



## Mortgage Industry Bulletin

### CFPB Testimony Before House Subcommittee

March 18, 2011 — Washington has been busy since the release of the proposed Settlement by the states attorney generals. On Wednesday, Special Advisor Elizabeth Warren made her first appearance before Congress to report on the CFPB (Consumer Financial Protection Bureau).<sup>[1]</sup>

In her testimony, she stated the CFPB did not envision new rules as the main focus of how the agency could best protect consumers. She described regulations as fence posts on the prairie that are too easy to run around and how a level playing field would benefit all consumers and lenders. Honest competition would result from simple, straightforward credit agreements.

First on the CFPB list of priorities, Warren identified mortgage lending and said the stakes are especially high when consumers cannot understand the basic terms of mortgages or comparison shop. "If there had been just a few basic rules and a cop on the beat to enforce them," she said, "we could have avoided or minimized the greatest economic catastrophe since the Great Depression. In the future, the new consumer bureau will be that cop."

"Recent revelations of mortgage servicers' haphazard and questionable practices have further demonstrated the need for a new cop on the beat" Warren noted. "Currently our team is working with federal and state regulators to lay the groundwork to coordinate the regular examination of mortgage servicers. Notably, the CFPB is the first federal agency with the authority to monitor and regulate all mortgage servicers, including both bank and non-bank companies."

Warren stated that the CFPB was working to eliminate confusing and duplicative paperwork consumers receive during the mortgage process and provide more value to the borrower and lower the costs to the lender. In looking ahead, Ms. Warren noted that brokers, lenders, servicers, payday lenders and private student loan companies would all be subject to federal compliance examinations, many for the first time.

During questions, some committee members suggested the CFPB should not exercise authority until the agency formally existed. Warren responded that while the agency would play no role in any formal government settlement with banks and mortgage servicers, the bureau was asked to give advice and did, since it will eventually have authority to set mortgage servicing standards.

Financial Services Committee Chair Spencer Bachus (R-Ala.) and Rep. Shelley Moore Capito (R-W.Va.) introduced a bill Wednesday to replace the director with a five-person commission. With a goal of ensuring a bipartisan and balanced approach to consumer protection, Bachus and Capito promoted the bill as helping small business and individuals without limiting access to credit. They cited other regulatory bodies that have worked well with a commission structure.

Opposition to the proposed AG Settlement was voiced this week by two state attorneys general. Kenneth Cuccinelli (Virginia AG) and Scott Pruitt (Oklahoma AG) both expressed concerns that the Settlement was an attempt to rewrite banking and servicing laws. As leadership among the attorneys general struggled, they stated the effort to correct certain practices had morphed into a drive to establish an overarching regulatory scheme to restructure the mortgage loan industry.

[1] <http://www.treasury.gov/press-center/press-releases/Pages/tg1105.aspx>

This information offers speculative insight into possible controls impacting the mortgage servicing industry. Loan Protector will provide additional information as it becomes available. A full transcript of the testimony by Elizabeth Warren is available at the above URL.

Information provided by Loan Protector Insurance Services, a Willis North America Company.  
Contact Ken Evans, 440-505-6099.

Material regarding the insurance and mortgage servicing industry in this bulletin is provided “as is.” Should you have any questions about the potential applicability or non-applicability of any such information, please consult with your legal advisor. No representation is made as to the completeness or accuracy of the information contained herein. In particular, this information may be incomplete, contain errors or be out of date. Information provided in this bulletin is not and should not be considered legal advice.

For your convenience, this bulletin may contain URL links to third party non- Loan Protector websites. We are not responsible for the content of these sites, or for the policies or procedures of the organizations that operate them. Loan Protector strives to provide links to reputable organizations, but we urge you to exercise caution in linking to third party websites. We make no promises or guarantees regarding the content of any hyperlinked pages and websites not owned by Loan Protector. We therefore recommend that you read the Legal Notice, Terms, Use, Privacy Statement or similarly described disclaimer for each third party site you visit.