NOVEMBER 20, 2013

What the new simplified mortgage disclosures mean for consumers

Consumer Financial Protection Bureau

Mortgages are complex transactions that may include risky features, so we've issued a rule that will simplify and improve disclosure forms for mortgage transactions. Consumers currently receive different, but overlapping federal disclosure forms with the terms and costs of mortgage loans. Because these forms are confusing for many people, Congress directed the Bureau to create new forms. The rule replaces the current forms with two new forms: the **Loan Estimate,** given three business days after application, and the **Closing Disclosure,** given three business days before closing. Lenders will be required to give consumers these forms for mortgage applications submitted on or after **August 1, 2015**. Specific benefits of the new forms and rules include:

- Combining several forms and additional statutory disclosure requirements into two forms. This will reduce paperwork and consumer confusion.
- Using clear language and design that will help consumers understand complicated mortgage loan and real estate transactions.
- Highlighting the information that has proven to be most important to consumers. On the new forms, the interest rate, monthly payments, and the total closing costs will be clearly presented on the first page. This will make it easier for consumers to compare mortgage loans and choose the one that is right for them.
- Providing more information about the costs of taxes and insurance and how the interest rate and payments may change in the future. This information will help consumers decide whether they can afford the mortgage loan and the home, now and in the future.
- Warning consumers about features they may want to avoid, like penalties for paying off the loan early or increases to the mortgage loan balance even if payments are made on time.
- Making the cost estimates consumers receive for services required to close a mortgage loan more reliable, for example, appraisal or pest inspection fees. The rule prohibits

increases in charges from lenders, their affiliates, and for services for which the lender does not permit the consumer to shop unless a specific exception applies. Examples of the specific exceptions include when information provided by a consumer at application was inaccurate or becomes inaccurate, or when the consumer asks for a change in the services.

- Requiring that consumers receive the Closing Disclosure at least three business days before closing on the mortgage loan. Currently, consumers often receive this information at closing or shortly before closing. This additional time will allow consumers to compare the final terms and costs to the terms and costs they received in the estimate. That will better equip them to raise any questions before they go to the closing table.

What to do if your lender doesn’t follow the rules

If you think your lender is not following the rules that apply to mortgage disclosure, the Consumer Financial Protection Bureau wants to know. You can get in touch with us in any of these ways.

Online: www.consumerfinance.gov/complaint

By telephone (in 187 languages):

855-411-CFPB (2372)
Español 855-411-CFPB (2372)
TTY/TDD 855- 729-CFPB (2372)

8 a.m. to 8 p.m. Eastern, Monday–Friday

By mail: Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244

By fax: 855-237-2392

The rules governing mortgage disclosure are among many rules that protect you when you get a mortgage. Our website has information on many other consumer protection laws and regulations that apply to mortgages at consumerfinance.gov/regulations/