

August 1, 2024

Mr. Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

**RE: Request for Information Regarding Fees Imposed in Residential Mortgage Transactions
[Docket No. CFPB-2024-0021]**

Dear Mr. Chopra:

Thank you for the opportunity to provide comments in response to the Request for Information Regarding Fees Imposed in Residential Mortgage Transactions. NeighborWorks applauds the CFPB for seeking to reign in junk fees and to create a fair, competitive marketplace for consumers seeking affordable homeownership opportunities. Please note that these comments have not been submitted to or approved by NeighborWorks America's board and do not necessarily represent the views of its board members, either collectively or as individuals. These comments have been formed based on the ongoing work of NeighborWorks America with our network of nearly 250 local and regional nonprofit affiliated NeighborWorks organizations.

For 45 years, the Neighborhood Reinvestment Corp. (d/b/a NeighborWorks America), a Congressionally-chartered, national, nonpartisan nonprofit, has created opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and safe, affordable rental housing. The NeighborWorks network provides a full range of homeownership promotion services, including assisting consumers to build their credit, providing homebuyer education, counseling prospective borrowers on loan options, providing down payment assistance, underwriting affordable mortgages, and more. Over the last five years, through these services, the NeighborWorks network has created 106,675 homeowners.

More than ever, prospective homebuyers today face daunting challenges. According to the National Housing Conference, the income necessary to afford the same median-priced home doubled over the five-year period between August 2019 and August 2023. A critical shortage of housing units, coupled with high interest rates, have pushed the price of homeownership out of reach for many. But the total cost of homeownership has many hurdles barring the path of prospective homebuyers. The need to bring significant amounts of cash to the closing table has disproportionately impacted first-time, low-

income and minority buyers, exacerbating inequities. Although government agencies, financial institutions, and CDFIs have done significant work to develop low down payment mortgage products and secure funding for down payment assistance programs, inflated closing costs continue to strain buyers' ability to purchase homes. While acknowledging that the housing affordability crisis cannot be solved by reigning in excessive and unnecessary fees at closing, NeighborWorks is pleased to see the CFPB leaving no stone unturned in the quest to make the American dream a reality for more households.

At the same time, as more and more traditional financial institutions are exiting the mortgage market, it is critical to ensure that regulatory actions do not have the unintended effect of reducing competition by driving additional players out of the market. The mortgage underwriting process is complex, and delivering high-quality, safe and sound loans requires an investment of resources on the part of the lender. Mortgage lenders, including mission-oriented lenders like those in the NeighborWorks network, must be allowed to charge fees sufficient to support their operations. Lenders incur expenses for their internal administrative functions, but also for inputs such as credit reports and appraisals from third-party vendors. While there may be an opportunity to incentivize lenders to work only with vendors that charge reasonable fees, it is imperative that lenders be able to pass the true cost of these services on to borrowers.

NeighborWorks commends the CFPB for recognizing that there are two distinct categories of solutions to be considered. The first is consumer behavior, and the ways in which consumers can be supported and enabled to exercise choice in the marketplace. The second consists of approaches that regulate the behaviors of those entities charging the fees and ensure that the marketplace is fair and competitive.

Support to Consumers

The collective experience of NeighborWorks America and the network, as described above, provides the basis for our recommendations to leverage existing housing counseling and mission-oriented lender capacity to better serve borrowers. The world of housing finance is extremely complex and is not well designed to safeguard and promote borrower interests. However, for over 50 years HUD-approved housing counseling agencies have been educating consumers and assisting them to make informed housing decisions. Housing counselors are trusted voices and can help consumers to understand the options at their disposal. Counselors can also provide referrals to reputable service providers with track records of offering fair and competitive pricing.

Even when armed with homebuyer education and the assistance of a housing counselor, however, many consumers are simply too overwhelmed or overburdened to shop around. Particularly in a tight housing market where buyers are in a race against the clock to submit an offer, they may simply determine that they cannot afford to take additional time to compare options. Counselors from the

NeighborWorks network have reported some success with assigning their buyers “homework” to compare pricing from multiple vendors. While these nudges can be helpful, it’s clear that the asymmetry of information and power in the marketplace heavily favors service providers. For consumers unfamiliar with the landscape of title companies, banks, non-bank mortgage originators, and others, figuring out how to contact these institutions, what questions to ask, and how to evaluate relative differences can be extremely daunting. Furthermore, when many fees are bundled together, it becomes particularly difficult to comparison shop.

Regulation of Service Providers

As discussed above, it is simply unreasonable to lay the entire burden of controlling closing costs on consumers. We offer comments on specific categories of fees below:

Title Fees: In many instances, it is sellers, not home buyers, who control which title company is used. While experiences varied, many NeighborWorks housing counselors report rampant examples of “nickel and diming” of customers who are locked in. By charging myriad fees for providing the closing protection letter, producing the commitment binder, securing courier fees (even when all work is done on a single site), and more, title companies have the opportunity to charge inflated prices at multiple stages. One problematic practice commonly seen with title companies is the tendency to overestimate the amount of cash needed at closing. In addition to putting strain on buyers, cash back is often disallowed by down payment assistance programs, causing additional problems for both the buyers and administrators of the programs.

Title Insurance: Title insurance represents one of the largest costs at closing. According to Don Layton, Senior Visiting Fellow from Practice at the NYU Furman Center, the loss ratio for title insurance policies has hovered below seven percent for over a decade, now dipping down as low as three percent.¹ As he argues, there is no reasonable explanation for such a high profit margin.

Credit Reports: As FHFA has documented, price competition between the major credit bureaus is almost non-existent due to the tri-merge protocols that require information from all three. Housing counselors in the NeighborWorks network have observed that, in recent years, credit report fees have increased dramatically.

Appraisal Fees: Professionals working with buyers are also seeing appraisal fees increasing rapidly. In particular, they point out the increasing frequency of additional fees being charged for travel, re-inspection for minor things, and more.

¹ [Closing Cost Reform: Long Overdue and Worth the Fight \(Part 1\) – NYU Furman Center](https://furmancenter.org/thestoop/entry/closing-cost-reform-long-overdue-and-worth-the-fight-part-1)
(<https://furmancenter.org/thestoop/entry/closing-cost-reform-long-overdue-and-worth-the-fight-part-1>)

Many of these fee categories, along with the various administrative fees that are frequently tacked on, are largely opaque and unregulated. Self-interested protectionism from professionals intent on preserving their business model should be understood as such.

In addition to the fees discussed above, NeighborWorks is carefully observing the outcomes of the shake-up to the broker commission system resulting from legal challenges to the anti-competitive practices that have long dominated the industry. NeighborWorks is particularly concerned about the consequences, both in the short- and long-term, for low-income and first-time homebuyers. As the marketplace fragments and full-service brokerage models are challenged, significant uncertainty will be introduced into the system. Low-income and first-time buyers are most at risk of being taken advantage of as the rules are being rewritten. Buyers' agents can and do play an important role in educating consumers and can be a safeguard against unscrupulous lenders or vendors of services. However, if the cost of securing this representation shifts to already-overburdened buyers, many may forego some or all of the services traditionally provided by buyers' agents, either because they do not see the value in these services or because they deem the cost to be unaffordable. Either way, NeighborWorks encourages the CFPB to pay close attention to this space as the market evolves.

In conclusion, NeighborWorks is pleased that the CFPB is interested in promoting transparency and competition around the fees charged in association with mortgage transactions, and we look forward to finding additional ways to partner to leverage the capacity of our nation's housing counseling system to better serve consumers. Thank you for this opportunity to contribute to this process.

Sincerely,

A handwritten signature in black ink that reads "Marietta Rodriguez". The signature is written in a cursive, flowing style.

Marietta Rodriguez
President & CEO