

**CONSUMER FINANCIAL PROTECTION BUREAU**

[Docket No. CFPB-2024-0021]

**Request for Information Regarding Fees Imposed in Residential Mortgage Transactions**

**AGENCY:** Consumer Financial Protection Bureau.

**ACTION:** Request for information.

**SUMMARY:** The Consumer Financial Protection Bureau (Bureau or CFPB) is seeking comments from the public related to fees charged by providers of mortgages and related settlement services.

**DATES:** Comments must be received on or before August 2, 2024.

**ADDRESSES:** You may submit comments, identified by Docket No. CFPB-2024-0021, by any of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Email:* [2024-RFI-ResidentialMortgageFees@CFPB.gov](mailto:2024-RFI-ResidentialMortgageFees@CFPB.gov)). Include Docket No. CFPB-2024-0021 in the subject line of the message.
- *Mail/Hand Delivery/Courier:* Comment Intake —Residential Mortgage Fees Assessment, Consumer Financial Protection Bureau, 1700 G Street NW, Washington, DC 20552.

*Instructions:* The Bureau encourages the early submission of comments. All submissions should include document title and docket number. Please note the number of the topic on which you are commenting at the top of each response (you do not need to address all topics). Because paper mail in the Washington, DC area and at the Bureau is subject to delay, commenters are encouraged to submit comments electronically. In general, all comments received will be posted without change

to <https://www.regulations.gov>.

All comments, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Proprietary information or sensitive personal information, such as account numbers or Social Security numbers, or names of other individuals, should not be included. Comments will not be edited to remove any identifying or contact information.

**FOR FURTHER INFORMATION CONTACT:** George Karithanom, Regulatory Implementation & Guidance Program Analyst, Office of Regulations, at (202) 435-7700 or <https://reginquiries.consumerfinance.gov/>. If you require this document in an alternative electronic format, please contact *CFPB\_Accessibility@cfpb.gov*.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

People rely on mortgage loans to buy their homes, tap home equity at key life moments, and refinance those loans when interest rates decline. Mortgages come with many associated fees and costs, referred to as “closing costs,” that are due by the time the loan closes or when the borrower signs the loan agreement. These closing costs, and particularly the costs the lender imposes on the borrower as part of the cost of getting the loan, have recently risen sharply.<sup>1</sup> From 2021 to 2023, median total loan costs increased by over 36% percent on home purchase loans. The median dollar amount paid by borrowers in 2022 was nearly \$6,000 in these costs and fees. This, along with increased home prices and interest rates, have placed increased pressure on borrowers’ budgets, contributing to a lack of access to credit and decreased home affordability. Many of these costs are fixed and do not change based on the size of the loan, resulting in an outsized impact on borrowers

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<sup>1</sup> <https://www.consumerfinance.gov/about-us/blog/junk-fees-are-driving-up-housing-costs-the-cfpb-wants-to-hear-from-you/>.

with smaller mortgages, such as lower income or first-time homebuyers.<sup>2</sup>

Lenders are also impacted by rising closing costs. The cost for credit scores, credit reports, and employment verification, for example, have all increased markedly over the last few years. Dominant market players have driven up costs through annual price increases that significantly outpace inflation, leaving lenders with little choice but to pay these higher rates. These higher costs are passed on to the consumer or eat into lenders' bottom lines, in a market where mortgage originators are already facing financial challenges.<sup>3</sup> Lenders facing higher costs for evaluating applicants due to increasing costs for the basic information in credit reports may rationally choose to evaluate fewer applicants, potentially resulting in decreased access to credit.

Under Federal law and CFPB regulations,<sup>4</sup> borrowers receive disclosures of closing costs through the Loan Estimate and Closing Disclosure.<sup>5</sup> These standardized disclosures list out the closing costs and divide them into loan costs and other costs.<sup>6</sup> Loan costs are further divided into required services that the consumer can shop for (such as lender's title insurance) and required services that cannot be shopped for (such as credit reporting costs). The largest disclosed closing costs are origination fees paid to the lender (including discount points). Title fees (including title insurance, title search, and settlement fees) are the next largest category of closing costs (and loan costs).<sup>7</sup>

Borrowers may encounter dozens of different fees, all of which can impact the overall cost of a mortgage. The Mortgage Industry Standards Maintenance Organization (MISMO) lists more

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<sup>2</sup> <https://www.fanniemae.com/research-and-insights/publications/barriers-entry-closing-costs-first-time-and-low-income-homebuyers>.

<sup>3</sup> [Lenders keep losing money on every loan produced, MBA says](#) | National Mortgage News.

<sup>4</sup> Truth in Lending Act, 15 U.S.C. 1601 *et seq.*, 12 CFR part 1026 (regulation Z).

<sup>5</sup> <https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/tila-respa-integrated-disclosures/forms-samples/>.

<sup>6</sup> Other costs include items such as recording fees, homeowners' insurance, and property taxes.

<sup>7</sup> <https://www.fanniemae.com/research-and-insights/publications/barriers-entry-closing-costs-first-time-and-low-income-homebuyers>.

than 200 fees that have been found on closing disclosures.<sup>8</sup> This complex set of fees may result in borrowers paying more. A recent study performed by CFPB suggests that consumers pay more when prices are separated into multiple fees.<sup>9</sup> Other research has demonstrated that mortgage borrowers underreact to closing cost pricing.<sup>10</sup> The financial impact of these closing costs can be amplified when they are financed and included in the loan amounts.

Credit reports are an example of a cost that impacts both lenders and consumers and which has risen steeply over the last two years.<sup>11</sup> The credit reporting industry is highly concentrated, with a handful of dominant players dictating the price of credit reports and scores. Credit reports play a critical role in the mortgage origination process. They help lenders price loans, and investors gauge credit risk. However, lenders have few options due to a lack of competition.<sup>12</sup>

Lenders typically pull credit reports at least twice, once at the initial application stage (a “soft pull”) and once when they are finalizing the loan terms (a “hard pull”). Lenders report that “soft pulls,” often used to prescreen applicants, were significantly discounted until recently and now cost the same as the “hard pull.” Smaller recent increases in the cost of the “hard pull” may have an outsized effect because the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, as well as Federal Housing Administration (FHA), United States Department of Agriculture (USDA) and Veterans Affairs (VA), currently require that mortgage lenders use credit

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<sup>8</sup> <https://www.fanniemae.com/research-and-insights/publications/barriers-entry-closing-costs-first-time-and-low-income-homebuyers>.

<sup>9</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-publishes-research-finding-higher-price-complexity-leads-consumers-to-pay-more/>.

<sup>10</sup> <https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2019/non-salient-fees-in-the-mortgage-market.pdf>.

<sup>11</sup> Lenders have reported to CFPB that their cost to obtain credit reports have increased 25 to 400 percent in recent years.

<sup>12</sup> FICO is the only credit score used for mortgage originations, however FHFA announced the GSEs will begin requiring VantageScore for loans purchased by the GSEs in addition to FICO in the future. Each credit report for a borrower includes credit scores. Additionally, there are only three national credit reporting agencies that collect the data used to produce credit reports.

reports from the three national credit report companies, known as “tri-merge” reports, for loans that are purchased or insured by them.<sup>13</sup> While a consumer can obtain their own consumer report file by law for free the first time and \$15.50 thereafter, a lender pulling such a report on their behalf can pay twice that.<sup>14</sup> One midsize lender reported an increase for the hard-pull tri-merge report from \$50 to \$110 in the last two years, and a large lender reported an increase from under \$30 to over \$60. The CFPB is interested in learning more about what is driving the increase and variability in the fees lenders pay for credit reports and the extent to which these costs are passed on to consumers.

Origination fees are charges from the lender to the borrower for making the mortgage loan. Mortgage origination services may include processing the application, underwriting and funding the loan, and other administrative services. Lenders can vary in which costs they include in the interest rate or origination charge and which they charge borrowers separately, further complicating borrowers’ ability to compare costs across loan products. For example, advertisements and initial price quotes often include discount points in the fine print, which can make interest rates appear more competitive.<sup>15</sup>

Settlement services are the next largest component of loan costs. These include fees for title insurance, the preparation and notarization of the documents, and the physical processing of the settlement, as well as other fees. Appraisal fees and related valuation fees, including payments to appraisal management companies, also contribute to the total loan costs. Many of the fees are charged to cover the lenders’ costs associated with closing a loan.

Title insurance is one of the costliest settlement services at closing. Title insurance is

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<sup>13</sup> FHFA announced that the GSEs will move from a tri-merge report to a bi-merge report in the future which should foster competition and in turn, reduce credit report pricing.

<sup>14</sup> <https://www.consumerfinance.gov/ask-cfpb/how-do-i-get-a-free-copy-of-my-credit-reports-en-5/#:~:text=By%20law%2C%20a%20credit%20reporting.reports%20at%20no%20cost%2C%20online>.

<sup>15</sup> <https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-trends-in-discount-points-amid-rising-interest-rates/>.

meant to protect against someone else laying claim to a borrower's property. In the current market, consumers are forced to pay for the lender's insurance premiums in a one-time payment at closing. Borrowers need to purchase a separate owner's policy to cover losses not covered by the lender's policy. Title insurance premiums can be significant, and typically range from 0.5-1 percent of the purchase price.

## **II. Request for Comment**

This request for information seeks input from the public on the impact closing costs have on borrowers and the mortgage market, including the degree to which they add overall costs or otherwise cause borrower harm, and any impact such fees may have on the ability to purchase a home, anticipate and afford monthly payments, or refinance an existing mortgage. In addition to hearing from the general public, the CFPB is particularly interested in hearing from consumers, industry participants, social services organizations, small business owners, consumer rights and advocacy organizations, legal aid attorneys, academics and researchers, and State and local government officials.

The CFPB welcomes stakeholders to submit stories, data, and information about mortgage closing costs. To assist commenters in developing responses, the CFPB has crafted the below questions that commenters may answer. However, the CFPB is interested in receiving any comments relating to mortgage closing costs.

1. Are there particular fees that are concerning or cause hardships for consumers?
2. Are there any fees charged that are not or should not be necessary to close the loan?
3. Provide data or evidence on the degree to which consumers compare closing costs across lenders.
4. Provide data or evidence on the degree to which consumers shop for closing costs across settlement providers.

5. How are fees currently set? Who profits from the various fees? Who benefits from the service provided? What leverage or oversight do lenders have over third-party costs that are passed onto the consumer?
6. Which closing costs have increased the most over the past several years? What is the cause of such increases? Do they differ for purchase or refinance? Please provide data to support if possible.
7. What is driving the recent price increases of credit reports and credit scores? How are different parts of the credit report chain (credit score provider, national credit reporting agencies, reseller) contributing to this increase in costs? What competitive forces are or can be brought to bear on these costs? What are the impacts on consumers of the increased costs?
8. Would lenders be more effective at negotiating closing costs than consumers? Are there reports or evidence that are relevant to the topic?
9. What studies or data are available to measure the potential impact closing costs may have on overall costs, housing affordability, access to homeownership, or home equity?

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