



MORTGAGE BANKERS ASSOCIATION

July 9, 2018

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

**Re: Request for Information Regarding Bureau Financial Education Programs
Docket No. CFPB-2018-0015**

Dear Ms. Jackson:

The Mortgage Bankers Association¹ (“MBA”) appreciates the opportunity to comment on this Request for Information (“RFI”) from the Bureau of Consumer Financial Protection (“BCFP” or the “Bureau”). In addition to offering the comments below on the Bureau’s Financial Education Programs, MBA would like to reiterate our belief in the need for a thorough reexamination of the Bureau’s operations and practices after a half decade in operation. MBA released *CFPB 2.0: Advancing Consumer Protection* in September 2017 to outline key considerations for the Bureau as it begins to think about the next five years². In brief, MBA recommended that:

- BCFP end “regulation by enforcement” by issuing guidance to facilitate compliance rather than relying on fact-specific enforcement actions to announce new regulatory interpretations;
- BCFP communicate clearly when and how it plans to offer compliance guidance and acknowledge that it is bound by the guidance it releases; and
- BCFP provide more due process protections in its enforcement actions to ensure fairness and consistency.

These larger, thematic concerns run through all Bureau operations and therefore are a theme of each of the RFIs released to date. The RFI process can be a crucial starting point to gather the information necessary to determine how to best orient the BCFP’s future direction to ensure it

¹ MBA is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage-lending field. For additional information, visit MBA’s website: www.mba.org

² Available here: <https://www.mba.org/issues/cfpb-20-advancing-consumer-protection>.

serves consumer and creates access to financial opportunity. MBA applauds this and the additional RFIs to the extent that they are the beginning of this important conversation.

In creating the Bureau, the Dodd-Frank Act (DFA) enumerated specific primary functions of the Bureau, one of which is to conduct financial education programs. MBA supports this specific function of the Bureau, which is intended to help ensure that consumers are always in the position to make informed financial decisions or choices. This in turn helps reduce instances of delinquencies and foreclosures, thereby promoting the positive factors related to sustainable homeownership.

This RFI presents the opportunity for the Bureau to assess the effectiveness of its current financial education offerings, including delivery through online tools, print publications, and community collaborations, with a view to ensuring that the goals of the program are being met.

The Bureau's focus on specific financial education topics and delivery channels, and use of technology and contractors

As a general matter, some of the Bureau's financial education programs have focused on very useful topics for consumers. For instance, addressing issues that educate a consumer on the important considerations that need to be taken into account before getting a mortgage is particularly important because it makes the mortgage process easier for both the consumer and the lender. In addition, topics that address credit scores and reports, managing spending, and generally promoting financial well-being are appropriate and useful topics for consumers. There is little doubt that financially educated borrowers, or borrowers that have received specific homeownership counseling, are less likely to become delinquent within the earlier years of obtaining a loan than non-counseled borrowers. In effect, consumer education that focuses on financial literacy increases the likelihood that borrowers will seek financial advice if necessary, which will result in financially responsible behavior.

It is important that the Bureau's programs not only educate consumers on the importance and intricacies of mortgage shopping, but also encourage consumers to seek financial advice on an on-going basis (even after a mortgage loan has been obtained) as a way to help promote financially responsible behavior as well as reduce instances of delinquencies, defaults and foreclosures. Such education should also focus on the integral role a mortgage servicer can play in offering assistance to struggling borrowers and encourage borrowers to reach out to their servicer *before* they are delinquent.

As noted above, the Bureau's program addresses many useful and important topics for consumers. However, the delivery channel for these topics has generally been limited to on-line and downloadable print resources. While on-line channels tend to ensure quicker and more widespread delivery, there are other delivery channels that could be used in addition to the on-line channel, which would ensure a more robust and far-reaching delivery of these important consumer tools. For instance, recorded (downloadable) sessions could be more useful for

consumers who do not want to spend time reading information posted on the Bureau's website. Also, in-person (or classroom-type) methods or community educational events can also be very useful for reaching individuals who learn better in a face-to-face setting. Thus, organizing periodic educational events in communities where it would be beneficial to consumers would help expand the Bureau's delivery method.

The Bureau should find ways to advertise the availability of these financial literacy educational programs, as well as the available delivery channels to consumers. Advertisements should run especially in communities where little is known about the availability of the programs – on the radio, television, posted flyers, at libraries, health clubs and gyms, as well as community centers. A robust awareness campaign, as well as a wider avenue of delivering the programs would certainly promote more informed/educated mortgage borrowers, resulting in higher rates of completed mortgage applications and lower rates of early payment delinquency or default.

The widespread advertisement of the availability of these important programs as well as the various delivery channels will help ensure that the intended recipients of the program are aware of its availability, and also help the Bureau achieve the intended objectives of its consumer educational program.

Finally, the Bureau should consider partnering with housing counseling agencies that have been working on helping consumers navigate and understand the intricacies and complexities of being a prudent borrower/homeowner. Such a partnership should be structured in a way that allows one program to complement the other, rather than duplicate or compete. The goal is to promote prudent homeownership as well as provide financial literacy support for individuals who need it. Thus, a partnership with counseling agencies that have the staff, structure and capacity to help meet these goals can only add (and not diminish) this important function of the Bureau.

Other perspectives or information that will assist the Bureau in its financial education work

MBA appreciates recent improvements to the Explore Interest Rates Tool ("rate-checker") that remove some of the negative messaging about lenders and about other interest rate calculator sites. Despite these changes, however, there are still flaws in BCFP rate checker, including:

- Underrepresentation of Independent Mortgage Bankers in the institution sample,
- Wide range assumptions about discount points (from -0.5 to 0.5) that limits accuracy,
- Excludes information about private mortgage insurance and loan level price adjustments, and
- Excludes the Taxes and Insurance component of the monthly payment

Frankly, these are also shortcomings of other rate calculators, and while the implication that this rate checker is more trustworthy and accurate than others has been removed recently, it is unclear what real additional value a BCFP rate calculator really adds.

In some respects, the rate-checker tool is more of a problem than help for both lenders and consumers. Regardless of the caveat clearly telling consumers not to solely rely on the results of the rate-checker, many consumers still do. This creates unnecessary complications down the road when the mortgage loan is processed and the rate differs from (i.e., is higher than) that produced by the rate-checker. While it is understandable that the Bureau's intent in providing the tool is to equip consumers with useful information as they compare and consider their loan choices, by focusing consumers on the rate checker, the Bureau website misses the opportunity to educate consumers about *how to shop for a mortgage*. Rather than a rate checker that is inherently limited, a better approach would be to provide consumers the "10 Questions you should ask every lender when shopping for the best mortgage." This would ensure that consumers ask the critical questions about nuances like PMI, rate lock period, discount points, other fees, processing times, taxes and insurance, etc. It would also ensure they collect the same information from each lender they shop.

MBA does not believe that the rate-checker adds any value to the Bureau's consumer education program, particularly in light of the extensive work that went into the new "Know Before You Owe" /TRID disclosures, but instead, creates unnecessary confusion and complications in the mortgage lending process. While the recent changes are an improvement, MBA would urge the Bureau to eliminate the tool and instead, focus its overall message on the importance of shopping, and provide concrete guidance on how to shop effectively.

MBA supports the Bureau's efforts to provide a wide range of educational offerings and programs intended to help consumers understand and navigate the complexities of buying a home; and will continue to work with the Bureau to help improve and enhance these important consumer programs. Please feel free to direct any questions or comments to me directly (pmills@mba.org) or to Fran Mordi, AVP of Financial Management, Tax, and Accounting Policy (fmordi@mba.org).

Sincerely,



Pete Mills
Senior Vice President, Residential Policy and Member Engagement
Mortgage Bankers Association