CFPB Puts Consumer First

Credit Unions Need to Redefine Member Satisfaction in Light of TRID

By Mark McElroy

For the last nine months, mortgage lenders of all stripes have been consumed by TRID—and with good reason. ■ The magnitude of change TRID has spurred in the mortgage industry is unparalleled in recent memory.

However, TRID is about more than just a change in mortgage documents; it represents a change in expectations about the minimum level of service mortgage lenders should be providing to consumers.

Every action the Consumer Finance Protection Bureau (CFPB) has taken since its inception—from addressing Unfair, Deceptive or Abusive Acts or Practices (UDAAP) to enforcing the 2012 National Mortgage Settlement to the agency's reaction to Quicken Loans's Rocket Mortgage launch during the Super Bowl—has been driven by a "consumers first" mandate. The consumer experience matters, and to disregard or misinterpret it puts you on the wrong side of the CFPB.

Credit unions are no stranger to a consumer-centric mentality, as member satisfaction is par for the course in terms of day-to-day consumer interaction. However, the CFPB's mandate speaks more to how transactions are conducted on the back end and the impact of these "business as usual" transactions on the consumer.

PART OF THE BIGGER PICTURE

Think about it this way. TRID is part of the CFPB's larger "Know Before You Owe" initiative, which also includes the recent eClosing pilot. Both indicate the CFPB's desire to see mortgage lenders change the operational aspects of how mortgages are originated and closed because the CFPB has observed how little the current mode of operation benefits the consumer. This type of change goes beyond everyday customer service and speaks to building a process around the consumer.

Take, for example, TRID's guidance on the timing of Closing Disclosure (CD) delivery. TRID requires that consumers receive the CD at least three days prior to closing to provide adequate time for the consumer to review and understand the document. For lenders that still mail paper copies of disclosures, there is an additional "snail-mail" period that must be added to the three days prescribed by TRID. As a result, these lenders are looking at a six- to seven-day waiting period from the day the CD is mailed to when closing can occur.

Since the closing date is determined at the start of the transaction, lenders and settlement service providers are working to a deadline. When challenges arise that make meeting the deadline impossible, lenders are forced either to delay the closing and inconvenience borrowers or potentially violate TRID to close on time. Furthermore, in a paper closing, it is difficult to prove that the borrower actually reviewed the CD as soon as it was

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received, thus creating another potential compliance issue for lenders.

What this illustrates is the weight the CFPB places on consumer satisfaction over mortgage lender convenience. Though the TRID rule is light on specifics regarding how the CFPB expects lenders to comply, the Bureau has intimated a possible solution, one which shares its origins with TRID: eClosing.

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RESULTS OF E-CLOSING PILOT

According to findings from the CFPB's 2015 eClosing pilot:

- eClosing participants receive documents sooner and review documents earlier than borrowers in paper closings.
- eClosing participants also experience greater perceived empowerment and efficiency and understand the transaction better.
- Last but certainly not least, eClosings are generally shorter than paper closings, particularly for purchases.

Thus, eClosing adoption is a simple way for credit unions to signal to the CFPB that customer satisfaction is a top priority. This theory has not gone untested, as credit unions were part of the eClosing pilot and have been among the early adopters of eClosing technology.

At the same time, eClosing provides credit union mortgage lenders with much-needed audit support. With today's eClosing technology, lenders have access to a verifiable audit trail that demonstrably proves when the CD was sent, when the borrower acknowledged receipt and opened the CD and how long the borrower spent reviewing it. In addition, by providing the CD to the borrower in an electronically secure environment, lenders avoid having to tack on additional time to account for delivery via U.S. Mail.

While eClosing technology is not a panacea for all of credit unions' TRID woes, it can provide considerable relief for several major aspects of the rule. What's more, adoption of eClosing technology very clearly aligns an organization with the CFPB's mission, vision and values, which can, in turn, engender some very valuable goodwill with the CFPB. Thus, credit union mortgage divisions would be well advised to become champions of eClosing technology within their organizations.

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