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Comment Intake—Mortgage Disclosures and Rescission RFI
c/o Legal Division Docket Manager
Consumer Financial Protection Bureau
445 12th St. SW
Washington, DC 20024-2101

Submitted via the Federal eRulemaking Portal and Email

Re: Docket No. CFPB-2026-0018 | Request for Information Regarding Promoting Access to Mortgage Credit

To Whom It May Concern:

The Independent Bankers Association of Texas ("IBAT") appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (the "Bureau") Request for Information regarding potential revisions to mortgage disclosure and rescission requirements.

Texas community bankers provide relationship-based mortgage credit tailored to the needs of local borrowers. Unlike banks that originate loans primarily for sale into the secondary market, community banks frequently retain mortgage loans in portfolio and therefore maintain a direct, long-term interest in borrowers' ability to repay and succeed as homeowners.

Even though the TILA-RESPA Integrated Disclosure ("TRID") rule has been in effect for more than a decade, it remains a consistent operational headache for community banks. When bank regulators (CFPB, Federal Reserve, FDIC, OCC) conduct compliance examinations, TRID errors consistently rank among the most frequently cited Regulation Z violations.

Both the CFPB's *Supervisory Highlights* and the FDIC's *Consumer Compliance Supervisory Highlights* consistently document TRID errors found during federal compliance exams. Key issues involve timing violations, tolerance breaches, and incorrect fee calculations.
Common TRID exceptions cited include:

- Timing failures: Missing the 3-day window for Loan Estimates or 3-day review for Closing Disclosures.

- Tolerance violations: Exceeding legal limits on fee increases between estimates and final costs.

- Changed circumstance errors: Failing to properly document or timely issue revised disclosures.

- Inaccurate fee categorization: Mislabeling or omitting provider lists and projected payment tables.

Unlike larger banks with dedicated closing departments and massive tech budgets, community banks often struggle with TRID’s rigid operational guardrails. In fact, many Texas community banks simply abandoned the mortgage origination market rather than justifying the time, talent and cost to originate, for example, ten or fewer mortgage applications in any given year.

The major TRID and rescission challenges Texas community banks face fall into five primary categories outlined below.

Navigating Rigid "Changed Circumstances" & Tolerances

TRID enforces strict limits on how much fee estimates on the Loan Estimate (LE) can increase before appearing on the Closing Disclosure (CD).

- Zero-Tolerance Violations: Fees paid to the lender, mortgage broker, or an unaffiliated service provider chosen by the lender cannot increase at all. If a fee bumps up even by a dollar without an official "valid changed circumstance," the bank must absorb the cost via cure/reimbursement.

- The 10% Cumulative Tolerance Trap: Third-party services the consumer can shop for (if picked from the bank's written list) fall under a 10% cumulative increase cap. Tracking individual fee changes across various vendors creates major compliance exposure.

- Tight Re-disclosure Timelines: When a valid changed circumstance does occur (e.g., appraisal issues, rate lock changes, title issues), the bank must issue a revised LE within 3 business days of receiving the information. In smaller community banks, communication lags between loan officers and processing can easily cause this window to close, forcing the bank to swallow the cost variance.

In small community banks with even smaller compliance departments, often staffed by one or two individuals, there is very little margin for error. If the primary mortgage compliance officer is out, the risk of missing a 3-day re-disclosure deadline spikes.

Additionally, current tolerance requirements can result in technical violations even when variances are minor and cause no meaningful consumer harm.

The Bureau should:

- Expand the use of cumulative tolerance standards for third-party settlement charges when the creditor provides consumers with a written list of service providers;

- Permit greater flexibility for minor variances resulting from circumstances outside the creditor's control; and

- Establish an expanded cure framework that allows creditors to promptly reimburse consumers for small disclosure errors discovered after closing without triggering disproportionate liability.

These changes would encourage accurate disclosures while recognizing the practical realities of mortgage transactions and reducing unnecessary compliance costs that are ultimately borne by borrowers. Additionally, rationalizing the fee tolerance cure process and streamlining redisclosure rules to focus on intent and material transparency rather than administrative gotchas would benefit both the consumer and the lender.

Managing Complex Niche Products (Especially Construction Loans)

TRID was primarily engineered around standard 30-year fixed purchase or refinance transactions. Fitting complex, multi-phase community bank products into standard TRID forms is a perpetual strain.

- Construction-to-Permanent Loans: Disclosing single-close vs. two-close construction loans under TRID requires specialized knowledge of Appendix D under Regulation Z. Calculating projected payments, interest-only phases, and inspection fee draws often leads to disclosure errors.

- Local Real Estate Quirks: Regional title fees, local recording tax splits, and custom seller credits require precise placement on the Closing Disclosure. A miscategorized credit (e.g., general vs. specific seller credit) can trigger tolerance violations.

- Commercial property pledged as collateral for 'consumer credit' (as defined by Regulation Z) are inexplicitly subject to TRID. Commercial properties have unique fees and charges that complicate completion of a Loan Estimate - unlike a traditional 'Federally Related Mortgage Transaction' - and should be excluded.

Developing specialized, tailored disclosure streams for construction, home equity, and reverse mortgage products would help to address these problems.

The 3-Day Waiting Period & Delivery Timing Constraints

TRID strictly enforces the "Know Before You Owe" delivery rules. The borrower must receive the final Closing Disclosure at least 3 precise business days before closing.

- Definition of a Business Day: TRID uses two different definitions of "business day" depending on the stage of the process (general vs. specific/mailbox rule). Miscalculating Sunday/holiday inclusion or postal delivery rules can easily derail a scheduled closing date.

- CD Re-triggers: If the APR becomes inaccurate (by more than 1/8th of a percent for regular loans), the loan product changes, or a prepayment penalty is added, a revised CD must be issued, re-setting the 3-day waiting clock and frustrating borrowers and realtors alike.

Even when amendments are minor, favorable to the consumer, or unrelated to core loan terms, community bankers often must devote substantial resources to disclosure management, documentation, and timing compliance. This can create unnecessary delays and operational complexity for borrowers, settlement agents, and lenders.

The Bureau should replace strict, hyper-technical timing triggers with a materiality-based standard. This would ensure consumers get meaningful cooling-off periods for major loan changes without halting a closing over minor adjustments.

Vendor Dependency & Staffing Limitations

Large lenders rely on heavily automated Loan Origination Systems (LOS) that auto-calculate tolerances and lock down disclosures. Community banks face different operational constraints:

- LOS Integration Gaps: Smaller community banks often run legacy or less customizable LOS platforms that require manual data entry or workarounds for complex disclosures.

- Third-Party Title & Closing Partners: Because community banks frequently work with local settlement agents rather than massive national title firms, receiving final settlement figures in time to meet the 3-day CD rule requires constant chasing.

- Key-Person Risk: IBAT's own data shows that the smallest community banks spend 11% to 15.5% of their payroll on compliance, compared to just 6% to 10% at mega-institutions and nowhere is the impact more obvious than mortgage lending. Large banks employ siloed compliance attorneys and closing departments, while community banks often force loan officers or branch managers to double as compliance officers, splitting their focus. That means small community banks often turn to external expertise, and the resulting audit fees and specialized compliance consultant retainers cannot be easily absorbed over a very low volume of local loans.

The Bureau should provide streamlined tiering or simplified compliance safe harbors for small-volume community lenders. These changes would encourage accurate disclosures while recognizing the practical realities of mortgage transactions and reducing unnecessary compliance costs that are ultimately borne by borrowers.

Streamline Rescission Requirements for Low-Risk Refinance Transactions

Certain refinance transactions currently involve multiple disclosure-related waiting periods before funds become available to consumers. For borrowers seeking to reduce interest rates, lower monthly payments, or modify existing debt obligations, these requirements can delay access to the benefits of refinancing.

Community banks share the Bureau's goal of expanding access to sustainable, affordable mortgage credit. A modernized disclosure framework should emphasize consumer understanding and material risk rather than technical compliance requirements that offer limited consumer benefit. With TRID consolidated disclosures, the resulting Loan Estimate and Closing Disclosure documents remain dense multi-page text blocks. Studies and industry feedback suggest that many borrowers bypass reading the detailed mechanics and focus only on two numbers: the interest rate and cash to close. The Bureaus has this opportunity to make disclosures both easier for the lender and more meaningful for the borrower.

We encourage the Bureau to pursue reforms that simplify mortgage origination, reduce unnecessary compliance burden, and preserve the ability of community banks to meet the credit needs of their local communities.

Thank you for considering these comments. We would welcome the opportunity to discuss these recommendations further.

Sincerely,

/s/

Christopher L. Williston VI
President and CEO
Independent Bankers Association of Texas (IBAT)