

February 7, 2014

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

Requests for Information: Mortgage Closing Process

Docket No. CFPB-2013-0036

Dear Ms. Jackson,

On behalf of NeighborWorks® America (also known as the Neighborhood Reinvestment Corporation) I want to thank the Consumer Financial Protection Bureau (CFPB) for the opportunity to provide information regarding the “Mortgage Closing Process” published in the Federal Register on Friday, January 3, 2014.

The information provided in this letter has not been submitted to or approved by NeighborWorks America’s board. These comments reflect the view of NeighborWorks America management and the responses from our network organizations and do not necessarily represent the views of its board members, either collectively or as individuals.

NeighborWorks America and its network are extremely effective in helping low and moderate-income families and communities. Together, NeighborWorks and its network assisted almost 305,000 families with their housing needs in FY 2012 alone, including creating 15,000 new homeowners, owning and managing 102,200 units of affordable rental housing, and providing 109,000 families and individuals with financial, pre-purchase, post-purchase, or foreclosure education and counseling

Making sure that American families and individuals obtain sustainable lending products for homeownership is a priority issue for NeighborWorks America. Of our network NeighborWorks organizations (NWOs) 92%, or 224, help people become homeowners. The vast majority of the 224 organizations (99%) also provide homebuyer education and counseling services.

NeighborWorks America is pleased to respond to the Request for Information about the mortgage closing process. Specifically, the CFPB seeks information on key consumer “pain points” associated with mortgage closing and how those pain points might be addressed by market innovations and technology. In order to respond to request for information we conducted an informal survey with a very tight turnaround for completion of our NeighborWorks networks organizations with lending lines of business, homeownership centers and our NWOs serving as NFMC affiliates.

We asked staff of 225 of these organizations to respond to the questions in the CFPB's RFI regarding the consumers they have served as lenders and counselors. 81 staff responded.

A key embedded theme in the most of the answers to the various questions was that pre-purchase counseling and homebuyer education are essential for a knowledgeable and empowered borrower. While borrowers know that closing documents such as the GFE, TIL and the HUD 1 are important documents, they also find them to be the most confusing. The information at closing is overwhelming – 67% of the respondents reported that borrowers find the signing of papers to be the most confusing aspect of closing. A good number of the responses also noted that there should be more time to review the closing documents prior to closing, which would provide more time for questions to be asked. There was also a consistent response that the forms and language should be simplified as much as possible.

Consumers use counselors and trusted business advisors like real estate agents to gain information and answer questions. Because of the complexity of the forms and the underlying process, borrowers rely on home buyers education, housing counselors, and the lenders to explain terms and the process in more simple language. They turn to counselors (73%), real estate agents (48%), and their friends for advice. This is somewhat consistent with the results of a consumer survey that NeighborWorks America undertook last fall where we surveyed on homeownership, the home buying process and sources of information. Friends and family, the web, and real estate and mortgage professionals top the list of sources Americans would turn to for information about preventing foreclosure and loan scams. Just under half are likely to turn to housing counselors. 68% were likely get that information through friends and family; 63% through a Realtor®, 58% through a web search, 60% through a mortgage lender; and, 47% through a housing counselor.

While it was reported that 27% of counseling advice is sought and provided in person, 51% is done by telephone. Borrowers are also relying upon the Internet, loan officers, their real estate agent or housing counselors to define unfamiliar terms. Common problems experienced at closing include more money needed, an event cited in almost 65% of the responses to our survey. Errors were reported to be found equally by borrowers, housing counselors and loan closing agents.

Many of the issues at closing could be solved by improving the process of reviewing documents prior to closing. While these are viewed as the most important documents by consumers, they are also the most confusing, with the HUD 1 being the most confusing at 67%, TIL at 63% and GFE at 54%. A recommendation to change the closing process to make it a better experience was simply providing closing documentation well in advance (three days or longer) of the closing for review by home buyers and their housing counselors. Some 75% of the respondents suggested homeownership education should be required prior to a closing.

Background Information Regarding NeighborWorks America

NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation. The corporation's Board of Directors is made up of senior representatives of the federal financial

regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; the Comptroller of the Currency; the National Credit Union Administration) and the U.S. Department of Housing and Urban Development.

The primary mission of NeighborWorks America is to expand affordable rental and homeownership opportunities and to strengthen communities across the United States. NeighborWorks America provides support to more than 240 local and regional community-based NeighborWorks organizations, as well as training and service to the broader community development field. NeighborWorks organizations serve urban, suburban and rural communities in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eileen M. Fitzgerald".

Eileen M. Fitzgerald
President and CEO
NeighborWorks America