

July 2013

Regulatory Alert – CFPB Mortgage Rules Readiness Guide

What you need to know:

- The Consumer Financial Protection Bureau (CFPB or Bureau) released a new *2013 Dodd-Frank Mortgage Rules Readiness Guide* (Readiness Guide) on July 8 to “help financial institutions come into and maintain compliance with” the Bureau’s new mortgage rules, which were released in January 2013 and generally become effective in January 2014. The Readiness Guide is directed to bank and nonbank mortgage product and service providers regardless of size.
- The Readiness Guide comprises brief summaries of each of the new mortgage rules (with links to the Federal Register releases and relevant Small Business Guides), a “Readiness Questionnaire,” Frequently Asked Questions, and Tools (links to plain language summaries of the rules). The new rules, required by the Dodd-Frank Act, include:
 - Ability-to-Repay and Qualified Mortgages (Regulation Z) – effective January 10, 2014
 - Escrow Requirements (Regulation Z) – effective June 1, 2013
 - High-Cost Mortgage and Homeownership Counseling (Regulations X and Z) – effective January 10, 2014
 - Mortgage Servicing (Regulations X and Z) – effective January 10, 2014
 - Appraisals for Higher-Priced Mortgages (Regulations B and Z) – effective January 18, 2014
 - Loan Originator Compensation (Regulation Z) – effective January 10, 2014
- The Readiness Questionnaire is “intended to serve as a guide in preparing for implementation of the mortgage rules and in performing a self-assessment.” It covers 1) developing an implementation plan, 2) policies and procedures, 3) training, 4) audit, compliance review, internal control, 5) complaints, and 6) third-party and vendor

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management. The Questionnaire serves to highlight areas of interest to examiners. It is not intended to be an examination tool or to become part of the Supervision and Examination Manual, but financial institutions may use it to initiate discussions with examiners. The Bureau indicates that policies and procedures should be updated to ensure that employees understand the changes made by the new rules prior to the effective dates, and it will assess policies and procedures changes “in a timely fashion.” Financial institutions should be prepared to discuss their implementation plan and policy changes in advance of the January 2014 effective dates.

- KPMG’s Credit Risk and Mortgage and Consumer Lending Services Practices have released a [White Paper](#) on the challenges that mortgage servicers face as they work to comply with the new mortgage rules by the January 2014 effective dates. They note the new rules will impose compliance changes but also operational changes that affect technology, staffing, and training to accommodate a more customer-centric, asset-management model.
- KPMG’s Regulatory Risk Services Practice along with the Mortgage and Consumer Lending Services Practice has prepared a number of Regulatory Practice Letters outlining the requirements and considerations of the new mortgage rules. The [Regulatory Practice Letters](#) are available on the KPMG Web site.

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