crossstate
Credit Union Association

August 2, 2024

Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

**Re: Request for Information Regarding Fees Imposed in Residential Mortgage Transactions, Docket No. CFPB-2024-0021**
*Filed electronically via: [https://www.regulations.gov](https://www.regulations.gov)*

Dear Director Chopra:

CrossState Credit Union Association (CrossState) appreciates the opportunity to share comments from our members on the Request for Information (RFI) regarding fees imposed in residential mortgage transactions.

CrossState is a regional trade association that advocates for nearly five hundred credit unions located in the State of New Jersey and Commonwealth of Pennsylvania. Credit unions were formed for the purpose of making credit available to Americans and promoting thrift through a national system of nonprofit, cooperative financial institutions. Credit unions are owned by their members and governed by volunteer boards of directors elected by their membership. Earnings of credit unions are returned to members through fewer and lower fees, higher yields on savings, and lower loan interest rates.

Credit unions provide multiple credit products to their members, including mortgage loans. CrossState and its member credit unions are concerned about the rising cost of home ownership. Credit unions serve a vital role in their communities and want to assist their members to achieve the American Dream of purchasing their first home or future homes.

As the RFI correctly points out, there are multiple fees that are passed onto borrowers when they are approved for a mortgage loan. Service providers pass these fees onto lenders which are then passed onto borrowers. Examples of such fees in the mortgage origination include the cost of obtaining an appraisal, title search, flood certification, and credit report. Credit unions typically provide Lender Credit to assist with some of the fees involved in the evaluation of the loan application.

To comply with safety and soundness requirements, the credit union must evaluate the property and the credit of the borrower obtaining a mortgage loan. The fees assessed are unavoidable for the credit union during the processing of a residential mortgage loan. Under Regulation Z, these fees are required to be disclosed on the Loan Estimate and on the Closing

Disclosure.[1] Credit unions cannot control the costs of these services since they are set by third-party service providers. Credit unions have recognized some increase in these fees, but they commensurate with current increases for other goods and services.

Title insurance is another cost that the RFI identifies can be a significant expense for the borrower. This is another cost that the credit union passes along to the borrower without collecting anything other than the cost of the title insurance. Title insurance is necessary to protect the lender and the borrower from a claim to the borrower's property by another person.

Unlike other flat fee services, title insurance is usually priced as a percentage of the purchase price of the property. Accordingly, in this market where sales prices of homes are skyrocketing, the cost of title insurance is going to increase. According to the FHFA's most recent house price index (HPI), house prices rose 5.7% from May 2023 to May 2024.[2] As the market improves and the cost of new homes begins to fall, the cost of title insurance should decline.

At closing, borrowers may incur additional fees such as documentation or closing fees and recording fees. There are no extra charges added to the recording fees passed on to borrowers. Credit unions have not reported significant increases in these fees recently. Additionally, if a third party is used for the loan closing, those fees are passed onto the borrowers without any markup

One area of concern is the increase in the guaranteed fees passed along by Fannie Mae and Freddie Mac (the Enterprises). Some credit unions originate mortgage loans that are packaged and sold on the secondary market. This practice is necessary for credit unions that want to continue having sufficient cash flow to provide mortgage loans and other credit in their communities. These fees are usually not directly passed along to borrowers but may be reflected in the interest rates or points charged by lenders.

As credit unions tend to charge lower interest rates than other lenders in the financial service market, increased fees from the Enterprises can have a significant impact on the cost of originating and servicing a mortgage loan. CrossState encourages the CFPB to study the impact of the fees charged to lenders by the Enterprises on the total cost of a loan to a consumer.

In summary, the fees that are charged in relation to originating a residential mortgage are for actual services that the credit union must employ to evaluate the applicant for the loan. Any fees that will be charged are itemized on the Loan Estimate and on the Closing Disclosure when the loan is closed. The fees charged to the credit union are passed along to the borrower, unless the credit union offers a lender credit to cover any of these fees.

Thank you for the opportunity to comment.

With best regards,

Patrick C. Conway

Patrick C. Conway

[1] 12 CFR 1026.37 & 1026.38.

[2] FHFA – House Price Index (HPI) – July 2024, https://www.fhfa.gov/sites/default/files/2024-07/FHFA-HPI-Monthly-07302024.pdf

President & CEO

cc: CrossState Board
CrossState Government Relations Committee
CrossState Regulatory Review Committee