

The Honorable Mick Mulvaney
Acting Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Acting Director Mulvaney:

The undersigned banks, who write to you on behalf of impacted financial institutions across the nation, are reaching out for your assistance in correcting unintended consequences of the Know Before You Owe regulations, otherwise known as the TILA-RESPA Integrated Disclosure (TRID) rule.

Prior to the implementation of TRID, single-family residential construction loans were exempt from RESPA-related regulation because they were classified as temporary loans covering construction services. However, the new rules under TRID now extend regulatory coverage to construction financing and require extensive cost and term disclosures, which are really intended for 30-year mortgages, not short-term, construction-only loans. The application of the TRID disclosures to single-family construction loans for owners/borrowers generates new requirements for multiple disclosures throughout the underwriting and construction process. These are often preliminary, and therefore don't reflect the true final loan terms that apply to the finance of the residential property, resulting in confusion – not clarity – for the borrower.

For lenders, the confusion surrounding these disclosures has led to compliance difficulties that have been exacerbated by additional uncertainties in their application to specific construction projects. As a direct result, many financial institutions across the nation have ceased this type of lending rather than face potential liability for inadvertent errors. This lender flight has resulted in a severely curtailed marketplace for borrowers seeking to build or rebuild, which has been particularly problematic in regions seeking to recover following several recent natural disasters, which include hurricanes, floods, mudslides, wildfires and volcanic eruptions.

To alleviate the negative impact of this TRID rule, the most direct course of action is a revision to the current rule that will correct the misapplication of the disclosures, coupled with a reduction in liability enforcement until the revised rule can be crafted and implemented. Due to the significant number of lenders nationwide who have exited this lending market as a result of the increased regulatory requirements, we also urge the Bureau to adopt a much more straightforward disclosure process for this type of short-term construction loan, where the bank can provide the following information in any format it chooses (i.e. a letter or a memorandum): loan amount, interest amount, term of the loan and loan funding/disbursement schedule. This type of disclosure should give the lender flexibility to meet the unique needs of his/her borrower, as well as provide the borrower with clear and concise details about the fundamental aspects of the construction loan.

A recent telephone meeting arranged by the American Bankers Association with staff at the Bureau was helpful because it provided the opportunity for a few bankers to explain in detail, the specific problems caused by this rule and the urgent need to identify solutions. We are appreciative of the receptiveness of expert staff at the Bureau, but we advise that these

problems are pressing and immediate, and additional regulatory instruction or guidance will not, alone, solve the problems.

We have included a white paper that provides further background on this issue, and would be glad to meet with you and your staff as needed to provide additional assistance. The American Bankers Association has offered to coordinate any meetings or further conversations that may be necessary. The points of contact at the ABA are Rod Alba, SVP and Sr. Regulatory Counsel, and Joseph Pigg, SVP and Sr. Counsel. They can be reached at 202-663-5592 (Alba) or 202- 663-5480 (Pigg).

Thank you in advance for your attention to this very important matter. We look forward to working with you and the Bureau to remedy this situation as soon as possible.

Sincerely,

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