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## CFPB'S TAKE ON THE FUTURE OF MONTHLY MORTGAGE STATEMENTS

Banks should review prototype and make comments, suggestions

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Diversity is generally encouraged, but not when it comes to mortgage loan statements.

The Consumer Financial Protection Bureau has just released a draft monthly mortgage loan statement prototype that could become the model periodic statement for mortgage loans in the not so distant future. The prototype was posted on the CFPB website on Feb. 13. CFPB is looking for public input on the draft form before it is finalized (possibly later this year).

Bureau acts under Dodd-Frank order

CFPB developed this model statement as a result of the Dodd-Frank Act. Section 1420 of Dodd-Frank amends the Truth in Lending Act by adding a new requirement that a periodic statement be provided for residential mortgage loans for each billing cycle.

Under the statute, the periodic statement must include, at a minimum:

- &bull; Amount of the principal obligation under the mortgage
- &bull; Current interest rate
- &bull; Date that the interest rate may next adjust

- &bull; Amount of any prepayment fee to be charged
- &bull; Description of any late payment fees
- &bull; Telephone number and email address that may be used to obtain information about the mortgage loan
- &bull; Names, addresses, telephone numbers, and internet addresses of counseling agencies or programs reasonably available to the consumer
- &bull; Any other information the bureau may decide to include

The statute also allows for coupon books for fixed-rate residential mortgages as an alternative to the periodic statement, as long as the coupon book contains substantially the same information that is required for the periodic statement.

Regulation Z has never had a requirement for periodic statements for closed-end consumer loans. Historically, periodic statements have only been required by federal regulation for open-end credit. Nevertheless, most lenders already provide periodic statements or coupon books for closed-end loans. Now, there will be a regulatory requirement for periodic statements for residential mortgage loans, and the look of the statements will be standardized. Diversity in periodic statement format is not a good thing.

There will be a proposed rule issued later this year, which will detail the requirements for the periodic statement. The draft prototype will also be re-published for comment at that time, most likely with changes from the current prototype, depending on public input received.

Seeing consumer input on prototype form

Since the focus and clientele of CFPB is the consumer and not financial institutions, the CFPB is focusing its prototype development efforts on the needs and interests of consumers. Consumer usability and acceptance are the goals.

In addition to publishing the prototype on its website, the CFPB is conducting consumer testing of the form. So, it is important for financial institutions to also be looking at this proposed form and providing input to the CFPB in the early development stage.

We don't want to wait until the proposed rule is issued after the form has gone through consumer testing and the CFPB has already decided what the form should look like based on consumer input only.

#### About Nancy Derr-Castiglione

"Lucy and Nancy's Common Sense Compliance" is blogged by both Lucy Griffin and Nancy Derr-Castiglione, both ABA Banking Journal contributing editors on compliance.

Nancy, a Certified Regulatory Compliance Manager, is owner of D-C Compliance Services, an independent regulatory compliance consulting services business that has provided expertise in compliance training, monitoring, risk assessment, and policies and procedures to financial institutions since 2002.

Previously, Nancy held compliance positions with Bank One Corporation and with United Banks of Colorado.

In addition to serving as a Contributing Editor of ABA Banking Journal, Nancy has served on the ABA Compliance Executive Committee; National and Graduate Compliance Schools board; conference planning committees, and the Editorial Advisory Board for the ABA Bank Compliance magazine. She can be reached at [nancycastiglione@comcast.net](mailto:nancycastiglione@comcast.net)

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