

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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CFPB PROPOSES DELAY IN EFFECTIVE DATE OF RULE PROHIBITING FINANCING OF CREDIT INSURANCE

In early January 2013 the Consumer Financial Protection Bureau (CFPB), under the authority of the Dodd-Frank Wall Street Reform and Consumer Protection Act, issued a number of final rules concerning mortgage lending. Among these rules were additional Loan Originator Compensation requirements amending Regulation Z. Tacked on to the end of this Rule was a provision prohibiting creditors from financing premiums or fees for certain credit insurance products in connection with consumer credit transactions secured by a dwelling.

The effective date for the bulk of the rules was set for January of next year. However, because implementation was not thought to be a problem, the rule concerning the prohibition on financing of credit insurance was scheduled for implementation June 1st of this year.

However, after publication of the final rule in January, various parties expressed their concern that the regulation left considerable uncertainty as

to under what circumstances, if at all, premiums for certain credit products may be charged on a periodic basis.

As a consequence, the Bureau is proposing that the June 1, 2013 effective date be temporarily delayed. During this period, the Bureau will seek comment regarding the applicability of this prohibition to periodic charges for credit insurance and they will then propose a new effective date when that issue is resolved.

While this is still a proposal by the CFPB, we think that for planning purposes it can be assumed that the June 1st date will be postponed.

More to come!

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