

New Federal Rules for Mortgage Forms Blamed for Delaying Loans

By Joe
Light



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Mortgages took an average of 49 days to close in November, the longest closing time since February 2013, according to Ellie Mae. Photo: Patrick T. Fallon/Bloomberg News

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It is taking home buyers longer to get a mortgage, which some in the real-estate industry say is the result of new federal rules meant to make mortgage terms easier to understand.

Mortgages took an average of 49 days to close in November, a three-day increase from October and the longest closing time since February 2013, according to mortgage-processing firm Ellie Mae. Behind the scenes, some lenders describe disarray as various parties in real-estate transactions carry different interpretations of the same rules.

The changes, implemented by the Consumer Financial Protection Bureau in October, replace the forms borrowers receive when they make an application and before they close on a mortgage. The new forms are meant to make

mortgage terms and fees clear.

The rules also require lenders to give borrowers final terms of a loan at least three business days before closing to ensure they have time to understand the agreement. Lenders say that both changes resulted in large technical and training challenges.

“Everything is in turmoil right now. Nobody knows what they’re doing,” said Kelly Welch, executive vice president at lender Equity Resources Inc. in Newark, Ohio. So far, Ms. Welch said her company has closed more than 300 loans under the new regime.

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Ms. Welch said that sometimes other parties in a home sale have a different view of how the new forms should be filled out than her company, leading to delays and back-and-forth as they try to sort out what to do. Often, a dispute arises over such simple things as on what page a mortgage fee should be listed, she said.

Advocates for the changes say they are a common-sense response to the housing crisis, during which it became apparent that many borrowers didn’t understand the ramifications of terms such as teaser rates or growing principal balances. They note that lenders had more than a year to prepare for the changes.

There is also disagreement as to how much of a headache the new rules have been so far. CFPB Director [Richard Cordray](#) in a December speech said it seemed that lenders’ anxieties “were much like the errant predictions of technological disaster stemming from Y2K.”

Pete Mills, a senior vice president at the trade group Mortgage Bankers Association, said many of the hiccups have occurred behind the scenes, with lenders devoting more man-hours to fixing problems rather than pushing mortgage closings back.

Brooke Anderson-Tompkins, chairwoman of the Community Mortgage Lenders of America, said she expects closing times are also slowing this month, as lenders begin to close more applications under the new rules, but that the discrepancies and disagreements ought to get straightened out as the industry adapts next year.

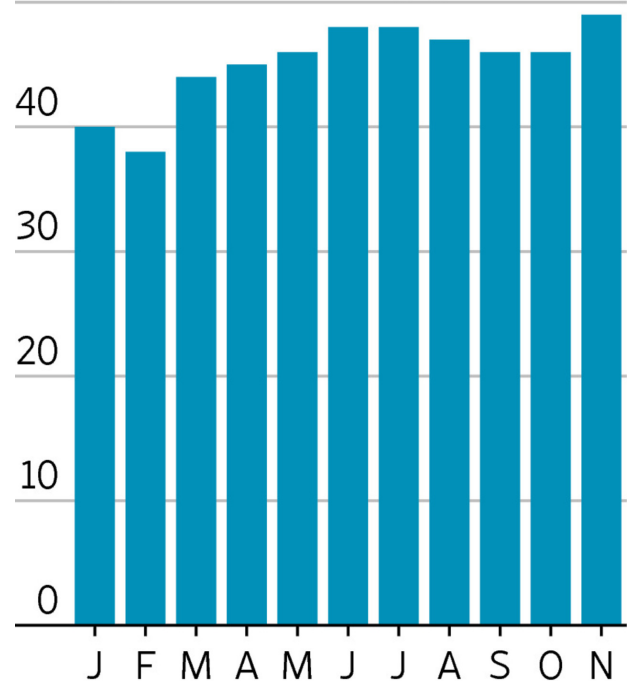
A CFPB spokesman said November’s rise in closing times could be due to factors other than the new rules and that the agency would be “sensitive to good-faith compliance efforts” as the industry adjusts.

Write to Joe Light at joe.light@wsj.com

Loan Lag

New federal rules may be slowing the mortgage process.

50 days to close a mortgage



Source: Ellie Mae

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