August 10, 2026

Comment Letter to the Consumer Financial Protection Bureau

Request for Information Regarding Promoting Access to Mortgage Credit
Docket: CFPB-2026-0018

Dear Acting Director Paoletta:

The Community Home Lenders of America (CHLA) appreciates the opportunity to respond to the Consumer Financial Protection Bureau's Request for Information regarding Promoting Access to Mortgage Credit.

The Request appropriately seeks input on regulatory changes that can reduce unnecessary burdens while maintaining strong consumer protections. The attached CHLA recommendations are offered in that spirit.

CHLA believes the Bureau can materially improve mortgage affordability, competition, and consumer choice through targeted regulatory reforms that preserve substantive consumer protections while eliminating unnecessary compliance costs.

Our recommendations focus on four principal areas:

1. **Modernization of TRID,** including:
• adoption of a bona fide financial emergency waiver disclosure permitting consumers to voluntarily waive waiting periods in genuine emergencies; a standard will speed decisions and ensure adequate consumer protection [Attachment 1]
• revisions to TRID tolerance categories for government-imposed fees and third-party services to better reflect costs outside lender control. [Attachment 2]

2**. Targeted revisions to the Qualified Mortgage points-and-fees calculation** to permit more effective use of down payment assistance, financed mortgage insurance premiums, and third-party costs to permanently lower borrower payments. While not expressly contemplated by the questions contained in the RFI, the Bureau has framed this proceeding more broadly as an examination of regulatory changes that can "reduce regulatory burdens and promote access to mortgage credit." On paper these may appear as modest reforms, but these changes will make a real street-level difference for working-class American families. [Attachment 3]

3. Implementation of Dodd-Frank Section 1024 **through a genuinely risk-based supervisory framework for smaller independent mortgage banks** that recognizes extensive state oversight and focuses Bureau resources on institutions posing the greatest consumer risk. This recommendation directly addresses Section 1 of the RFI, which states: *"It is the policy of the United States to…promote competition among mortgage lenders of all charter types to drive down mortgage rates; and strengthen housing-finance liquidity." [Attachment 4]*

4. **Restricting application of Loan Originator (LO) Comp to compensation practices <u>between</u> firms -** the problem LO Comp was enacted to address. Per enclosed White Paper, restrictions on compensation to a lender's LO employees harms consumers by: (1) reducing the number of small dollar mortgages, (2) discouraging low down payment state bond loans, (3) making it hard to use product types through a broker channel, and (4) making it hard to match offers in competition. [Same EO reference as 3 above].

[See CHLA White Paper on LO Comp Reform]

Each recommendation is presented in greater detail in the enclosed papers. Together they advance the objectives identified in Executive Order 14393 and the Bureau's Request for Information by lowering origination costs, expanding lender participation, promoting competition, and improving access to sustainable mortgage credit without weakening core consumer protections.

CHLA respectfully requests that the Bureau consider these recommendations during its review of existing mortgage regulations and welcomes the opportunity to discuss them further with Bureau staff.

Respectfully submitted,

Community Home Lenders of America [CHLA]

Attachments

- 1. Bona Fide Personal Financial Emergency Disclosure & Waiver of Waiting Period
- 2. Revision of TRID Tolerance Categories for Government-Imposed Charges & 3rd Party Services
- 3. Changes to QM Rule to Qualify More First-Time Homebuyers
- 4. Risk-Based Supervision under Dodd-Frank §1024 of Smaller Independent Mortgage Banks

CHLA Attachment 1

CHLA Recommendations: Bona Fide Personal Financial Emergency Disclosure & Waiver of Waiting Period

IMPORTANT NOTICE TO CONSUMER

Federal law generally requires a waiting period before certain mortgage loan transactions may be consummated. You have the right to this waiting period so you may review your loan documents and consider the transaction carefully.

However, if you are experiencing a bona fide personal financial emergency, you may request that the waiting period be waived in order to complete your loan transaction sooner.

A bona fide personal financial emergency must involve:

- An imminent financial threat, hardship, or true crisis;
- Circumstances requiring immediate access to loan proceeds; and
- A need to consummate the transaction before the expiration of the applicable waiting period to avoid financial harm.

Convenience, scheduling preferences, travel plans, interest rate concerns alone, contractual pressure, seller demands, or general urgency do not constitute a bona fide personal financial emergency.

By signing this form, you certify that:

1. You have determined that this extension of credit is needed to meet a bona fide personal financial emergency;
2. You are identifying the type of emergency; and
3. The emergency requires consummation of the transaction before the end of the applicable waiting period to avoid significant financial harm.

Borrower Request for Waiver

Please indicate the nature of your financial emergency by checking all applicable boxes below:

Type of Financial Emergency

☐ **Imminent Foreclosure or Loss of Primary Residence**
Loan proceeds are needed immediately to prevent a foreclosure sale, eviction, or other imminent loss of the property.

☐ **Natural Disaster or Declared Emergency Event**
Loan proceeds are needed due to damages, displacement, or financial hardship resulting from a hurricane, flood, wildfire, pandemic, or other declared disaster/emergency.

☐ **Immediate Medical or Family Hardship**
Loan proceeds are needed to address urgent medical expenses, family emergencies, or other critical personal hardships creating immediate financial distress.

☐ **Preventing Utility Disconnection or Loss of Essential Services**
Loan proceeds are needed to prevent termination of utilities or essential services necessary for health or safety.

☐ **Urgent Property Repair Affecting Habitability or Safety**
Loan proceeds are needed immediately to address significant property damage or safety conditions that affect the livability of the home.

☐ **Court Order, Tax Sale, or Government Action (including IRS liens)**
Loan proceeds are necessary to prevent immediate financial loss related to a court action, tax sale, lien enforcement, or governmental proceeding.

☐ **Business or Employment Interruption Creating Immediate Financial Hardship**
Loan proceeds are needed to address sudden income loss, business interruption, or employment-related hardship creating imminent financial harm.

☐ **Other Bona Fide Personal Financial Emergency**
(Describe below)

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____

Consumer Acknowledgment & Waiver

By signing below, I/we:

- Determine that this extension of credit is necessary to meet a bona fide personal financial emergency;
- Request that the waiting period be waived;
- Understand that I/we are voluntarily electing to consummate the transaction early;
- Acknowledge that this waiver is not being requested for convenience purposes; and
- Confirm that delaying consummation until the end of the waiting period would result in significant financial harm or inability to resolve the emergency.

Borrower Name: ______________________________________

Signature: ____

Date: ____

Co-Borrower Name: ___________________________________

Signature: ____

Date: ____

CHLA Attachment 2

CHLA Recommendations: Revision of TRID Tolerance Categories for Government-Imposed Charges and 3rd Party Services

A. Government—Imposed Charges

CHLA recommends the TRID tolerance provisions in Regulation Z to place all recording charges, transfer taxes, and other state, county, municipal, and local government-imposed fees within the **10 percent cumulative tolerance category** rather than the current 0 tolerance framework.

Background

The TILA-RESPA Integrated Disclosure (TRID) rule establishes different tolerance categories for charges disclosed on the Loan Estimate. The purpose of these tolerances is to encourage accurate disclosures while protecting consumers from unexpected cost increases.

Since TRID's implementation, lenders have continued to face significant operational challenges in accurately estimating charges that are assessed by governmental entities.

Recording offices, taxing authorities, and local jurisdictions frequently modify fee schedules, calculation methodologies, recording requirements, and assessment practices without advance notice. Governmental entities are independent authorities over which lenders exercise no contractual or operational control.

Moreover, in the current market environment with a focus on reducing supply issues through new construction, these transactions often face tolerance cures under TRID which can lead to delays in closing for the borrower and increasing cost to originate. Transfer tax tolerances cures on new construction are common as the information used to calculate transfer taxes is often uncertain or changes during the construction process.

Alignment to Existing Policy Initiatives

Reclassification of all government-imposed charges to the cumulative 10% tolerance category is in alignment to White House Executive Orders signed by the President in 2026. First, Executive Order 14393, "Promoting Access to Mortgage Credit," focused on reducing the cost of originating and servicing mortgages, expanding access to credit, and increasing competition among mortgage lenders by reducing regulatory burdens. Key directives focus on modernizing TRID disclosures. Second, Executive Order 14394, "Removing Regulatory Barriers to Affordable Home Construction," focused on increasing housing supply by reducing federal regulatory barriers that the Administration believes contribute to higher construction costs and delays.

A re-classification of tolerance categories reflective of the current environment is appropriate in consideration of the policy initiatives of the White House.

Basis for Revision to Tolerance Categories

Government-imposed fees differ fundamentally from lender-controlled or provider-controlled charges.

Recording fees, transfer taxes, documentary taxes, local filing fees, technology surcharges, preservation fees, and similar assessments are established solely by federal, state, county, municipal, or local governments.

Lenders cannot:

- Negotiate the amount of these charges.
- Influence when jurisdictions modify fee schedules.
- Control local recording practices or assessment methodologies.
- Prevent mid-cycle statutory or administrative fee changes.
- Override errors made by governmental offices when assessing fees.

Although lenders are responsible for providing good-faith estimates, they often must rely on third-party data providers, title companies, settlement agents, and public information that may not immediately reflect changes adopted by thousands of independent recording jurisdictions throughout the country.

As a result, costly tolerance cures may arise even when the lender exercised reasonable diligence and the variance resulted entirely from governmental action outside the lender's control.

Consumer Protection

Moving these fees to the 10 percent cumulative tolerance category would continue to provide meaningful consumer protection as follows:

- The cumulative increase for affected charges would still be capped.
- Lenders would remain obligated to exercise good-faith estimation practices.
- Intentional understatement of fees would continue to violate TRID requirements.
- The CFPB would retain enforcement authority over inaccurate disclosures and unfair or deceptive practices.

This approach balances consumer protection with the operational realities of estimating charges imposed by governmental authorities, these operational realities inevitable increase the cost of mortgage credit throughout the ecosystem.

TRID's tolerance framework should distinguish between charges that lenders can influence and those that are exclusively determined by governmental entities. Recording charges, transfer taxes, and all state, county, municipal, and local government-imposed fees are established by independent public authorities and are outside the lender's control.

B. 3rd-Party Services

CHLA recommends the TRID tolerance provisions in Regulation Z regarding lender-provided services (currently in the **10 percent cumulative tolerance category**) be moved to a “no limit” category.

Background:

If the borrower chooses services from one of the lender’s written list of approved providers, the combined total cost cannot increase by more than 10% from the initial Loan Estimate; if the sum of these charges exceeds the 10% limit, the lender must reimburse the borrower for the excess costs. Today, most lenders choose not to provide any lists at all, placing the workload and the vetting entirely on families already stretched for time, and not all consumers will have the knowledge or sophistication to identify providers. Arguably, these consumers lose more choices and time and do not have any additional protection from unscrupulous service providers.

RESPA Section 8 already provides a check for affiliate charges, whereby lenders **are** required to provide an affiliated business arrangement disclosure to consumers, which discloses any relationships in which the lender has a financial interest and outline the charges or range of charges that apply.

Given the above, the mortgage process should allow lenders to provide this information without fear of being assessed for cost changes that (a) they either have no control over, or (b) in the case of affiliated services, the lenders are already required to provide additional information designed to safeguard these families. This way, consumers get more choices, save time, and remain protected.

Alignment to Existing Policy Initiatives

This recommendation aligns to the core purpose of the White House's Executive Order 14393, Promoting Access to Mortgage Credit, in the core principle that every American should have more choices when accessing to mortgage credit in general. By removing challenges and costs that lenders face in providing a list of possible settlement service providers, the CFPB will encourage consumer transparency and informed access to providers. Moreover, this recommendation is consistent with the CFPB's core mission of educating and empowering consumers to make informed financial decisions.

CHLA Attachment 3

CHLA Recommendations: Changes to QM Rule to facilitate more first-time buyer activity.

Although the Bureau's specific questions in this RFI principally address TRID, rescission, and reverse-mortgage requirements, the Bureau has framed this proceeding more broadly as an examination of regulatory changes that can “reduce regulatory burdens and promote access to mortgage credit.” The Bureau further recognizes that existing regulations may contribute to higher costs for borrowers needing access to mortgage credit. We therefore urge the Bureau, as part of its broader implementation of Executive Order 14393 and its review of Regulation Z, to address an unintended impediment to the effective use of governmental and nonprofit down-payment assistance under the Qualified Mortgage points-and-fees rules.

Following are proposed changes to the QM points and fees test regarding lender compensation. In each case, the proposal is to eliminate a portion of the calculation that is improperly categorized as lender compensation by current rules in ways that limit the lender’s ability to permanently reduce the borrower’s payment.

1. Remove the 2% cap on bona fide discount points in the case when the borrower is not actually paying the points. This would include instances where a legitimate provider* provides a non-interest bearing, deferred payment subordinate lien to pay the points.

   Under the current QM definition, these points are counted in lender compensation, which they clearly are not. They are also not paid by the borrower in any form, at least until they sell the home or pay off the first mortgage. In any case, they are not paid as a part of the purchase transaction. Using the down payment assistance to permanently reduce the rate has much more impact on reducing the borrower’s payment than using it to reduce the loan balance, *as the current rule forces us to do with any assistance beyond the 2% cap.* This would be a powerful way to increase the efficiency of the scarce resources we have available for down payment and closing cost assistance. See attached spreadsheet for a demonstration of the effectiveness of rate reduction compared to principal reduction.

   The chart example at the base of this document shows that, while principal reduction does reduce borrower payments and increase their purchasing power, the benefit of each dollar spent on rate reduction produces nearly double the effect. In the example, a $20,000 principal reduction reduces the borrower’s payment by $131/ month. The same amount of assistance applied to paying discount points (in this case, just less than 5 total points bought the rate down by 1.125%) reduced the payment by $256 and the income necessary to qualify by $8,558.

2. Exempt from the points and fees calculation other third-party closing costs paid by the deferred loan. Similarly, the borrower is not actually paying these costs as part of the purchase transaction and the lender is not retaining any portion of the fee so we should not include them in the QM points and fees test.

3. Exempt from lender compensation lump sum mortgage insurance premiums financed in the first mortgage. The lender does not retain any portion of the premium, so this charge does not belong in that portion of the points and fees calculation. The MI premium is already included in the APR calculation of the first mortgage, but it does not also belong in lender compensation. This is also an effective way to permanently reduce the borrower’s payment.

These changes would further the objectives identified in the RFI by improving the efficiency of scarce homeownership-assistance resources, reducing monthly mortgage costs for eligible borrowers, and removing a regulatory impediment that can unnecessarily constrain access to affordable mortgage credit. Appropriate restrictions on eligible assistance providers and transaction-generated funding would preserve the consumer-protection purpose of the points-and-fees limitation while preventing the rule from capturing bona fide assistance and third-party charges that do not represent additional creditor compensation.

Alignment with Executive Order 14393

The proposed changes directly advance Executive Order 14393, *Promoting Access to Mortgage Credit*. The Executive Order establishes as the policy of the United States “to improve the availability and affordability of mortgage credit” and directs the Consumer Financial Protection Bureau to consider reforms to the Ability-to-Repay and Qualified Mortgage requirements under Regulation Z.

In particular, Section 2(a)(iii) directs the Bureau to consider “exempting small-mortgage loans from caps on QM points and fees or, as appropriate, modifying such caps to support affordability.” While this section might contemplate extremely-small mortgage balances, many working-class American families today buy homes as high as $400,000 (given home price jumps in the last few years) and do need targeted help with QM limits. The recommendations set forth here provide the Bureau with a additional means of implementing that policy direction for borrowers benefiting from bona fide governmental and nonprofit homeownership assistance.

The existing QM points-and-fees framework can limit the ability of governmental and nonprofit down-payment-assistance providers to use scarce assistance dollars in the manner that most effectively improves a borrower's monthly affordability. Applying assistance toward bona fide discount points can permanently reduce the borrower's mortgage interest rate and monthly payment. Where the assistance is provided through a non-interest-bearing, deferred-payment subordinate loan funded independently of the mortgage transaction, treating those amounts in a manner that constrains the first mortgage's QM eligibility can frustrate rather than advance mortgage affordability.

The Bureau should therefore modify the applicable QM points-and-fees treatment so that bona fide discount points funded by qualifying governmental or nonprofit assistance do not become subject to the existing limitation solely because the assistance is used to reduce the borrower's interest rate. Comparable treatment should apply to bona fide third-party settlement charges paid from such assistance and to mortgage-insurance premiums paid to an independent mortgage insurer where those amounts are not retained by the creditor.

These targeted changes would preserve the consumer-protection purposes of the QM framework while directly advancing the Executive Order's instruction to modify QM points-and-fees requirements “to support affordability.” They would also further the Order's broader objectives of improving the availability and affordability of mortgage credit and expanding access to credit for low- and moderate-income and first-time homebuyers.

*A legitimate provider should be a governmental or nonprofit entity using funds generated independently of the subject transaction (i.e., not generated through higher interest rate or closing costs of the mortgage or through seller contributions).

CHART

	Rate Buydown	Principal Reduction	No DPA
Loan Amount	$ 350,000.00	$ 330,000.00	$ 350,000.00
Interest Rate	5.750%	6.875%	6.875%
Amount of DPA Applied	$ 20,000.00	$ 20,000.00	0
P&I Payment	$2,042.50	$2,167.87	$2,299.25
Payment Advantage vs principal reduction	$256.75	$131.39	
Qualifying Advantage- Requires this much less income to qualify	$8,558.20	$4,379.53	
5 Year Savings	$15,404.75	$7,883.15	

CHLA Attachment 4

CHLA Recommendations: Risk-Based Supervision under Dodd-Frank §1024 of Smaller Independent Mortgage Banks

The Consumer Financial Protection Bureau ("CFPB" or "Bureau") should clarify through regulation, an interpretive rule, guidance, or supervisory policy that the Bureau's supervision of non-depository mortgage lenders and servicers should be implemented in a genuinely risk-based manner consistent with the statutory framework established under Section 1024 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), codified at 12 U.S.C. § 5514.

This action would also align with the recent Executive Order 14393, Promoting Access to Mortgage Credit, specifically the clause in Section 1 stating: *"It is the policy of the United States to…promote competition among mortgage lenders of all charter types to drive down mortgage rates; and strengthen housing-finance liquidity."*

(The Executive Order in Section 1 also calls *for "remov(ing) regulatory distortions to the structure of the mortgage market,"* an example of which would be that the same size of mortgage lender, whether bank or nonbank, ought be regulated in a similar manner, because doing so otherwise would be the literal definition of a "regulatory distortion" that can only harm American families.)

Congress in 2010 expressly directed the Bureau to exercise its supervisory authority based on risks posed to consumers, while also taking into account institutional size, transaction volume, and the extent of existing state oversight. Existing supervisory practices should therefore be refined to avoid unnecessary duplication of state examinations and disproportionate regulatory burdens on smaller independent mortgage banks ("IMBs").

Section 1024 of Dodd-Frank deals with supervision of non-bank entities. Section 1024(b)(2) reads:

(b) SUPERVISION.—

(1) IN GENERAL.—The Bureau shall require reports and conduct examinations on a periodic basis of persons described in subsection (a)(1) for purposes of— (A) assessing compliance with the requirements of Federal consumer financial law; (B) obtaining information about the activities and compliance systems or procedures of such person; and (C) detecting and assessing risks to consumers and to markets for consumer financial products and services.

(2) RISK-BASED SUPERVISION PROGRAM. The Bureau shall exercise its authority under paragraph (1) in a manner designed to ensure that such exercise, with respect to persons described in subsection (a)(1), is based on the assessment by the Bureau of the risks posed to consumers in the relevant product markets and geographic markets, and taking into consideration, as applicable—
(A) the asset size of the covered person;
(B) the volume of transactions involving consumer financial products or services in which the covered person engages;
(C) the risks to consumers created by the provision of such consumer financial products or services;
(D the extent to which such institutions are subject to oversight by State authorities for consumer protection; and
(E) any other factors that the Bureau determines to be relevant to a class of covered persons."
CHLA asks the CFPB to adopt – through regulation, an interpretive rule, guidance, or supervisory policy, an appropriate exemption from supervision and exams for non-bank mortgage lender/servicers, comparable to treatment under Dodd-Frank which exempts smaller banks for such supervision.
Following is suggested language

In carrying out this requirement, the Bureau shall establish a threshold, based on loan volume or loan amount, below which mortgage lenders and servicers are exempt from supervision and enforcement. Such threshold shall be established at levels designed to approximate the same exemption level as applies to banks, credit unions, and savings institutions under Section 125(a).

Such exemption shall apply, except pursuant to a finding of one of the following regarding a mortgage lender or servicer:

(1) a sustained pattern of substantiated consumer complaints alleging actual consumer harm;

(2) material adverse findings in state examination reports, or

(3) evidence suggesting deficiencies in state supervisory oversight; or

(4) tangible evidence of material violations of Federal consumer financial law posing material risk to consumers.

POLICY BASIS

The Dodd-Frank Act already directs the Bureau to implement a "risk-based supervision program" for non-depository covered persons.

- Exempting smaller non-bank mortgage lender/servicers clearly addresses the first two prongs in Section 1024(b)(2)
- Regarding prong 3 – "risks to consumers" – unlike most other non-bank financial activities, non-bank mortgage lenders and servicers predominately originate and service federal agency mortgage loans (FHA, VA, RHS, Fannie Mae, and Freddie Mac) which already have a broad array of rules they supervise to protect consumers, with regard to underwriting, servicing, and loss mitigation – and this proposal still gives the CFPB authority to act upon findings of abuses.
- Regarding prong 4 – the extent to which mortgage lenders are subject to consumer protection oversight by state authorities – non-bank mortgage lender servicers and supervised and regulated by every state in which they do business, and the level of state supervision of mortgages is generally much higher than most other non-bank financial products.
- In general, the state system of examinations has vastly improved since 2008 and even today grows increasingly with sophistication.

Putting the Dodd-Frank statute fully into play not only respects the will and intent of Congress, it protects US consumers by ensuring they have more choices on where to procure a mortgage. It is a common theme in banking that small lenders ought not be regulated to the same standard as very large ones—precisely because these community lenders' smaller books of business do not allow them to amortize the high fixed costs of regulations generally. When the government regulates large and small lenders the same, the diminishing profitability of small lenders leads them to sell out to their larger competitors, who are more able to hire legions of in-house (and contractual) attorneys and regulatory experts.

As just one example, in recent years a mortgage lender with a billion-dollar annual book of business (in the mortgage banking world this is not a large number by any means, comparatively large lenders often fund a billion or more a month and the very largest often exceed $5 billion or more in a month) received a CFPB exam that lasted 6 months and cost hundreds of thousands of dollars to complete. The exam staff were professional and very knowledgeable. However, the scale of this exam is not appropriate to the small lender engaged largely in government agency lending, and overseen already by multiple states and federal agencies.