

CFPB – Request for Information Regarding Fees Imposed in Residential Mortgage Transactions

Executive Summary

May 31, 2024

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

Background

Through analysis¹, the CFPB indicates that it found that the closing costs borrowers pay in connection with a mortgage have risen steeply in recent years. From 2021 to 2023, the median total loan costs for home mortgages surged by more than 36% due to unavoidable fees borrowers pay at closing, straining their ability to save up for a down payment. Those fees also limit the ability of lenders to offer competitive mortgages, since they have to either absorb the higher cost or pass it onto their borrowers.

The CFPB claims the following are rising costs:

- **Credit Reports:** The cost of credit reports for mortgage lenders has increased significantly. This rise in fees makes it challenging for lenders to compete for every potential mortgage, as it raises the cost of evaluating applicants.
- **Origination Costs:** Lenders differ in how they incorporate costs into the interest rate or origination charge, and which costs they charge separately. This inconsistency complicates borrowers' ability to compare loan products. Often, advertisements and initial price quotes include discount points in the fine print, making interest rates appear more competitive than they are.
- **Title Insurance:** Title insurance is another major fee paid at closing, typically by the borrower to protect the lender against property issues. Consumers have limited options for shopping around for title insurance and must usually pay for the lender's insurance premiums in a one-time payment at closing. Additionally, borrowers must purchase a separate owner's policy to cover losses not included in the lender's policy. Title insurance premiums can be substantial, usually ranging from 0.5% to 1.0% of the purchase price.

About the RFI

The CFPB's request for information seeks input from borrowers and lenders about how mortgage closing costs may be inflated and constraining the mortgage lending market. Specifically, the CFPB asks for information about:

- Which fees are subject to competition.
- How fees are set and who profits from them.

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

- How fees are changing and how they affect consumers, including the impact of closing costs on housing affordability, access to homeownership, and home equity.

Further Questions to Consider

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. To what degree do consumers compare closing costs across lenders?
4. To what degree do 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?
6. What leverage or oversight do lenders have over third-party costs that are passed onto the consumer?
7. 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.
8. 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?
9. Would lenders be more effective at negotiating closing costs than consumers? Are there reports or evidence that are relevant to the topic?

Comment Deadline

- August 2, 2024

Resources

- [Docket No. CFPB-2024-0021](#)

The material in this publication is provided for educational and informational purposes only, and does not constitute legal or financial advice. Use of any material or information in this publication should never be a substitute for seeking the advice of an attorney or a certified public accountant.