closing Disclosures are provided to consumers at least three business days before consummation, and any revisions are reflected in a final Closing Disclosure, as necessary.

TABLE 14: HOW OFTEN DO YOU THINK THE INITIAL CLOSING DISCLOSURE (THAT IS, NOT CONSIDERING ANY REVISED DISCLOSURES) IS AN ACCURATE REPRESENTATION OF FINAL LOAN TERMS AND CLOSING COSTS OF A MORTGAGE LOAN?

Response	Count	Percent
Almost always	57	30.9%
Often	45	24.4%
Sometimes	42	22.8%
Rarely	24	13.0%
Never	5	2.7%
Did not respond	11	5.9%
Total	184	100.0%

TABLE 15: ON AVERAGE, HOW DID THE NUMBER OF QUESTIONS CONSUMERS ASKED YOU ABOUT THEIR LOAN ESTIMATE IN CALENDAR YEAR 2018 COMPARE TO THE NUMBER OF QUESTIONS THEY ASKED YOU ABOUT THEIR GFE OR INITIAL TIL DISCLOSURE IN THE YEAR BEFORE THE TRID RULE TOOK EFFECT?

Response	Count	Percent
Significantly more	59	32.0%
Somewhat more	31	16.8%
About the same	66	35.8%
Somewhat fewer	6	3.2%
Significantly fewer	6	3.2%
I don’t know	0	0.0%
Did not respond	16	8.7%
Total	184	100.0%

TABLE 16: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO PRESENTED LOAN TERMS FROM ANOTHER LENDER USING AN INITIAL DISCLOSURE CHANGE?

Response	Count	Percent
Increased significantly	4	2.1%
Increased somewhat	13	7.0%
Remained about the same	114	61.9%
Decreased somewhat	8	4.3%
Decreased significantly	14	7.6%
I don't know	15	8.1%
Did not respond	16	8.6%
Total	184	100.0%

TABLE 17: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO NEGOTIATED WITH YOU ON LOAN TERMS CHANGE?

Response	Count	Percent
Increased significantly	1	0.5%
Increased somewhat	18	9.7%
Remained about the same	122	66.3%
Decreased somewhat	12	6.5%
Decreased significantly	7	3.8%
I don't know	8	4.3%
Did not respond	16	8.6%
Total	184	100.0%

TABLE 18: IN CALENDAR YEAR 2018, OF THE CONSUMERS WHO PRESENTED LOAN TERM ESTIMATES FROM ANOTHER LENDER, HOW DID THEY PRESENT THIS INFORMATION?

Using Loan Estimates

Response	Count	Percent
Almost always	5	2.7%
Often	23	12.5%
Sometimes	46	25.0%
Rarely	64	34.7%
Never	27	14.6%
Did not respond	19	10.3%
Total	184	100.0%

Using lender-issued non-binding documents that describe loan terms and closing costs (sometimes known as "worksheets")

Response	Count	Percent
Almost always	30	16.3%
Often	49	26.6%
Sometimes	40	21.7%
Rarely	27	14.6%
Never	20	10.8%
Did not respond	18	9.7%
Total	184	100.0%

Using quotes they received orally from other lenders

Response	Count	Percent
Almost always	28	15.2%
Often	59	32.0%
Sometimes	52	28.2%
Rarely	18	9.7%

Response	Count	Percent
Never	9	4.8%
Did not respond	18	9.7%
Total	184	100.0%

Using advertisements

Response	Count	Percent
Almost always	8	4.3%
Often	16	8.6%
Sometimes	43	23.3%
Rarely	47	25.5%
Never	47	25.5%
Did not respond	23	12.5%
Total	184	100.0%

Using comparison websites or other aggregators

Response	Count	Percent
Almost always	8	4.3%
Often	29	15.7%
Sometimes	49	26.6%
Rarely	41	22.2%
Never	37	20.1%
Did not respond	20	10.8%
Total	184	100.0%

Other

Response	Count	Percent
Almost always	2	1.0%
Often	5	2.7%
Sometimes	22	11.9%
Rarely	32	17.3%
Never	74	40.2%
Did not respond	49	26.6%
Total	184	100.0%

TABLE 19: CONSIDERING ONLY INITIAL DISCLOSURES (THAT IS, NOT ANY REVISED DISCLOSURES), WHICH DO YOU THINK IS MORE CONFUSING FOR CONSUMERS?

Response	Count	Percent
Loan Estimate is the same relative to the GFE and initial TIL in terms of consumer confusion	39	21.1%
Loan Estimate is more confusing than the GFE and initial TIL	76	41.3%
Loan Estimate is less confusing than the GFE and initial TIL	53	28.8%
Did not respond	16	8.6%
Total	184	100.0%

TABLE 20: CONSIDERING ONLY INITIAL DISCLOSURES (THAT IS, NOT ANY REVISED DISCLOSURES), WHICH DO YOU THINK IS MORE CONFUSING FOR CONSUMERS?

Response	Count	Percent
Closing Disclosure is the same relative to the HUD-1 and Final TIL in terms of consumer confusion	30	16.3%
Closing Disclosure is more confusing than the HUD-1 and Final TIL	81	44.0%
Closing Disclosure is less confusing than the HUD-1 and Final TIL	57	30.9%
Did not respond	16	8.6%

Response	Count	Percent
Total	184	100.0%

TABLE 21: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, THINKING ONLY OF SETTLEMENT SERVICES FOR WHICH YOU ALLOW CONSUMERS TO SHOP, HOW HAS THE PERCENT OF CONSUMERS WHO CHOOSE A PROVIDER NOT ON THE WRITTEN LIST OF SERVICE PROVIDERS CHANGED?

Response	Count	Percent
Increased significantly	5	2.7%
Increased somewhat	5	2.7%
Remained about the same	141	76.6%
Decreased somewhat	4	2.2%
Decreased significantly	4	2.2%
I don't know	9	4.9%
Did not respond	16	8.7%
Total	184	100.0%

D.3 Survey of Closing Companies

TABLE 1: PRIOR TO OCTOBER 2015, WAS YOUR INSTITUTION CONDUCTING CLOSINGS? (RESPONSE REQUIRED)[422]

Response	Count	Percent
Yes	115	100.0%
No	0	0.0%
Did not respond	0	0.0%

[422] Respondents who said they did not conduct closings prior to October 2015 were dropped from the survey.

Response	Count	Percent
Total	115	100.0%

TABLE 2: IN 2015, APPROXIMATELY HOW MANY CLOSINGS DID YOUR INSTITUTION CONDUCT? PLEASE USE AN APPROXIMATION, IF AN EXACT NUMBER IS NOT AVAILABLE. (RESPONSE REQUIRED)

Response	Count	Percent
0 – 100	24	20.9%
101 – 250	19	16.5%
251 – 500	27	23.5%
501 – 1,000	12	10.4%
1001 – 5,000	25	21.7%
5,001 – 10,000	5	4.4%
More than 10,000	3	2.6%
Did not respond	0	0.0%
Total	115	100.0%

TABLE 3: IN 2018, APPROXIMATELY HOW MANY CLOSINGS DID YOUR INSTITUTION CONDUCT? PLEASE USE AN APPROXIMATION, IF AN EXACT NUMBER IS NOT AVAILABLE.

Response	Count	Percent
0 – 100	22	19.1%
101 – 250	17	14.8%
251 – 500	29	25.2%
501 – 1,000	10	8.7%
1,001 – 5,000	28	24.4%
5,001 – 10,000	6	5.2%
More than 10,000	2	1.7%
Did not respond	1	0.9%

Response	Count	Percent
Total	115	100.0%

TABLE 4: IN ADDITION TO CONDUCTING CLOSINGS, WHICH OF THE FOLLOWING SERVICES DOES YOUR INSTITUTION ALSO CURRENTLY PERFORM? (MARK ALL THAT APPLY)[423]

Services performed

Response	Count	Percent
Performed title insurance	102	88.7%
Title search (abstract)	77	67.0%
Title examination	94	81.7%
Clearing title issues (such as obtaining lien releases)	107	93.0%
Escrow (collecting and disbursing consumer payments and loan proceeds)	111	96.5%
Legal services	56	48.7%
Other, please specify	6	5.2%
Did not respond	0	0.0%
Total	553	

Which best describes the owner's title insurance policies your institution sells? (displayed only if "performed title insurance" is indicated in response to previous question)

Response	Count	Percent
Owner's title insurance premiums are equally likely to be paid by home-buyers and home-sellers	16	11.3%
Owner's title insurance premiums are mostly paid by home-buyers	54	47.0%
Owner's title insurance premiums are mostly paid by home-sellers	32	27.8%
Not applicable	0	0.0%

[423] Respondents were able to select multiple options. Counts are greater than the number of respondents. The number of respondents to this question was 117.

Response	Count	Percent
Did not respond	13	13.9%
Total	115	100.0%

TABLE 5: DID YOUR INSTITUTION USE TEMPORARY COMPLIANCE MEASURES TO COMPLY WITH THE TRID RULE BY THE EFFECTIVE DATE?

Response	Count	Percent
Yes	41	35.6%
No	74	64.4%
Did not respond	0	0.0%
Total	115	100.0%

TABLE 6: WHY DID YOUR INSTITUTION USE TEMPORARY COMPLIANCE MEASURES TO COMPLY WITH THE TRID RULE BY THE EFFECTIVE DATE? (QUESTION DISPLAYED ONLY IF INDICATED "YES" IN TABLE 27)

Response	Count	Percent
A response	34	82.9%
Did not respond	7	17.1%
Total	41	100.0%

TABLE 7: REGARDING EACH OF THE FOLLOWING TOPICS, WHEN DID YOUR INSTITUTION COMPLETE ITS LONG-TERM SOLUTION FOR TRID IMPLEMENTATION SO THAT IT NO LONGER RELIED ON TEMPORARY COMPLIANCE MEASURES, IF ANY WERE USED?

Understanding the requirements of TRID and updating or creating relevant policies and procedures (consider all major Rule-related updates and creations, but not minor regular updates)

Response	Count	Percent
By October 3, 2015	79	68.7%
By December 3, 2015	15	13.0%
By October 3, 2016	6	5.2%

Response	Count	Percent
After October 3, 2016	5	4.4%
Not applicable	0	0.0%
Did not respond	10	8.7%
Total	115	100.0%

Initial training of sales and operations staff to come into compliance with the Rule

Response	Count	Percent
By October 3, 2015	77	67.0%
By December 3, 2015	12	10.4%
By October 3, 2016	7	6.1%
After October 3, 2016	4	3.5%
Not applicable	0	0.0%
Did not respond	15	13.0%
Total	115	100.0%

Updating or creating compliance tools, such as templates, job aids, and recorded trainings

Response	Count	Percent
By October 3, 2015	69	60.0%
By December 3, 2015	16	13.9%
By October 3, 2016	11	9.6%
After October 3, 2016	4	3.5%
Not applicable	0	0.0%
Did not respond	15	13.0%
Total	115	100.0%

Reviewing relationships and renegotiating contracts, where applicable

Response	Count	Percent
By October 3, 2015	58	50.4%
By December 3, 2015	12	10.4%
By October 3, 2016	9	7.8%
After October 3, 2016	4	3.5%
Not applicable	0	0.0%
Did not respond	32	27.8%
Total	115	100.0%

Updating or creating information technology systems (including internal and consumer-facing systems)

Response	Count	Percent
By October 3, 2015	64	55.7%
By December 3, 2015	20	17.4%
By October 3, 2016	12	10.4%
After October 3, 2016	5	4.4%
Not applicable	0	0.0%
Did not respond	14	12.2%
Total	115	100.0%

Overall implementation

Response	Count	Percent
By October 3, 2015	63	54.8%
By December 3, 2015	21	18.3%
By October 3, 2016	13	11.3%
After October 3, 2016	8	7.0%
Not applicable	0	0.0%

Response	Count	Percent
Did not respond	10	8.7%
Total	115	100.0%

TABLE 8: HOW CHALLENGING WERE THE FOLLOWING INTERACTIONS DURING TRID IMPLEMENTATION?

Coordinating with mortgage loan originators

Response	Count	Percent
Not challenging	12	10.4%
Somewhat challenging	37	32.2%
Very challenging	61	53.0%
Not applicable	0	0.0%
Did not respond	5	4.4%
Total	115	100.0%

Coordinating with third parties (e.g. software vendors)

Response	Count	Percent
Not challenging	21	18.3%
Somewhat challenging	48	41.7%
Very challenging	40	34.8%
Not applicable	0	0.0%
Did not respond	6	5.2%
Total	115	100.0%

Receiving guidance from CFPB

Response	Count	Percent
Not challenging	10	8.7%
Somewhat challenging	22	19.1%

Response	Count	Percent
Very challenging	48	41.7%
Not applicable	0	0.0%
Did not respond	35	30.4%
Total	115	100.0%

TABLE 9: HOW HELPFUL WERE THE FOLLOWING RESOURCES DURING TRID IMPLEMENTATION?

Trade groups or other industry sources

Response	Count	Percent
Not helpful	11	9.6%
Somewhat helpful	38	33.0%
Very helpful	45	39.1%
Not applicable	19	16.5%
Did not respond	2	1.7%
Total	115	100.0%

Title insurance underwriters

Response	Count	Percent
Not helpful	4	3.5%
Somewhat helpful	28	24.4%
Very helpful	74	64.4%
Not applicable	7	6.1%
Did not respond	2	1.7%
Total	115	100.0%

Software vendors

Response	Count	Percent
Not helpful	14	12.2%
Somewhat helpful	44	38.3%
Very helpful	47	40.9%
Not applicable	7	6.1%
Did not respond	3	2.6%
Total	115	100.0%

CFPB websites for real estate and settlement professionals

Response	Count	Percent
Not helpful	35	30.4%
Somewhat helpful	46	40.0%
Very helpful	10	8.7%
Not applicable	22	19.1%
Did not respond	2	1.7%
Total	115	100.0%

CFPB’s Small Entity compliance guide or CFPB's Guide to the Loan Estimate and Closing Disclosure forms

Response	Count	Percent
Not helpful	27	23.5%
Somewhat helpful	41	35.7%
Very helpful	13	11.3%
Not applicable	32	27.8%
Did not respond	2	1.7%
Total	115	100.0%

Option to submit question to CFPB's Regulations Inquiries email box

Response	Count	Percent
Not helpful	40	34.8%
Somewhat helpful	18	15.7%
Very helpful	0	0.0%
Not applicable	55	47.8%
Did not respond	2	1.7%
Total	115	100.0%

TABLE 10: APPROXIMATELY WHAT WERE THE TOTAL COSTS OF IMPLEMENTING THE TRID RULE DUE TO EACH OF THE FOLLOWING FACTORS?[424]

Understanding the requirements of TRID and updating or creating relevant policies and procedures (consider all major Rule-related updates and creations, but not minor regular updates)

Percentile	Value
25th percentile ($)	1,000.00
50th percentile ($)	2,100.00
75th percentile ($)	10,000.00
Did not respond	21
Total	115

Initial training of sales and operations staff to come into compliance with the Rule

Percentile	Value
25th percentile ($)	500.00
50th percentile ($)	2,000.00
75th percentile ($)	5,000.00
Did not respond	21

[424] Respondents were asked to include both personnel and non-personnel costs and the costs of contracting with third parties such as software venders or outside counsel.

Percentile	Value
Total	115

Updating or creating compliance tools, such as templates, job aids, and recorded trainings

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	1,000.00
75th percentile ($)	5,000.00
Did not respond	21
Total	115

Reviewing relationships and renegotiating contracts, where applicable

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	0.00
75th percentile ($)	1,000.00
Did not respond	21
Total	115

Updating or creating information technology systems (including internal and consumer-facing systems)

Percentile	Value
25th percentile ($)	500.00
50th percentile ($)	2,500.00
75th percentile ($)	10,000.00
Did not respond	21
Total	115

Other: please specify

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	0.00
75th percentile ($)	1,000.00
Did not respond	21
Total	115

TABLE 11: SUMMING YOUR RESPONSES TO THE PREVIOUS QUESTION, YOUR INSTITUTION SPENT $XYZ IMPLEMENTING THE TRID RULE, OR <$XYZ/#2015 ORIGINATIONS> PER CLOSING IN 2015. IS THIS APPROXIMATELY CORRECT?

Response	Count	Percent
Yes	99	86.1%
No	9	7.8%
Did not respond	7	6.1%
Total	115	100.0%

No, the Correct cost per closing in 2015 was:

Percentile	Value
25th percentile ($)	500.00
50th percentile ($)	25,000.00
75th percentile ($)	60,000.00
Did not respond	0
Total	9

TABLE 12: APPROXIMATELY WHAT WAS YOUR INSTITUTION'S AVERAGE COST OF PROVIDING SETTLEMENT SERVICES FOR A CLOSING DURING THE THREE TIME PERIODS BELOW?

October 2014 through October 2, 2015 (year before the TRID Rule took effect)

Percentile	Value
25th percentile ($)	200.00
50th percentile ($)	350.00
75th percentile ($)	525.00
Did not respond	17
Total	115

October 3, 2015 through October 2016 (first year after the TRID Rule took effect)

Percentile	Value
25th percentile ($)	275.00
50th percentile ($)	500.00
75th percentile ($)	750.00
Did not respond	17
Total	115

Calendar year 2018

Percentile	Value
25th percentile ($)	265.00
50th percentile ($)	500.00
75th percentile ($)	750.00
Did not respond	18
Total	115

TABLE 13: APPROXIMATELY WHAT WAS YOUR INSTITUTION'S AVERAGE REVENUE FROM PROVIDING SETTLEMENT SERVICES FOR A CLOSING DURING THE THREE TIME PERIODS BELOW? PLEASE USE APPROXIMATIONS IF EXACT COST FIGURES ARE NOT AVAILABLE.

October 2014 through October 2, 2015 (year before the TRID Rule took effect)

Percentile	Value
25th percentile ($)	300.00
50th percentile ($)	675.00
75th percentile ($)	1,500.00
Did not respond	20
Total	115

October 3, 2015 through October 2016 (first year after the TRID Rule took effect)

Percentile	Value
25th percentile ($)	289.00
50th percentile ($)	775.00
75th percentile ($)	1,500.00
Did not respond	20
Total	115

Calendar year 2018

Percentile	Value
25th percentile ($)	350.00
50th percentile ($)	850.00
75th percentile ($)	1,600.00
Did not respond	22
Total	115

TABLE 14: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, APPROXIMATELY HOW MUCH DID EACH OF THE FOLLOWING FACTORS CONTRIBUTE TO ANY CHANGE IN YOUR INSTITUTION'S COST OF PROVIDING SETTLEMENT SERVICES FOR A CLOSING?

Change in time spent coordinating with mortgage loan originators

Response	Count	Percent
Increased costs significantly	64	55.7%
Increased costs somewhat	33	28.7%
Neither increased costs nor decreased costs	5	4.4%
Decreased costs somewhat	1	0.9%
Decreased costs significantly	0	0.0%
Not applicable	4	3.5%
Did not respond	8	7.0%
Total	115	100.0%

Change in time spent coordinating with third parties

Response	Count	Percent
Increased costs significantly	40	34.8%
Increased costs somewhat	38	33.0%
Neither increased costs nor decreased costs	20	17.4%
Decreased costs somewhat	1	0.9%
Decreased costs significantly	0	0.0%
Not applicable	8	7.0%
Did not respond	8	7.0%
Total	115	100.0%

Change in time spent interacting with real estate agents and consumers, if any

Response	Count	Percent
Increased costs significantly	45	39.1%
Increased costs somewhat	41	35.7%

Response	Count	Percent
Neither increased costs nor decreased costs	13	11.3%
Decreased costs somewhat	1	0.9%
Decreased costs significantly	0	0.0%
Not applicable	6	5.2%
Did not respond	9	7.8%
Total	115	100.0%

Change in number of revised disclosures, if any

Response	Count	Percent
Increased costs significantly	65	56.5%
Increased costs somewhat	27	23.5%
Neither increased costs nor decreased costs	11	9.6%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
Not applicable	4	3.5%
Did not respond	8	7.0%
Total	115	100.0%

Change in time spent on ongoing training, if any

Response	Count	Percent
Increased costs significantly	35	30.4%
Increased costs somewhat	47	40.9%
Neither increased costs nor decreased costs	18	15.7%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
Not applicable	6	5.2%

Response	Count	Percent
Did not respond	9	7.8%
Total	115	100.0%

Change in timing of closings, if any delayed closings

Response	Count	Percent
Increased costs significantly	54	47.0%
Increased costs somewhat	33	28.7%
Neither increased costs nor decreased costs	13	11.3%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
Not applicable	5	4.4%
Did not respond	10	8.7%
Total	115	100.0%

Change in need for legal advice

Response	Count	Percent
Increased costs significantly	22	19.1%
Increased costs somewhat	28	24.4%
Neither increased costs nor decreased costs	38	33.0%
Decreased costs somewhat	1	0.9%
Decreased costs significantly	0	0.0%
Not applicable	16	13.9%
Did not respond	10	8.7%
Total	115	100.0%

TABLE 15: IN THE YEAR BEFORE THE TRID RULE TOOK EFFECT, ON AVERAGE HOW MANY DAYS BEFORE SETTLEMENT WAS A HUD-1 SETTLEMENT STATEMENT PROVIDED TO THE CONSUMER?[425]

Response	Count	Percent
Zero business days	23	20.0%
One business day before	50	43.5%
Two business days before	24	20.9%
Three or more business days before	13	11.3%
Did not respond	5	4.4%
Total	115	100.0%

TABLE 16: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO INQUIRED ABOUT, BUT THEN DID NOT USE, YOUR INSTITUTION'S SETTLEMENT SERVICES CHANGE?

Response	Count	Percent
Increased significantly	6	5.2%
Increased somewhat	5	4.4%
Neither increased nor decreased	72	62.6%
Decreased somewhat	1	0.9%
Decreased significantly	1	0.9%
I don't know	0	0.0%
Did not respond	30	26.1%
Total	115	100.0%

[425] This question asked respondents about the first time the HUD-1 settlement statement was given to the consumer. This is distinct from the first time the HUD-1 settlement statement was made available, as a disclosure can be made available without a consumer actually obtaining it.

TABLE 17: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO PRESENTED COST ESTIMATES FROM ANOTHER SETTLEMENT AGENT OR INSTITUTION CHANGE?

Response	Count	Percent
Increased significantly	8	7.0%
Increased somewhat	3	2.6%
Neither increased nor decreased	73	63.5%
Decreased somewhat	5	4.4%
Decreased significantly	2	1.7%
I don’t know	0	0.0%
Did not respond	24	20.9%
Total	115	100.0%

TABLE 18: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO NEGOTIATED PRICES FOR YOUR SETTLEMENT SERVICES CHANGE?

Response	Count	Percent
Increased significantly	7	6.1%
Increased somewhat	10	8.7%
Neither increased nor decreased	76	66.1%
Decreased somewhat	4	3.5%
Decreased significantly	1	0.9%
I don’t know	0	0.0%
Did not respond	17	14.8%
Total	115	100.0%

TABLE 19: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF CONSUMERS WHO PURCHASED AN OWNER'S TITLE INSURANCE POLICY CHANGE?

Response	Count	Percent
Increased significantly	5	4.4%
Increased somewhat	6	5.2%
Neither increased nor decreased	86	74.8%
Decreased somewhat	7	6.1%
Decreased significantly	2	1.7%
I don't know	0	0.0%
Did not respond	9	7.8%
Total	115	100.0%

TABLE 20: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID OWNER'S TITLE INSURANCE POLICY PREMIUMS CHANGE?

Response	Count	Percent
Increased significantly	1	0.9%
Increased somewhat	29	25.2%
Neither increased nor decreased	70	60.9%
Decreased somewhat	2	1.7%
Decreased significantly	1	0.9%
I don't know	0	0.0%
Did not respond	12	10.4%
Total	115	100.0%

TABLE 21: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, ON AVERAGE, HOW DID THE TOTAL NUMBER OF SETTLEMENT SERVICES PROVIDED BY YOUR INSTITUTION PER CLOSING (THAT IS, HOW MANY SERVICES YOU PROVIDED PER CLOSING) CHANGE?

Response	Count	Percent
Increased significantly	9	7.8%
Increased somewhat	22	19.1%
Neither increased nor decreased	68	59.1%
Decreased somewhat	5	4.4%
Decreased significantly	2	1.7%
I don’t know	0	0.0%
Did not respond	9	7.8%
Total	115	100.0%

TABLE 22: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, ON AVERAGE, HOW DID THE TOTAL COST TO CONSUMERS OF SETTLEMENT SERVICES PROVIDED BY YOUR INSTITUTION PER CLOSING CHANGE?

Response	Count	Percent
Increased significantly	26	22.6%
Increased somewhat	42	36.5%
Neither increased nor decreased	36	31.3%
Decreased somewhat	0	0.0%
Decreased significantly	0	0.0%
I don’t know	0	0.0%
Did not respond	11	9.6%
Total	115	100.0%

TABLE 23: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, ON AVERAGE, HOW DID THE TOTAL COST TO CONSUMERS OF SETTLEMENT SERVICES PROVIDED BY YOUR INSTITUTION PER CLOSING CHANGE?

Response	Count	Percent
Increased significantly	22	19.1%
Increased somewhat	40	34.8%
Neither increased nor decreased	40	34.8%
Decreased somewhat	0	0.0%
Decreased significantly	2	1.7%
I don’t know	0	0.0%
Did not respond	11	9.6%
Total	115	100.0%

TABLE 24: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, PLEASE LIST UP TO THREE SETTLEMENT SERVICES THAT, ON AVERAGE, INCREASED IN COST MOST SUBSTANTIALLY. (MARK ALL THAT APPLY)[426]

Response	Count	Percent
Fees	35	30.4%
Title	22	19.1%
Closing	18	15.7%
Legal	12	10.4%
NA	4	3.5%
Other	32	27.8%
Did not respond	38	33.0%
Total	161	

[426] Respondents were able to select multiple options. Counts are greater than the number of respondents.

TABLE 25: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, PLEASE LIST UP TO THREE SETTLEMENT SERVICES THAT, ON AVERAGE, DECREASED COST MOST SUBSTANTIALLY. (MARK ALL THAT APPLY)[427]

Response	Count	Percent
Fees	5	4.3%
Title	2	1.7%
Closing	0	0.0%
Legal	1	0.9%
NA	31	27.0%
Other	7	6.1%
Did not respond	72	62.6%
Total	118	

TABLE 26: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, PLEASE LIST UP TO THREE SETTLEMENT SERVICES THAT, ON AVERAGE, NEITHER INCREASED NOR DECREASED IN COST SUBSTANTIALLY. (MARK ALL THAT APPLY)[428]

Response	Count	Percent
Fees	30	26.1%
Title	39	33.9%
Closing	4	3.5%
Legal	3	2.6%
NA	7	6.1%
Other	33	28.7%
Did not respond	43	37.4%
Total	159	

[427] Respondents were able to select multiple options. Counts are greater than the number of respondents.

[428] Respondents were able to select multiple options. Counts are greater than the number of respondents.

TABLE 27: THANK YOU FOR COMPLETING THIS SURVEY AND PROVIDING DATA THAT WILL HELP THE BUREAU UNDERSTAND THE EFFECTS OF THE TRID RULE. IF YOU HAVE ANY ADDITIONAL COMMENTS, PLEASE USE THIS SPACE TO DESCRIBE EFFECTS OF THE TRID RULE THAT YOU THINK THE SURVEY MAY HAVE OTHERWISE MISSED.

Response	Count	Percent
A response	72	62.6%
Did not respond	43	37.4%
Total	115	100.0%

D.4 Survey of Mortgage Originators

TABLE 1: WHICH OF THE FOLLOWING OPTIONS BEST DESCRIBES YOUR INSTITUTION?

Response	Count	Percent
A bank	50	50.5%
A credit union	25	25.3%
A non-bank – an affiliate of a bank or a credit union	5	2.5%
A non-bank – not an affiliate of a bank or a credit union	19	9.5%
Did not respond	0	0.0%
Total	99	100.0%

TABLE 2: APPROXIMATELY WHAT WAS THE VALUE OF YOUR INSTITUTION'S ASSETS AT THE END OF 2018?

Response	Count	Percent
Less than $50 million	0	0.0%
$50 million – $100 million	7	7.1%
$100 million – $550 million	34	34.3%
$550 million – $1 billion	11	11.1%

Response	Count	Percent
$1 billion – $2 billion	10	10.1%
$2 billion – $10 billion	7	7.1%
More than $10 billion	6	6.1%
Did not respond	24	24.2%
Total	99	100.0%

TABLE 3: WAS YOUR INSTITUTION ORIGINATING MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE PRIOR TO OCTOBER 2015? (RESPONSE REQUIRED)[429]

Response	Count	Percent
Yes	99	100.0%
No	0	0.0%
Did not respond	0	0.0%
Total	99	100.0%

TABLE 4: IN CALENDAR YEAR 2015, APPROXIMATELY HOW MANY MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE DID YOUR INSTITUTION ORIGINATE? (RESPONSE REQUIRED)

Response	Count	Percent
0 – 100	35	35.4%
101 – 250	14	14.1%
251 – 500	14	14.1%
501 – 1000	10	10.1%
1001 – 5000	16	16.2%
5001 – 10,000	3	3.0%
More than 10,000	7	7.1%

[429] Respondents who said they did not originate mortgages prior to October 2015 were dropped from the survey.

Response	Count	Percent
Did not respond	0	0.0%
Total	99	100.0%

TABLE 5: IN CALENDAR YEAR 2015, OF THE MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE THAT YOUR INSTITUTION ORIGINATED, APPROXIMATELY WHAT PERCENT WERE EACH OF THE FOLLOWING:

Purchase first mortgage

Response	Count	Percent
0%	7	7.1%
1% – 25%	18	18.2%
26% – 50%	31	31.3%
51% – 75%	29	29.3%
75% – 100%	14	14.1%
Did not respond	0	0.0%
Total	99	100.0%

Purchase second mortgage

Response	Count	Percent
0%	69	69.7%
1% – 25%	24	24.2%
26% – 50%	3	3.0%
51% – 75%	2	2.0%
75% – 100%	1	1.0%
Did not respond	0	0.0%
Total	99	100.0%

Refinance mortgage

Response	Count	Percent
0%	5	5.1%
1% – 25%	23	23.2%
26% – 50%	34	34.3%
51% – 75%	22	22.2%
75% – 100%	15	15.2%
Did not respond	0	0.0%
Total	99	100.0%

TABLE 6: IN CALENDAR YEAR 2015, OF THE MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE THAT YOUR INSTITUTION ORIGINATED, APPROXIMATELY WHAT PERCENT WERE EACH OF THE FOLLOWING?

Conventional, conforming

Response	Count	Percent
0%	8	8.1%
1% – 25%	4	4.0%
26% – 50%	9	9.1%
51% – 75%	24	24.2%
75% – 100%	54	54.5%
Did not respond	0	0.0%
Total	99	100.0%

Government Loans (non-conventional)

Response	Count	Percent
0%	51	51.5%
1% – 25%	27	27.3%
26% – 50%	13	13.1%

Response	Count	Percent
51% – 75%	4	4.0%
75% – 100%	4	4.0%
Did not respond	0	0.0%
Total	99	100.0%

Conventional, non-conforming

Response	Count	Percent
0%	50	50.5%
1% – 25%	38	38.4%
26% – 50%	7	7.1%
51% – 75%	0	0.0%
75% – 100%	4	4.0%
Did not respond	0	0.0%
Total	99	100.0%

TABLE 7: IN CALENDAR YEAR 2018, APPROXIMATELY HOW MANY MORTGAGE LOANS COVERED BY THE TRID RULE DID YOUR INSTITUTION ORIGINATE?

Response	Count	Percent
0 – 100	30	30.3%
101 – 250	13	13.1%
251 – 500	15	15.2%
501 – 1000	11	11.1%
1001 – 5000	17	17.2%
5001 – 10,000	3	3.0%
More than 10,000	8	8.1%
Did not respond	2	2.0%

Response	Count	Percent
Total	99	100.0%

TABLE 8: IN CALENDAR YEAR 2018, APPROXIMATELY WHAT WAS THE TOTAL DOLLAR AMOUNT OF MORTGAGE LOANS COVERED BY THE TRID RULE YOUR INSTITUTION ORIGINATED?

Response	Count	Percent
Less than $5 million	15	15.2%
$5 million – $10 million	6	6.1%
$10 million – $50 million	29	29.3%
$50 million – $100 million	10	10.1%
$100 million – $550 million	21	21.2%
$550 million – $1 billion	3	3.0%
$1 billion – $2 billion	4	4.0%
$2 billion – $10 billion	3	3.0%
More than $10 billion	4	4.0%
Did not respond	4	4.0%
Total	99	100.0%

TABLE 9: IN CALENDAR YEAR 2015, OF THE MORTGAGE LOANS THAT WOULD BE COVERED BY THE TRID RULE THAT YOUR INSTITUTION ORIGINATED, APPROXIMATELY WHAT PERCENT WERE EACH OF THE FOLLOWING?

October 2014 through October 2, 2015 (year before the TRID Rule took effect)

Response	Count	Percent
Standard system developed by a third-party vendor and installed on our premises	65	65.7%
Standard system developed by a third-party vendor and provided on demand (e.g., in the cloud)	19	19.2%
Manual preparation	2	2.0%

Response	Count	Percent
System developed in-house	5	5.1%
Custom in-house system vendor	3	3.0%
Something else	0	0.0%
Do not know	1	1.0%
Did not respond	4	4.0%
Total	99	100.0%

October 3, 2015 through October 2016 (first year after the TRID Rule took effect)

Response	Count	Percent
Standard system developed by a third-party vendor and installed on our premises	53	53.5%
Standard system developed by a third-party vendor and provided on demand (e.g., in the cloud)	31	31.3%
Manual preparation	3	3.0%
System developed in-house	4	4.0%
Custom in-house system vendor	5	5.1%
Something else	0	0.0%
Do not know	0	0.0%
Did not respond	3	3.0%
Total	99	100.0%

Calendar Year 2018

Response	Count	Percent
Standard system developed by a third-party vendor and installed on our premises	43	43.4%
Standard system developed by a third-party vendor and provided on demand (e.g., in the cloud)	41	41.4%
Manual preparation	1	1.0%
System developed in-house	5	5.1%
Custom in-house system vendor	5	5.1%
Something else	0	0.0%
Do not know	0	0.0%
Did not respond	4	4.0%
Total	99	100.0%

TABLE 10: IF APPLICABLE, DID YOU CHANGE THIRD-PARTY LOS VENDORS AROUND THE TIME THE TRID RULE TOOK EFFECT?

Response	Count	Percent
Yes, we changed third-party LOS vendors	31	33.7%
No, we worked with the same third-party LOS vendor	61	66.3%
Do not know	0	0.0%
Did not respond	7	7.1%
Total	99	100.0%

TABLE 11: DID YOUR INSTITUTION USE TEMPORARY COMPLIANCE MEASURES TO COMPLY WITH THE TRID RULE BY THE EFFECTIVE DATE?

Response	Count	Percent
Yes	28	28.3%
No	70	70.7%
Did not respond	1	1.0%
Total	99	100.0%

TABLE 12: IF YES, WHY DID YOUR INSTITUTION USE TEMPORARY COMPLIANCE MEASURES TO COMPLY WITH THE TRID RULE BY THE EFFECTIVE DATE? (QUESTION DISPLAYED ONLY IF "YES" INDICATED IN TABLE 11)

Response	Count	Percent
A response	27	96.4%
Did not respond	1	3.6%
Total	28	100.0%

TABLE 13: REGARDING EACH OF THE FOLLOWING TOPICS, WHEN DID YOUR INSTITUTION COMPLETE ITS LONG-TERM SOLUTION FOR TRID IMPLEMENTATION SO THAT IT NO LONGER RELIED ON TEMPORARY COMPLIANCE MEASURES, IF ANY WERE USED?[430]

Understanding the requirements of TRID and updating or creating relevant policies and procedures (consider all major Rule-related updates and creations, but not minor regular updates)

Response	Count	Percent
Before October 3, 2015	12	12.1%
By December 3, 2015	6	6.1%
By October 3, 2016	3	3.0%

[430] A respondent could respond to this question saying that a temporary measure was not used but then could not choose a completion date after Oct 3, 2015 for some tasks. This was handled differently in the TRID Closing Survey, and, as a result, the responses from the TRID Lender Survey were not used in the report.

Response	Count	Percent
After October 3, 2016	4	4.0%
Not Applicable	0	0.0%
Did not respond	74	74.7%
Total	99	100.0%

Initial training of sales and operations staff to come into compliance with the Rule

Response	Count	Percent
Before October 3, 2015	19	19.2%
By December 3, 2015	3	3.0%
By October 3, 2016	1	1.0%
After October 3, 2016	3	3.0%
Not applicable	0	0.0%
Did not respond	73	73.7%
Total	99	100.0%

Updating or creating compliance tools, such as templates, job aids, and recorded trainings

Response	Count	Percent
Before October 3, 2015	13	13.1%
By December 3, 2015	6	6.1%
By October 3, 2016	5	5.1%
After October 3, 2016	4	4.0%
Not Applicable	0	0.0%
Did not respond	71	71.7%

Response	Count	Percent
Total	99	100.0%

Reviewing relationships and renegotiating contracts, where applicable, with mortgage brokers, closing agents, and title companies

Response	Count	Percent
Before October 3, 2015	14	14.1%
By December 3, 2015	3	3.0%
By October 3, 2016	4	4.0%
After October 3, 2016	3	3.0%
Not Applicable	0	0.0%
Did not respond	75	75.8%
Total	99	100.0%

Updating or creating loan origination systems and related information technology systems

Response	Count	Percent
Before October 3, 2015	8	8.1%
By December 3, 2015	2	2.0%
By October 3, 2016	3	3.0%
After October 3, 2016	14	14.1%
Not Applicable	0	0.0%
Did not respond	72	72.7%
Total	99	100.0%

Overall implementation

Response	Count	Percent
Before October 3, 2015	7	7.1%
By December 3, 2015	4	4.0%
By October 3, 2016	7	7.1%
After October 3, 2016	10	10.1%
Not Applicable	0	0.0%
Did not respond	71	71.7%
Total	99	100.0%

TABLE 14: HOW CHALLENGING WERE THE FOLLOWING INTERACTIONS DURING TRID IMPLEMENTATION?

Coordinating with software vendors

Response	Count	Percent
Not challenging	14	14.1%
Somewhat challenging	42	42.4%
Very challenging	42	42.4%
Not applicable	1	1.0%
Did not respond	0	0.0%
Total	99	100.0%

Coordinating with settlement agent

Response	Count	Percent
Not challenging	7	7.1%
Somewhat challenging	38	38.4%
Very challenging	54	54.5%

Response	Count	Percent
Not applicable	0	0.0%
Did not respond	0	0.0%
Total	99	100.0%

Receiving guidance from CFPB

Response	Count	Percent
Not challenging	10	10.1%
Somewhat challenging	35	35.4%
Very challenging	47	47.5%
Not applicable	7	7.1%
Did not respond	0	0.0%
Total	99	100.0%

Coordinating with brokers or correspondent entities

Response	Count	Percent
Not challenging	7	7.1%
Somewhat challenging	34	34.3%
Very challenging	20	20.2%
Not applicable	38	38.4%
Did not respond	0	0.0%
Total	99	100.0%

TABLE 15: HOW HELPFUL WERE THE FOLLOWING TOOLS DURING TRID IMPLEMENTATION?

CFPB's Small Entity compliance guide

Response	Count	Percent
Not Helpful	4	4.0%
Somewhat Helpful	39	39.4%
Very Helpful	44	44.4%
I did not attempt to use this tool	11	11.1%
Did not respond	1	1.0%
Total	99	100.0%

CFPB's Guide to forms

Response	Count	Percent
Not Helpful	3	3.0%
Somewhat Helpful	51	51.5%
Very Helpful	36	36.4%
I did not attempt to use this tool	8	8.1%
Did not respond	1	1.0%
Total	99	100.0%

Federal Reserve Board Outlook Live Webinars

Response	Count	Percent
Not Helpful	13	13.1%
Somewhat Helpful	29	29.3%
Very Helpful	18	18.2%
I did not attempt to use this tool	36	36.4%
Did not respond	3	3.0%
Total	99	100.0%

Option to submit question to CFPB's Regulations Inquiries email box

Response	Count	Percent
Not Helpful	19	19.2%
Somewhat Helpful	25	25.3%
Very Helpful	9	9.1%
I did not attempt to use this tool	45	45.5%
Did not respond	1	1.0%
Total	99	100.0%

CFPB Examination Procedures

Response	Count	Percent
Not Helpful	14	14.1%
Somewhat Helpful	41	41.4%
Very Helpful	4	4.0%
I did not attempt to use this tool	39	39.4%
Did not respond	1	1.0%
Total	99	100.0%

CFPB websites for real estate and settlement professionals

Response	Count	Percent
Not Helpful	9	9.1%
Somewhat Helpful	49	49.5%
Very Helpful	11	11.1%
I did not attempt to use this tool	28	28.3%
Did not respond	2	2.0%
Total	99	100.0%

Trade group websites or other resources

Response	Count	Percent
Not Helpful	1	1.0%
Somewhat Helpful	44	44.4%
Very Helpful	32	32.3%
I did not attempt to use this tool	21	21.2%
Did not respond	1	1.0%
Total	99	100.0%

Other industry websites or other resources

Response	Count	Percent
Not Helpful	2	2.0%
Somewhat Helpful	48	48.5%
Very Helpful	35	35.4%
I did not attempt to use this tool	13	13.1%
Did not respond	1	1.0%
Total	99	100.0%

TABLE 16: APPROXIMATELY WHAT WERE THE TOTAL COSTS OF IMPLEMENTING THE TRID RULE DUE TO EACH OF THE FOLLOWING FACTORS?[431]

Understanding the requirements of TRID and updating or creating relevant policies and procedures (consider all major Rule-related updates and creations, but not minor regular updates)

Percentile	Value
25th percentile ($)	2,160.0
50th percentile ($)	10,000.0
75th percentile ($)	20,000.0

[431] Respondents were asked to include both personnel and non-personnel costs and the cost of contracting with third parties such as software vendors or outside counsel in their responses.

Percentile	Value
Did not respond	25
Total	99

Initial training of sales and operations staff to come into compliance with the Rule

Percentile	Value
25th percentile ($)	2,000.00
50th percentile ($)	5,000.00
75th percentile ($)	20,000.00
Did not respond	25
Total	99

Updating or creating compliance tools, such as templates, job aids, and recorded trainings

Percentile	Value
25th percentile ($)	500.00
50th percentile ($)	2,250.00
75th percentile ($)	15,000.00
Did not respond	25
Total	99

Reviewing relationships and renegotiating contracts, where applicable, with mortgage brokers, closing agents, and title companies

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	1,000.00
75th percentile ($)	5,000.00
Did not respond	25

Percentile	Value
Total	99

Updating or creating loan origination systems and related information technology systems

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	10,000.00
75th percentile ($)	35,000.00
Did not respond	25
Total	99

Other: please specify

Percentile	Value
25th percentile ($)	0.00
50th percentile ($)	0.00
75th percentile ($)	0.00
Did not respond	25
Total	99

TABLE 17: SUMMING YOUR RESPONSES TO THE PREVIOUS QUESTION, YOUR INSTITUTION SPENT $XYZ IMPLEMENTING THE TRID RULE, OR <$XYZ/#2015 ORIGINATIONS> PER MORTGAGE LOAN THAT WOULD BE COVERED BY THE TRID RULE ORIGINATED IN 2015. IS THIS APPROXIMATELY CORRECT?

Response	Count	Percent
Yes	80	80.8%
No	11	11.1%
Did not respond	8	8.1%
Total	99	100.0%

No, the actual cost per mortgage is:

Percentile	Value
25th percentile ($)	500.00
50th percentile ($)	30,000.00
75th percentile ($)	100,000.00
Did not respond	0
Total	11

TABLE 18: APPROXIMATELY WHAT WAS YOUR INSTITUTION'S PRODUCTION COST PER MORTGAGE LOAN COVERED BY THE TRID RULE (THAT IS, YOUR INSTITUTION'S TOTAL LOAN PRODUCTION COSTS, DIVIDED BY THE NUMBER OF LOANS ORIGINATED) DURING THE THREE TIME PERIODS BELOW?

Year before the TRID Rule took effect

Response	Count	Percent
$0	7	7.1%
$1 – $100	9	9.1%
$101 – $500	19	19.2%
$501 – $1000	12	12.1%
$1001 – $5000	16	16.2%
$5001 – 10,000	6	6.1%
$10,001 – 50,000	0	0.0%
$50,001 – $100,000	0	0.0%
More than $100,000	0	0.0%
Did not respond	30	30.3%
Total	99	100.0%

First year after the TRID Rule took effect

Response	Count	Percent
$0	6	6.1%
$1– $100	6	6.1%
$101 – $500	18	18.2%
$501 – $1000	12	12.1%
$1001 – $5000	18	18.2%
$5001 – 10,000	9	9.1%
$10,001 – 50,000	1	1.0%
$50,001 – $100,000	0	0.0%
More than $100,000	0	0.0%
Did not respond	29	29.3%
Total	99	100.0%

Calendar year 2018

Response	Count	Percent
$0	7	7.1%
$1 – $100	6	6.1%
$101 – $500	20	20.2%
$501 – $1000	6	6.1%
$1001 – $5000	21	21.2%
$5001 – 10,000	7	7.1%
$10,001 – 50,000	5	5.1%
$50,001 – $100,000	0	0.0%
More than $100,000	0	0.0%
Did not respond	27	27.3%
Total	99	100.0%

TABLE 19: APPROXIMATELY WHAT WAS YOUR INSTITUTION'S REVENUE PER MORTGAGE LOAN COVERED BY THE TRID RULE (THAT IS, YOUR INSTITUTION'S TOTAL LOAN PRODUCTION REVENUES, DIVIDED BY THE NUMBER OF LOANS ORIGINATED) DURING THE THREE TIME PERIODS BELOW?

Year before the TRID Rule took effect

Response	Count	Percent
$0	10	10.1%
$1 – $100	1	1.0%
$101 – $500	2	2.0%
$501 – $1000	7	7.1%
$1001 – $5000	25	25.3%
$5001 – 10,000	8	8.1%
$10,001 – 50,000	2	2.0%
$50,001 - $100,000	0	0.0%
More than $100,000	0	0.0%
Did not respond	44	44.4%
Total	99	100.0%

First year after the TRID Rule took effect

Response	Count	Percent
$0	9	9.1%
$1 – $100	1	1.0%
$101 – $500	2	2.0%
$501 – $1,000	6	6.1%
$1,001 – $5,000	25	25.3%
$5,001 – $10,000	10	10.1%
$10,001 – $50,000	3	3.0%
$50,001 – $100,000	0	0.0%

Response	Count	Percent
More than $100,000	0	0.0%
Did not respond	43	43.4%
Total	99	100.0%

Calendar year 2018

Response	Count	Percent
$0	9	9.1%
$1 – $100	1	1.0%
$101 – $500	3	3.0%
$501 – $1,000	6	6.1%
$1,001 – $5,000	24	24.2%
$5,001 – $10,000	9	9.1%
$10,001 – $50,000	4	4.0%
$50,001 – $100,000	0	0.0%
More than $100,000	0	0.0%
Did not respond	43	43.4%
Total	99	100.0%

TABLE 20: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, APPROXIMATELY HOW MUCH DID EACH OF THE FOLLOWING FACTORS CONTRIBUTE TO ANY CHANGE IN YOUR INSTITUTION'S COST PER MORTGAGE LOAN ORIGINATION?

Change in process for estimating or verifying closing costs, if any

Response	Count	Percent
Increased costs significantly	40	40.4%
Increased costs somewhat	34	34.3%
Neither increased nor decreased costs	9	9.1%
Decreased costs somewhat	1	1.0%

Response	Count	Percent
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	6	6.1%
Did not respond	9	9.1%
Total	99	100.0%

Change in frequency of absorbing or refunding consumers for costs or fees that rise above tolerances, if any

Response	Count	Percent
Increased costs significantly	35	35.4%
Increased costs somewhat	44	44.4%
Neither increased nor decreased costs	6	6.1%
Decreased costs somewhat	2	2.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	3	3.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in efficiency of loan origination process, if any

Response	Count	Percent
Increased costs significantly	49	49.5%
Increased costs somewhat	25	25.3%
Neither increased nor decreased costs	9	9.1%
Decreased costs somewhat	4	4.0%
Decreased costs significantly	2	2.0%

Response	Count	Percent
N/A (My institution did not experience a change in this factor)	1	1.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in ease of disclosure provision, if any

Response	Count	Percent
Increased costs significantly	43	43.4%
Increased costs somewhat	30	30.3%
Neither increased nor decreased costs	13	13.1%
Decreased costs somewhat	1	1.0%
Decreased costs significantly	1	1.0%
N/A (My institution did not experience a change in this factor)	2	2.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in requirements or process for developing compliant disclosure for unusual mortgage loans, if any

Response	Count	Percent
Increased costs significantly	35	35.4%
Increased costs somewhat	29	29.3%
Neither increased nor decreased costs	17	17.2%
Decreased costs somewhat	2	2.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	7	7.1%

Response	Count	Percent
Did not respond	9	9.1%
Total	99	100.0%

Change in number of initial disclosures (not including revised disclosures) issued (Loan Estimates, Good Faith Estimates/Initial TIL Disclosures), if any

Response	Count	Percent
Increased costs significantly	38	38.4%
Increased costs somewhat	26	26.3%
Neither increased nor decreased costs	19	19.2%
Decreased costs somewhat	3	3.0%
Decreased costs significantly	1	1.0%
N/A (My institution did not experience a change in this factor)	3	3.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in number of revised disclosures, if any

Response	Count	Percent
Increased costs significantly	49	49.5%
Increased costs somewhat	29	29.3%
Neither increased nor decreased costs	9	9.1%
Decreased costs somewhat	2	2.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	1	1.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in need for ongoing training, if any

Response	Count	Percent
Increased costs significantly	50	50.5%
Increased costs somewhat	32	32.3%
Neither increased nor decreased costs	7	7.1%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	1	1.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in need for coordination with third parties, if any

Response	Count	Percent
Increased costs significantly	39	39.4%
Increased costs somewhat	30	30.3%
Neither increased nor decreased costs	16	16.2%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	5	5.1%
Did not respond	9	9.1%
Total	99	100.0%

Change in timing of closings, if any

Response	Count	Percent
Increased costs significantly	46	46.5%

Response	Count	Percent
Increased costs somewhat	34	34.3%
Neither increased nor decreased costs	9	9.1%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	1	1.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in pre-closing quality control, if any

Response	Count	Percent
Increased costs significantly	39	39.4%
Increased costs somewhat	35	35.4%
Neither increased nor decreased costs	12	12.1%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	3	3.0%
Did not respond	10	10.1%
Total	99	100.0%

Change in post-closing audit and verification, if any

Response	Count	Percent
Increased costs significantly	40	40.4%
Increased costs somewhat	35	35.4%
Neither increased nor decreased costs	12	12.1%

Response	Count	Percent
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	3	3.0%
Did not respond	9	9.1%
Total	99	100.0%

Change in number of questions from consumers, if any

Response	Count	Percent
Increased costs significantly	24	24.2%
Increased costs somewhat	31	31.3%
Neither increased nor decreased costs	23	23.2%
Decreased costs somewhat	2	2.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	10	10.1%
Did not respond	9	9.1%
Total	99	100.0%

Change in need for legal advice, if any

Response	Count	Percent
Increased costs significantly	32	32.3%
Increased costs somewhat	30	30.3%
Neither increased nor decreased costs	20	20.2%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%

Response	Count	Percent
N/A (My institution did not experience a change in this factor)	6	6.1%
Did not respond	11	11.1%
Total	99	100.0%

Other: Please Specify

Response	Count	Percent
Increased costs significantly	4	4.0%
Increased costs somewhat	2	2.0%
Neither increased nor decreased costs	1	1.0%
Decreased costs somewhat	0	0.0%
Decreased costs significantly	0	0.0%
N/A (My institution did not experience a change in this factor)	3	3.0%
Did not respond	89	90.0%
Total	99	100.0%

TABLE 21: THINKING BACK TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, IN ORDER TO AVOID TOLERANCE VIOLATIONS ON SETTLEMENT SERVICE FEES, HOW OFTEN DID YOUR INSTITUTION DO EACH OF THE FOLLOWING ON A MORTGAGE LOAN?

For a fee that can vary across a range, disclosed in good faith an estimated fee amount that was at the top of that range

Response	Count	Percent
Almost Always	31	31.3%
Often	21	21.2%
Sometimes	18	18.2%
Rarely	17	17.2%
Never	6	6.1%

Response	Count	Percent
Did not respond	6	6.1%
Total	99	100.0%

When allowing consumers to shop, provided the consumer with a written list of service providers with only one provider

Response	Count	Percent
Almost Always	30	30.0%
Often	18	18.2%
Sometimes	6	6.1%
Rarely	17	17.2%
Never	22	22.2%
Did not respond	6	6.1%
Total	99	100.0%

Where permitted, required the use of a specific settlement service provider (moving the fee to the 0% tolerance category)

Response	Count	Percent
Almost Always	11	11.1%
Often	11	11.1%
Sometimes	14	14.1%
Rarely	18	18.2%
Never	39	39.4%
Did not respond	6	6.1%
Total	99	100.0%

Entered into contracts or agreements with settlement providers to limit rate fluctuation

Response	Count	Percent
Almost Always	8	8.1%
Often	4	4.0%
Sometimes	10	10.1%
Rarely	12	12.1%
Never	59	59.6%
Did not respond	6	6.1%
Total	99	100.0%

Absorbed or refunded consumers for costs or fees that rose above tolerances

Response	Count	Percent
Almost Always	21	21.2%
Often	10	10.1%
Sometimes	29	29.3%
Rarely	29	29.3%
Never	4	4.0%
Did not respond	6	6.1%
Total	99	100.0%

TABLE 22: THINKING BACK TO THE YEAR AFTER THE TRID RULE TOOK EFFECT, IN ORDER TO AVOID TOLERANCE VIOLATIONS ON SETTLEMENT SERVICE FEES, HOW OFTEN DID YOUR INSTITUTION DO EACH OF THE FOLLOWING ON A MORTGAGE LOAN?

For a fee that can vary across a range, disclosed in good faith an estimated fee amount that was at the top of that range

Response	Count	Percent
Almost Always	39	39.4%
Often	18	18.2%

Response	Count	Percent
Sometimes	12	12.1%
Rarely	11	11.1%
Never	12	12.1%
Did not respond	7	7.1%
Total	99	100.0%

When allowing consumers to shop, provided the consumer with a written list of service providers with only one provider

Response	Count	Percent
Almost Always	42	42.4%
Often	17	17.2%
Sometimes	6	6.1%
Rarely	6	6.1%
Never	21	21.2%
Did not respond	7	7.1%
Total	99	100.0%

Where permitted, required the use of a specific settlement service provider (moving the fee to the 0% tolerance category)

Response	Count	Percent
Almost Always	20	20.2%
Often	11	11.1%
Sometimes	8	8.1%
Rarely	17	17.2%
Never	36	36.4%
Did not respond	7	7.1%

Response	Count	Percent
Total	99	100.0%

Entered into contracts or agreements with settlement providers to limit rate fluctuation

Response	Count	Percent
Almost Always	8	8.1%
Often	7	7.1%
Sometimes	9	9.1%
Rarely	11	11.1%
Never	56	56.6%
Did not respond	8	8.1%
Total	99	100.0%

Absorbed or refunded consumers for costs or fees that rose above tolerances

Response	Count	Percent
Almost Always	30	30.3%
Often	25	25.3%
Sometimes	24	24.2%
Rarely	8	8.1%
Never	5	5.1%
Did not respond	7	7.1%
Total	99	100.0%

TABLE 23: THINKING BACK TO CALENDAR YEAR 2018, IN ORDER TO AVOID TOLERANCE VIOLATIONS ON SETTLEMENT SERVICE FEES, HOW OFTEN DID YOUR INSTITUTION DO EACH OF THE FOLLOWING ON A MORTGAGE LOAN?

For a fee that can vary across a range, disclosed in good faith an estimated fee amount that was at the top of that range

Response	Count	Percent
Almost Always	38	38.4%
Often	19	19.2%
Sometimes	14	14.1%
Rarely	10	10.1%
Never	12	12.1%
Did not respond	6	6.1%
Total	99	100.0%

When allowing consumers to shop, provided the consumer with a written list of service providers with only one provider

Response	Count	Percent
Almost Always	46	46.5%
Often	11	11.1%
Sometimes	8	8.1%
Rarely	7	7.1%
Never	21	21.2%
Did not respond	6	6.1%
Total	99	100.0%

Where permitted, required the use of a specific settlement service provider (moving the fee to the 0% tolerance category)

Response	Count	Percent
Almost Always	20	20.2%
Often	11	11.1%

Response	Count	Percent
Sometimes	11	11.1%
Rarely	12	12.1%
Never	39	39.4%
Did not respond	6	6.1%
Total	99	100.0%

Entered into contracts or agreements with settlement providers to limit rate fluctuation

Response	Count	Percent
Almost Always	10	10.1%
Often	5	5.1%
Sometimes	14	14.1%
Rarely	5	5.1%
Never	58	58.6%
Did not respond	7	7.1%
Total	99	100.0%

Absorbed or refunded consumers for costs or fees that rose above tolerances

Response	Count	Percent
Almost Always	32	32.3%
Often	17	17.2%
Sometimes	31	31.3%
Rarely	9	9.1%
Never	4	4.0%
Did not respond	6	6.1%
Total	99	100.0%

TABLE 24: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID YOUR INSTITUTION'S AVERAGE CLOSING TIME (THE PERIOD OF TIME FROM LOAN APPLICATION TO LOAN CONSUMMATION) CHANGE?

Response	Count	Percent
Increased significantly	43	43.4%
Increased somewhat	32	32.3%
Remained the same	15	15.2%
Decreased somewhat	4	4.0%
Decreased significantly	1	1.0%
I don't know	2	2.0%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 25: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID YOUR INSTITUTION'S AVERAGE CLOSING TIME (THE PERIOD OF TIME FROM LOAN APPLICATION TO LOAN CONSUMMATION) CHANGE?

Response	Count	Percent
Increased significantly	24	24.2%
Increased somewhat	39	39.4%
Remained the same	21	21.2%
Decreased somewhat	10	10.1%
Decreased significantly	1	1.0%
I don't know	3	3.0%
Did not respond	1	1.0%
Total	99	100.0%

TABLE 26: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, MORTGAGE LOANS ORIGINATED AT YOUR INSTITUTION WERE…

Response	Count	Percent
Equally likely to close on the scheduled closing date in the year after	35	35.4%
Less likely to close on the scheduled closing date in the year after	56	56.6%
More likely to close on the scheduled closing date in the year after	7	7.1%
Did not respond	1	1.0%
Total	99	100.0%

TABLE 27: HOW LONG DID THE EFFECT ON CLOSING TIMES LAST? (QUESTION DISPLAYED IF ANSWERED MORE/LESS LIKELY IN QUESTION 26 EQUALLY LIKELY RESPONSES SKIPPED QUESTION 27.)

Response	Count	Percent
Less than 6 months	17	17.2%
6 months or more	45	45.5%
Did not respond	37	37.4%
Total	99	100.0%

TABLE 28: THINKING BACK TO EACH OF THE FOLLOWING TIME PERIODS, APPROXIMATELY WHAT PERCENT OF MORTGAGE LOANS COVERED BY THE TRID RULE MATCH THE ABOVE DESCRIPTION (I.E., CONTAINED AT LEAST ONE ERROR IN THE FINAL DISCLOSURE PROVIDED TO THE BORROWER AT OR BEFORE CLOSING)?

The year before the TRID Rule took effect

Response	Count	Percent
0%	13	13.1%
1% – 25%	52	52.5%
26% – 50%	5	5.1%
51% – 75%	1	1.0%

Response	Count	Percent
75% – 100%	14	14.1%
Did not respond	14	14.1%
Total	99	100.0%

The first year after the TRID Rule took effect

Response	Count	Percent
0%	6	6.1%
1% – 25%	39	39.4%
26% – 50%	14	14.1%
51% – 75%	3	3.0%
75% – 100%	23	23.2%
Did not respond	14	14.1%
Total	99	100.0%

Calendar year 2018

Response	Count	Percent
0%	9	9.1%
1% – 25%	46	46.5%
26% – 50%	10	10.1%
51% – 75%	2	2.0%
75% – 100%	19	19.2%
Did not respond	13	13.1%
Total	99	100.0%

TABLE 29: THINKING BACK TO EACH OF THE FOLLOWING TIME PERIODS, OF THE ABOVE DESCRIBED MORTGAGES THAT YOU SOLD, APPROXIMATELY WHAT PERCENT WERE YOU ABLE TO SELL AT APPROXIMATELY THE PRICE YOU ORIGINALLY EXPECTED?

The year before the TRID Rule took effect

Response	Count	Percent
0%	16	16.2%
1% – 25%	0	0.0%
26% – 50%	2	2.0%
51% – 75%	1	1.0%
75% – 100%	55	55.6%
Did not respond	25	25.3%
Total	99	100.0%

The first year after the TRID Rule took effect

Response	Count	Percent
0%	15	15.2%
1% – 25%	3	3.0%
26% – 50%	3	3.0%
51% – 75%	5	5.1%
75% – 100%	48	48.5%
Did not respond	25	25.3%
Total	99	100.0%

Calendar year 2018

Response	Count	Percent
0%	15	15.2%
1% – 25%	1	1.0%
26% – 50%	3	3.0%
51% – 75%	3	3.0%

Response	Count	Percent
75% – 100%	53	53.5%
Did not respond	24	24.2%
Total	99	100.0%

TABLE 30: IF APPLICABLE, WHAT STRATEGIES DID YOUR INSTITUTION USE TO SELL THE ABOVE DESCRIBED MORTGAGES AT APPROXIMATELY THE PRICE YOU ORIGINALLY EXPECTED? (MARK ALL THAT APPLY)[432]

Response	Count	Percent
Offered borrower a free refinance	12	12.1%
Sold the mortgage loan to a different institution than originally intended at approximately the original price	15	15.2%
Cured the loan/disclosure	56	56.6%
Other, please specify	12	12.1%
Did not respond	31	31.3%
Total	126	

TABLE 31: IF APPLICABLE, WHAT STRATEGIES DID YOUR INSTITUTION USE TO SELL THE ABOVE DESCRIBED MORTGAGES AT A PRICE BELOW WHAT YOU ORIGINALLY EXPECTED? (MARK ALL THAT APPLY)

Response	Count	Percent
Sold the loan at a reduced price (e.g., on the “scratch and dent” market)	14	14.1%
Cured the loan/disclosure	46	46.4%
Other: please specify	11	11.1%
Did not respond	40	40.4%
Total	111	

[432] Respondents were able to select multiple options. Counts are greater than the number of respondents.

TABLE 32: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION KEPT IN PORTFOLIO CHANGE?

Response	Count	Percent
Increased significantly	4	4.0%
Increased somewhat	15	15.2%
Remained the same	57	57.6%
Decreased somewhat	1	1.0%
Decreased significantly	5	5.1%
Not applicable	9	9.1%
I don’t know	6	6.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 33: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION KEPT IN PORTFOLIO? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 32)

Response	Count	Percent
Yes	13	52.0%
No	7	28.0%
I don’t know	5	20.0%
Did not respond	0	0.0%
Total	25	100.0%

TABLE 34: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD TO GSES CHANGE?

Response	Count	Percent
Increased significantly	0	0.0%
Increased somewhat	1	1.0%
Remained the same	53	53.5%
Decreased somewhat	2	2.0%
Decreased significantly	1	1.0%
Not applicable	33	33.3%
I don’t know	7	7.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 35: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD TO GSES? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 34)

Response	Count	Percent
Yes	0	0.0%
No	1	25.0%
I don’t know	0	0.0%
Did not respond	3	75.0%
Total	4	100.0%

TABLE 36: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD FOR INCLUSION IN GINNIE MAE GUARANTEED SECURITIES CHANGE

Response	Count	Percent
Increased significantly	1	1.0%

Response	Count	Percent
Increased somewhat	1	1.0%
Remained the same	17	17.2%
Decreased somewhat	1	1.0%
Decreased significantly	0	0.0%
Not applicable	66	66.7%
I don’t know	11	11.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 37: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD FOR INCLUSION IN GINNIE MAE GUARANTEED SECURITIES? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 36)

Response	Count	Percent
Yes	2	66.7%
No	1	33.3%
I don’t know	0	0.0%
Did not respond	0	0.0%
Total	3	100.0%

TABLE 38: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD FOR INCLUSION IN PRIVATE LABEL SECURITIES CHANGE?

Response	Count	Percent
Increased significantly	0	0.0%
Increased somewhat	2	2.0%
Remained the same	11	11.1%

Response	Count	Percent
Decreased somewhat	2	2.0%
Decreased significantly	1	1.0%
Not applicable	73	73.7%
I don't know	8	8.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 39: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD FOR INCLUSION IN PRIVATE LABEL SECURITIES? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 38)

Response	Count	Percent
Yes	3	60.0%
No	2	40.0%
I don't know	0	0.0%
Did not respond	0	0.0%
Total	5	100.0%

TABLE 40: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD ON THE SCRATCH AND DENT MARKET CHANGE?

Response	Count	Percent
Increased significantly	0	0.0%
Increased somewhat	2	2.0%
Remained the same	9	9.1%
Decreased somewhat	0	0.0%
Decreased significantly	0	0.0%
Not applicable	73	73.7%

Response	Count	Percent
I don’t know	13	13.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 41: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF MORTGAGE LOANS THAT YOUR INSTITUTION SOLD ON THE SCRATCH AND DENT MARKET? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 40)

Response	Count	Percent
Yes	2	100.0%
No	0	0.0%
I don’t know	0	0.0%
Did not respond	0	0.0%
Total	2	100.0%

TABLE 42: YOU INDICATED THAT YOUR INSTITUTION’S <SPECIFICALLY WHAT CHANGED> CHANGED. DID THESE CHANGES AFFECT YOUR INSTITUTION’S ABILITY TO ORIGINATE NEW MORTGAGE LOANS? IF YES, PLEASE TELL US WHY. (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 32, TABLE 34, TABLE 36, TABLE 38, OR TABLE 40)

Response	Count	Percent
Yes	7	23.3%
No	13	43.3%
I don’t know	0	0.0%
Did not respond	10	33.3%
Total	30	100.0%

TABLE 43: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE HOME EQUITY LOANS (CLOSED-END, NOT THE PRIMARY MORTGAGE) CHANGE?

Response	Count	Percent
Increased significantly	0	0.0%
Increased somewhat	8	8.1%
Remained the same	48	48.5%
Decreased somewhat	4	4.0%
Decreased significantly	6	6.1%
Not applicable	21	21.2%
I don't know	10	10.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 44: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE HOME EQUITY LOANS (CLOSED-END, NOT THE PRIMARY MORTGAGE) CHANGE?

Response	Count	Percent
Increased significantly	4	4.0%
Increased somewhat	5	5.1%
Remained the same	48	48.5%
Decreased somewhat	5	5.1%
Decreased significantly	4	4.0%
Not applicable	21	21.2%
I don't know	10	10.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 45: DID THE TRID RULE CAUSE A CHANGE IN THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE HOME EQUITY LOANS (CLOSED-END, NOT THE PRIMARY MORTGAGE)? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 43 OR TABLE 44)

Response	Count	Percent
Yes	7	31.8%
No	11	50.0%
I don't know	0	0.0%
Did not respond	4	18.2%
Total	22	100.0%

TABLE 46: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE HOME EQUITY LINES OF CREDIT (HELOCS) CHANGE?

Response	Count	Percent
Increased significantly	3	3.0%
Increased somewhat	15	15.2%
Remained the same	41	41.4%
Decreased somewhat	1	1.0%
Decreased significantly	3	3.0%
Not applicable	24	24.2%
I don't know	9	9.1%
Did not respond	3	3.0%
Total	99	100.0%

TABLE 47: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE HOME EQUITY LINES OF CREDIT (HELOCS) CHANGE?

Response	Count	Percent
Increased significantly	5	5.1%

Response	Count	Percent
Increased somewhat	13	13.1%
Remained the same	42	42.4%
Decreased somewhat	1	1.0%
Decreased significantly	3	3.0%
Not applicable	24	24.2%
I don’t know	8	8.1%
Did not respond	3	3.0%
Total	99	100.0%

TABLE 48: DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF YOUR INSTITUTION’S ORIGINATIONS THAT WERE HOME EQUITY LINES OF CREDIT (HELOCS)? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 46 OR TABLE 47)

Response	Count	Percent
Yes	9	34.6%
No	12	46.2%
I don’t know	4	15.4%
Did not respond	1	3.8%
Total	26	100.0%

TABLE 49: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION’S ORIGINATIONS THAT WERE CONSTRUCTION LOANS CHANGE?

Response	Count	Percent
Increased significantly	3	3.0%
Increased somewhat	4	4.0%
Remained the same	44	44.4%

Response	Count	Percent
Decreased somewhat	3	3.0%
Decreased significantly	3	3.0%
Not applicable	33	33.3%
I don't know	7	7.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 50: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE CONSTRUCTION LOANS CHANGE?

Response	Count	Percent
Increased significantly	6	6.1%
Increased somewhat	12	12.1%
Remained the same	35	35.4%
Decreased somewhat	4	4.0%
Decreased significantly	2	2.0%
Not applicable	31	31.3%
I don't know	7	7.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 51: IF APPLICABLE, DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF YOUR INSTITUTION'S ORIGINATIONS THAT WERE CONSTRUCTION LOANS? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 49 OR TABLE 50)

Response	Count	Percent
Yes	9	33.3%
No	13	48.1%

Response	Count	Percent
I don’t know	3	11.1%
Did not respond	2	7.4%
Total	27	100.0%

TABLE 52: COMPARING THE YEAR AFTER THE TRID RULE TOOK EFFECT TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION’S ORIGINATIONS THAT WERE MANUFACTURED HOUSING LOANS SECURED BY REAL PROPERTY CHANGE?

Response	Count	Percent
Increased significantly	1	1.0%
Increased somewhat	1	1.0%
Remained the same	53	53.5%
Decreased somewhat	3	3.0%
Decreased significantly	0	0.0%
Not applicable	32	32.3%
I don’t know	7	7.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 53: COMPARING CALENDAR YEAR 2018 TO THE YEAR BEFORE THE TRID RULE TOOK EFFECT, HOW DID THE PERCENT OF YOUR INSTITUTION’S ORIGINATIONS THAT WERE MANUFACTURED HOUSING LOANS SECURED BY REAL PROPERTY CHANGE?

Response	Count	Percent
Increased significantly	0	0.0%
Increased somewhat	5	5.1%
Remained the same	51	51.5%
Decreased somewhat	2	2.0%

Response	Count	Percent
Decreased significantly	0	0.0%
Not applicable	31	31.3%
I don’t know	8	8.1%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 54: IF APPLICABLE, DID THE TRID RULE CAUSE THE CHANGE IN THE PERCENT OF YOUR INSTITUTION’S ORIGINATIONS THAT WERE MANUFACTURED HOUSING LOANS SECURED BY REAL PROPERTY? IF SO, HOW? (QUESTION ONLY DISPLAYED IF CHANGE INDICATED IN TABLE 52 OR TABLE 53)

Response	Count	Percent
Yes	3	33.3%
No	5	55.6%
I don’t know	0	0.0%
Did not respond	1	11.1%
Total	9	100.0%

TABLE 55: WERE THERE PRODUCTS OTHER THAN THOSE LISTED ABOVE (HELOANS, HELOCS, CONSTRUCTION LOANS, OR MANUFACTURED HOUSING LOANS) FOR WHICH YOUR INSTITUTION’S ORIGINATION VOLUME CHANGED SUBSTANTIALLY AS A RESULT OF THE TRID RULE?

Response	Count	Percent
Yes	4	4.0%
No	93	93.9%
Did not respond	2	2.0%
Total	99	100.0%

TABLE 56: FOR WHICH PRODUCTS DID YOUR INSTITUTION'S ORIGINATION VOLUME CHANGE SUBSTANTIALLY DUE TO THE TRID RULE? PLEASE EXPLAIN. (QUESTION ONLY DISPLAYED IF "YES" INDICATED IN TABLE 55)

Response	Count	Percent
Increased significantly	2	50.0%
Decreased significantly	2	50.0%
Did not respond	0	0.0%
Total	4	100.0%

TABLE 57: THANK YOU FOR COMPLETING THIS SURVEY AND PROVIDING DATA THAT WILL HELP THE BUREAU UNDERSTAND THE EFFECTS OF THE TRID RULE. IF YOU HAVE ANY ADDITIONAL COMMENTS, PLEASE USE THIS SPACE TO DESCRIBE EFFECTS OF THE TRID RULE THAT YOU THINK THE SURVEY MAY HAVE OTHERWISE MISSED.

Response	Count	Percent
A response	28	28.3%
Did not respond	71	71.7%
Total	99	100.0%

APPENDIX E: TECHNICAL APPENDIX

This appendix is organized to mirror the chapters of the report. Sections are named to match the names of the chapters, and information and analyses of each section are intended to supplement the information and analyses in the chapter of the report with the same name.

E.1 Consumer effects

E.1.1 Quantitative study

This section describes the methodology for calculating worst-case bounds of standard errors for the indices of grouped questions in Chapter 3: Consumer effects. For information about the Quantitative Study's methodology, please refer to the data description in Appendix C.

Methodology for worst-case bounds of standard errors for indices of binary variables

To investigate the goals of the Rule, the Bureau constructed summary indices by grouping related questions from the Quantitative Study. These question-group indices were constructed after-the-fact using published statistics from the original report, and not with the original data. The question groups used in the summary indices in this report are dissimilar to the groups used in the Quantitative Study as the new groups were created to better reflect the goals of the TRID Rule. Though the average fraction of questions answered correctly is the same, it is not possible to construct conventional standard errors and confidence errors for the index measures. However, because all the responses are binary, it is possible to create upper bounds for how large those conventional standard errors would be without additional assumptions. The chapter uses these upper-bound standard errors in its statistical tests. Statements of statistical significance in the chapter are therefore somewhat conservative.

The remainder of this subsection describes how upper-bound standard errors were constructed. Formally, consider an index

$$\boldsymbol{Z} = \frac{1}{N}\sum_{i}\underbrace{\frac{1}{J}\sum_{j} Y_{ij}}_{Z_i}$$

where Y_{ij} is an indicator for whether respondent i answered question j correctly, Z_i is the average fraction of questions individual i answered correctly, J denotes the total number of questions in the index, and N is the total number of respondents. Noting that this index can also be written as

$$\boldsymbol{Z} = \frac{1}{J}\sum_j \frac{1}{N}\sum_i Y_{ij}$$
$$= \frac{1}{J}\sum_j \bar{Y}_J$$

the Bureau constructed the indices by taking simple averages of groups of questions. The standard error of the index is defined as $SE[\boldsymbol{Z}] = \sqrt{\frac{Var[\boldsymbol{Z}_i]}{N}}$. The population variance of $\boldsymbol{Z}_i$ is

$$Var[\boldsymbol{Z}_i] = Var\left[\frac{1}{J}\sum_j Y_{ij}\right]$$
$$= \frac{1}{J^2}\sum_j\sum_{j'} Cov\left[Y_{ij}, Y_{ij'}\right]$$
$$= \frac{1}{J^2}\left(\sum_j Var\left[Y_{ij}\right] + \sum_{j'\neq j} Cov\left[Y_{ij}, Y_{ij'}\right]\right)$$

Without the original data, only the first variance term of the last equation has a feasible estimator (since $Var\left[Y_{ij}\right] = E\left[Y_{ij}\right]\left(1 - E\left[Y_{ij}\right]\right)$ in the case of binary random variables distributed according to the Bernoulli distribution).

However, the covariance $Cov\left[Y_{ij}, Y_{ij'}\right]$ increases when individuals' answers for questions j and j' coincide. The maximum value of these covariance terms can be given by

$$Cov_{max}\left[Y_{ij}, Y_{ij'}\right] = \max\left(\boldsymbol{E}\left[Y_j\right], \boldsymbol{E}\left[Y_{j'}\right]\right) - \boldsymbol{E}\left[Y_j\right]\boldsymbol{E}\left[Y_{j'}\right]$$

The upper-bound standard errors for $\boldsymbol{Z}$ are thus computed using the sample analogs of the pairwise maximum covariances:

$$SE_{UpperBound}[\bar{\boldsymbol{Z}}] = \frac{1}{J}\sqrt{\sum_j\sum_{j'}\frac{N}{N-1}\max\left(\bar{Y}_j, \bar{Y}_{j'}\right) - \bar{Y}_j \cdot \bar{Y}_{j'}}$$

where $\frac{N}{N-1}$ is a degree-of-freedom adjustment. The statistical tests for differences (pre- versus post-TRID Rule) in the question-group indices are computed using upper-bound standard errors.

E.1.2 National Survey of Mortgage Originations (NSMO)

This section discusses the methodology for the NSMO analyses in Chapter 3: Consumer effects, followed by regression tables for the figures in this chapter. For more information about the NSMO, please refer to the data description in Appendix C.

Methodology

This report analyzes the effects of the TRID Rule on NSMO responses using logit regression models, controlling for a variety of borrower and loan characteristics.

For NSMO questions that have yes/no responses or are similarly coded with two mutually exclusive outcomes, the Bureau coded each respondent i's outcome Y_i as a binary variable and estimated the post-TRID Rule effect[433] β on Y_i in a logit regression,[434] weighted by NSMO survey weights that account for oversampling of specific populations (such as rural borrowers) and non-response. The latent-variable model for the logit regression can be written as

$$Y_i^* = \beta T_i + \Gamma \boldsymbol{X}_i + \varepsilon_i,$$

where $\varepsilon_i \sim \text{Logistic}(0, 1)$. The outcome Y_i is then an indicator variable for whether the latent variable Y_i^* is positive:

$$Y_i = \begin{cases} 1, & \text{if } Y_i^* > 0 \text{ i.e. } -\varepsilon_i < \beta T_i + \Gamma \boldsymbol{X}_i \\ 0, & \text{otherwise} \end{cases}$$

The treatment variable T_i equals one if the respondent opened their mortgage loan in 2016 or 2017, during the post-TRID Rule period. The estimated coefficient β is transformed into an average marginal effect for the outcome Y_i, in order to calculate an overall Percent-point post-TRID increase or decrease in the share of "yes" responses to the survey question, adjusted for a vector of control variables $\boldsymbol{X}_i$ to account for the changing composition of mortgage borrowers. These control variables $\boldsymbol{X}_i$ include borrower characteristics such as credit score (coded in decile bins), household income (categorical), respondent's age, sex, race/ethnicity, education level, marital status, and work status; loan origination month and year; loan characteristics such as the loan amount, loan type, if it is a jumbo loan, and if the loan is located in a metropolitan or non-metropolitan area; and market conditions including the interest rate from Freddie Mac's Primary Mortgage Market Survey at the time the mortgage was originated.

All control variables are implemented as binary indicator variables; continuous variables that are reported in the NSMO, such as respondent age and credit score, are categorized into decile bins to allow for non-linear relationships with the outcome variables.

433 More accurately, the estimated effect is a description of the change in the outcome variable, adjusted for borrower characteristics and weighted by the survey response rate. The analysis cannot say that the TRID Rule caused this change.

434 The Bureau also estimated post-TRID Rule effects using linear probability and probit regression models; the resulting point estimates from linear probability models and the average marginal effects from probit models are similar in magnitude and direction as the estimated post-TRID Rule average marginal effects from the logit model.

There are other NSMO questions that ask about borrowers' satisfaction on specific topics regarding their mortgages. These questions have three ordinal responses, "very satisfied / somewhat satisfied / not at all satisfied." These questions were recoded into binary variables, with "somewhat satisfied" and "not at all satisfied" becoming one category. The outcome variable for these questions is the share of borrowers responding, "very satisfied." Analyzing the post-TRID effect for these questions follows the method above for logit regression.

As a robustness check, the Bureau also estimated ordered logit and multinomial logit models to measure changes to ordinal outcome survey questions, using the same control variables mentioned above. The point estimates can be converted into average marginal effects so that they can be interpreted as a Percent-point increase or decrease in specific ordinal survey responses. In an ordered logit model, each covariate affects the outcome in a single direction; for example, post-TRID borrowers may either have increased satisfaction or decreased satisfaction for a given outcome. A multinomial logit model further relaxes the assumption that effects are unidirectional. For example, the effect of a certain variable on an outcome may be in an increase in "somewhat" satisfied responses but a decline in "very" and "not at all" responses (or vice versa).

The Bureau compared results from binary logit models focusing on the change in "very satisfied" responses to ordered logit and multinomial logit models; and found that the estimated average marginal effects from ordered and multinomial logit models are similar in magnitude and direction to the estimated coefficients from binary logit models, with ordered logit estimates generally having smaller standard errors than the multinomial logit estimates. The similarity between ordered and multinomial logit results shows that the post-TRID Rule effects were unidirectional, and for almost all outcomes, the increase in "very satisfied" responses from borrowers was associated with related decreases in "somewhat" and "not at all" satisfaction responses.

The NSMO regression model results in this chapter can be interpreted as describing post-TRID/pre-TRID differences in survey responses, adjusting for borrower and loan characteristics. These regression estimates are thus correlational relationships.[435]

NSMO regression results

The regression tables below contain the point estimates used for the figures in this chapter. Each column represents a separate regression as follows: column (1), the full NSMO sample of relevance for this assessment; column (2), the subsample of first-time homebuyers; column (3),

[435] Only under strong assumptions that no unobserved borrower or loan characteristics can both affect treatment assignment (applying for a mortgage pre- vs. post-TRID Rule) and borrower outcomes can these estimates be interpreted as causal effects of the TRID Rule. In the causal inference literature, this is known as the conditional-independence assumption or the selection-on-observables assumption.

the subsample of repeat homebuyers who took out a mortgage for a new property; and column (4), the subsample of refinancers taking out a new mortgage on a property they currently own.

TABLE 1: Q21A: WAS THE 'LOAN ESTIMATE' YOU RECEIVED FROM YOUR LENDER/MORTGAGE BROKER EASY TO UNDERSTAND?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.019***	0.030*	0.026**	0.017**
Standard Error	0.006	0.016	0.011	0.008
Pre-TRID Mean	0.893	0.857	0.898	0.901
N	28449	4378	8067	14216

[notes: *** p < .01; ** p < .05; * p< .1]

TABLE 2: Q21B: WAS THE 'LOAN ESTIMATE' YOU RECEIVED FROM YOUR LENDER/MORTGAGE BROKER VALUABLE INFORMATION?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.057***	0.060***	0.048***	0.058***
Standard Error	0.006	0.014	0.012	0.009
Pre-TRID Mean	0.849	0.871	0.859	0.841

TABLE 3: Q22A: DID THE 'LOAN ESTIMATE' LEAD YOU TO ASK QUESTIONS OF YOUR LENDER/MORTGAGE BROKER?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.054***	0.030	0.029*	0.074***
Standard Error	0.009	0.022	0.017	0.013
Pre-TRID Mean	0.647	0.723	0.664	0.622

TABLE 4: Q22B: DID THE 'LOAN ESTIMATE' LEAD YOU TO SEEK A CHANGE IN YOUR LOAN OR CLOSING?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.047***	0.029	0.044***	0.058***
Standard Error	0.008	0.020	0.014	0.011
Pre-TRID Mean	0.155	0.184	0.145	0.152

TABLE 5: Q11: DID YOU SERIOUSLY CONSIDER MORE THAN ONE LENDER/MORTGAGE BROKER BEFORE CHOOSING WHERE TO APPLY FOR THIS MORTGAGE?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.011	-0.015	-0.009	0.038***
Standard Error	0.010	0.024	0.018	0.014
Pre-TRID Mean	0.503	0.549	0.532	0.47

TABLE 6: Q12: DID YOU APPLY TO MORE THAN ONE LENDER/MORTGAGE BROKER?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.031***	0.029	0.011	0.042***
Standard Error	0.008	0.023	0.016	0.011
Pre-TRID Mean	0.21	0.296	0.242	0.168

TABLE 7: Q27A: OVERALL, HOW SATISFIED ARE YOU THAT THE MORTGAGE YOU GOT WAS THE ONE WITH THE BEST TERMS TO FIT YOUR NEEDS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.007	0.019	0.013	0.001
Standard Error	0.008	0.021	0.015	0.011
Pre-TRID Mean	0.791	0.749	0.791	0.806

TABLE 8: Q27B: OVERALL, HOW SATISFIED ARE YOU THAT THE MORTGAGE YOU GOT WAS THE ONE WITH THE LOWEST INTEREST RATE FOR WHICH YOU COULD QUALIFY?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.011	-0.014	0.008	0.019
Standard Error	0.009	0.023	0.016	0.012
Pre-TRID Mean	0.732	0.696	0.732	0.749

TABLE 9: Q27C: OVERALL, HOW SATISFIED ARE YOU THAT THE MORTGAGE YOU GOT WAS THE ONE WITH THE LOWEST CLOSING COSTS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	-0.009	-0.013	0.003	-0.015
Standard Error	0.010	0.024	0.018	0.014
Pre-TRID Mean	0.583	0.577	0.543	0.614

TABLE 10: Q28B: OVERALL, HOW SATISFIED ARE YOU WITH THE APPLICATION PROCESS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.049***	0.085***	0.077***	0.023*
Standard Error	0.009	0.024	0.017	0.013
Pre-TRID Mean	0.625	0.594	0.611	0.649

TABLE 11: Q28D: OVERALL HOW SATISFIED ARE YOU WITH THE LOAN CLOSING PROCESS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.028***	0.014	0.065***	0.022*
Standard Error	0.009	0.024	0.017	0.013
Pre-TRID Mean	0.66	0.623	0.64	0.685

TABLE 12: Q28E: OVERALL HOW SATISFIED ARE YOU WITH THE INFORMATION IN MORTGAGE DISCLOSURE DOCUMENTS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.038***	0.042*	0.056***	0.031**
Standard Error	0.009	0.024	0.017	0.013
Pre-TRID Mean	0.644	0.612	0.637	0.661

TABLE 13: Q28F: OVERALL, HOW SATISFIED ARE YOU WITH THE TIMELINESS OF MORTGAGE DISCLOSURE DOCUMENTS?

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.044***	0.055**	0.083***	0.022*
Standard Error	0.009	0.024	0.017	0.013
Pre-TRID Mean	0.64	0.606	0.63	0.659

TABLE 14: Q52: DID YOU FACE ANY 'UNPLEASANT SURPRISES' AT YOUR LOAN CLOSING?

Statistic	All Borrowers	1st – Time	Repeat	Refinance
Treatment Effect	-0.006	0.013	-0.024**	-0.007
Standard Error	0.006	0.016	0.010	0.007
Pre-TRID Mean	0.085	0.103	0.092	0.077

TABLE 15: Q53D: WHAT UNPLEASANT SURPRISES DID YOU FACE AT YOUR LOAN CLOSING? | MORTGAGE TERMS DIFFERENT AT CLOSING E.G. INTEREST RATE, MONTHLY PAYMENT

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.014***	0.017*	0.010*	0.015***
Standard Error	0.004	0.009	0.006	0.005
Pre-TRID Mean	0.019	0.019	0.017	0.019

TABLE 16: Q53E: WHAT UNPLEASANT SURPRISES DID YOU FACE AT YOUR LOAN CLOSING? | MORE CASH NEEDED AT CLOSING E.G. ESCROW, UNEXPECTED FEES

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	-0.006	0.019	-0.016*	-0.013**
Standard Error	0.005	0.014	0.009	0.006
Pre-TRID Mean	0.060	0.073	0.066	0.053

TABLE 17: Q53F: WHAT UNPLEASANT SURPRISES DID YOU FACE AT YOUR LOAN CLOSING? | ASKED TO SIGN BLANK DOCUMENTS

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	0.001	0.012	-0.001	-0.002
Standard Error	0.002	0.008	0.003	0.003
Pre-TRID Mean	0.008	0.011	0.006	0.007

TABLE 18: Q53G: WHAT UNPLEASANT SURPRISES DID YOU FACE AT YOUR LOAN CLOSING? | RUSHED AT CLOSING OR NOT GIVEN TIME TO READ DOCUMENTS

Statistic	All Borrowers	1st - Time	Repeat	Refinance
Treatment Effect	-0.010***	-0.015	-0.008	-0.010**
Standard Error	0.003	0.010	0.005	0.004
Pre-TRID Mean	0.030	0.047	0.029	0.026

E.2 Market effects

E.2.1 Closing time analysis

The analysis of closing times from Chapter 5: Market effects uses HMDA data from 2010 through 2018. These data are a sample of originated purchase and refinance loans. The analysis sample is restricted to first lien mortgage applications between January 1, 2010 and December 31, 2017; from natural persons; for single-family or 2-4 unit multi-unit housing; and that closed within 365 days of application.

Figures 28 and 29 from Chapter 5 plot the coefficients from linear regression models of the logarithm-transformed closing times on a set of 95 indicator variables for each of the months between January 2010 through December 2017. The model omits an indicator for the baseline month in September 2015.

The first "unadjusted" model does not include any loan-level controls. The coefficient for each month indicator can be interpreted as the average percent difference in closing times between that month and September 2015. To account for the composition of loans and applicants changing over time, the second model includes indicators for quartiles of applicant income; an exhaustive set of applicant race and ethnicity indicators; whether the loan was pre-approved; indicators for whether the loan was insured by FHA, VA, or USDA; four-knot splines in loan amount; and the purchase, refinance, and home-improvement loan volumes in the property's county in the month of application.

Both the unadjusted and covariate-adjusted series do not impose any restrictions on closing times' relationship with time. If there are no loan-level factors excluded from the models that change over time and that are correlated with closing times, the coefficients reflect unbiased predictions of how long loans would take to originate had borrowers applied for the same mortgage in a different month. However, those predictions reflect the confluence of three distinct time-varying factors: (1) seasonal fluctuations in closing times, (2) the effect of TRID, and (3) other policy and market changes that occurred over the decade. To disentangle predictable seasonal fluctuations from the other two factors, Figures 28 and 29 plots the residual component from auxiliary models that apply the X13-ARIMA seasonal adjustment filter, which is commonly used by other statistical agencies to report, for example, adjusted monthly employment and unemployment series and quarterly GDP and consumer spending series. To the extent that X13-ARIMA accurately captures seasonal fluctuations, the covariate- and seasonally-adjusted series plotted in black reflects the combined effects of TRID and other policy and market changes that occurred over the decade.

APPENDIX F: GLOSSARY OF KEY TERMS

This appendix is a glossary of defined terms and acronyms found throughout this report. The definitions contained in this appendix are for purposes of this report only, are not legal advice, and should not be used for any other purpose. This appendix does not constitute the Bureau's official use of terms and phrases for regulatory purposes and nothing in this appendix should be construed to alter or supplant the Truth in Lending Act, the Real Estate Settlement Procedures Act, Regulation X, Regulation Z, or their official interpretations.

Term	Definition
2013 Final Rule	"Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)" 78 FR 79730 (Dec. 31, 2013).
2015 amendments	Amendments to the 2013 final Rule issued in January 2015 and July 2015
2017 and 2018 amendments	July 2017 Amendments and April 2018 Amendments
April 2018 amendments	"Federal Mortgage Disclosure Requirements Under the Truth in Lending Act" 83 Fed. Reg. 19159 (May 2, 2018)
Board	The Board of Governors of the Federal Reserve System
Bureau	Consumer Financial Protection Bureau
CFPB	Consumer Financial Protection Bureau
Closing Disclosure	Form created by the TRID Rule for making final disclosures pursuant to 12 CFR 1026.19(f) and 12 CFR. 1026. 38. The Closing Disclosure combined the RESPA settlement statement and the final TILA disclosure
Disclosure(s)	Any specific piece(s) of required information provided or communicated to a consumer
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act

Term	Definition
Early TILA disclosure	For closed-end credit secured by a consumer's dwelling and subject to RESPA, TILA generally requires disclosing credit terms “not later than three business days after the creditor receives the consumer's written application, which shall be at least 7 business days before consummation of the transaction”
ECOA	The Equal Credit Opportunity Act
Final TILA disclosure	If the annual Percent rate (APR) disclosed in this early TILA disclosure statement becomes inaccurate, “the creditor shall furnish an additional, corrected statement to the borrower, not later than 3 business days before the date of consummation of the transaction”
Form(s)	Refers to the document by which disclosures are made in writing to a consumer.
HELOCs	Home Equity Lines of Credit
HUD	U.S. Department of Housing and Urban Development
HUD-1 settlement statement or HUD-1	RESPA generally requires that a disclosure form, including a “real estate settlement cost statement,” be prepared and made available to the borrower for inspection at or before settlement and “conspicuously and clearly itemize all charges imposed upon the borrower and all charges imposed upon the seller in connection with the settlement”
January 2015 amendments	80 Fed. Reg. 8767 (Feb. 19, 2015)
July 2015 amendments	80 Fed. Reg. 43911 (July 24, 2015)
July 2017 amendments	82 Fed. Reg. 37656 (Aug. 11, 2017)
Loan Estimate	Form created by the TRID Rule for making early disclosures pursuant to 12 CFR 1026.91(e) and 12 CFR 1026.37. The Loan Estimate combines RESPA GFE and the early TILA disclosure
Mortgage	A loan secured by real property
NMDB	National Mortgage Database

Term	Definition
NSMO	National Survey of Mortgage Originations
November 2019 RFI	November 2019 Request for Information for this assessment (84 Fed. Reg. 64436 (Nov. 22, 2019))
OMB	Office of Management and Budget
Post-Proposal Testing Report	Post-Proposal Testing of the Spanish and Refinance Integrated TILA-RESPA Disclosures
Pre-Proposal Qualitative Testing Report	Know Before You Owe: Evolution of the Integrated TILA-RESPA Disclosures
Qualitative Study	From January through May 2011, the Bureau and a consumer testing and research contractor developed a plan to design integrated disclosure prototypes and to conduct qualitative usability testing, consisting of one-on-one cognitive interviews.
Quantitative Study	The Bureau conducted a quantitative test to validate the results of the Qualitative Study of the integrated disclosures that evaluated the performance of the forms against the previously required RESPA GFE, RESPA settlement statement, and early and final TILA disclosures
RESPA	The Real Estate Settlement Procedures Act of 1974
RESPA GFE	Section 5 of RESPA generally requires that disclosures, including “a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement,” be provided not later than three business days after the lender receives an application
SBA	Small Business Administration
SBREFA	Small Business Review Panel under the Small Business Regulatory Enforcement Fairness Act
The Rule	See, TRID Rule
TRID Rule	The rule, as amended, when it took effect on October 3, 2015
TILA	The Truth in Lending Act

Term	Definition
Title XIV Disclosures	Other provisions of title XIV of the Dodd-Frank Act that amend TILA, RESPA, and other consumer financial laws to impose new disclosure requirements for mortgage transactions