

May 13, 2015

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1275 First Street, NE
Washington, D.C. 20002

Dear Sir:

Re: ABA Survey on TILA/RESPA Integrated Disclosure Rule

The American Bankers Association has been in close communication with our member banks regarding the TILA/RESPA Integrated Disclosure Rule (TRID) that the CFPB finalized in November 2013. Our members have shared information regarding the availability of TRID compliance systems provided by their vendors and the challenges associated with achieving full compliance with the new disclosure requirements as it relates to the August 1, 2015 implementation deadline. The feedback provided by member banks compel us to reiterate our urgent appeal that CFPB consider a formal compliance transition period to last after August 1 to ensure that banks are not placed in legal and enforcement jeopardy as a result of these regulatory deadlines.

In the past several weeks, ABA conducted a structured survey, which received approximately 800 responses from bankers nationwide, to assess compliance system readiness in connection with the TRID rule. Our survey reveals that an overwhelming 74% of banks are using a vendor or consultants to assist with TRID implementation. However, only 9% of the compliance systems had been or were expected to be delivered by the month of April (when the survey closed), and a startling 79% of our banks could not verify a precise delivery date, or were told that they would not receive systems before June. In fact, 21% of responding banks were explicitly informed by their vendor that their systems will not be ready until well into June and even July. Additionally, 23 percent claim the systems being received would not be compatible with all loan types that a bank wants to offer and 21 percent of those bankers plan to address this inadequacy by reducing product offerings.

This information is critical and very troubling. The reforms advanced under TRID provide the legal infrastructure for most residential mortgage finance transactions being originated. This commands that, at a minimum, three months be devoted to properly install, test and adjust

systems as well as accurately train staff. The impact of the August 1 time constraints and vendor readiness raise serious legal and regulatory repercussions for banks, and such an impact ultimately harms consumers who will not be given the full range of options. A copy of the survey is enclosed.¹

This survey data illustrates the need for a hold harmless period of enforcement and liability for those acting in good faith – as first introduced by Congressmen Luetkemeyer and Neugebauer in their letter to the Bureau. This time will allow bankers to fully review all of the final rules; implement new systems processes and forms; train staff; and test these changes for quality assurance before bringing them online. We believe that this approach will best assure an orderly transition under the complex integration process. If a hold harmless period is not extended, we request that the Bureau, along with the other prudential regulators, take vendor preparedness into account when examining regulated institutions for compliance. Community banks in particular are highly dependent on the ability of vendors to deliver technology-related services that are critical to bank compliance efforts. Interestingly though, bankers from large institutions were overrepresented in the survey, which implies this is a systemic problem across banks of all sizes. As such, ABA underscores the need for regulators to consider the ability of all banks to fully comply by the effective date.

In light of the amendments to the rules and the varying degrees of vendor preparedness, we urge the Bureau to enact a grace period of enforcement and liability for entities that engage in best efforts for compliance. These new rules affect the entire mortgage-lending industry, including lenders, service providers, appraisers, escrow agents, and virtually anyone with a relationship to the mortgage lending process. The TRID regulation will significantly reshape the housing-finance market, which comprises a substantial proportion of our country's gross domestic product and touches the lives of nearly every American household.

If we do not get this implementation right from the start, there will be a significant negative impact on consumers, banks, and the recovery of the housing market. ABA members want to ensure that they are in full compliance with the rules, and to achieve this, they must be afforded adequate time to test system changes and enhancements to ensure full compliance with these requirements. The additional time we request will also allow for the adequate training of tens of thousands of employees whose job it is to accurately document, discuss and communicate with customers.

¹ The Member Survey on Vendor Readiness for TILA/RESPA Integrated Disclosure Rule had the participation of approximately 800 banks.

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The goal of every stakeholder in this process is to ensure that consumers are afforded with the best possible protection and information in the mortgage finance process. The important reforms of the TRID rules must be granted adequate transition time to guarantee that this reform process advances successfully and without grave complications at inception.

Please contact me if you would like to discuss this issue further.

Sincerely,

A handwritten signature in black ink that reads "Robert R. Davis". The signature is written in a cursive style with a large, prominent "R" at the beginning.

Robert R. Davis

Attachment