

Chairman Biggert, Ranking Member Gutierrez and members of the Subcommittee:

My name is Christopher Abbinante, and I am the President of the American Land Title Association. I have been in the title insurance industry for over 35 years, most recently serving as the President of Eastern Operations for Fidelity National Title Group.

ALTA members act as independent, third-party settlement agents in real estate transactions. We prepare and provide the HUD-1 settlement statement, which provide all parties to the transaction with their final settlement costs.

ALTA supports simplified mortgage disclosures. It is critical that the CFPB get this rule right for consumers and industry. However, industry groups and the Bureau agree that there are a number of statutory conflicts between RESPA and TILA. It is not clear if these conflicts can be resolved by the Bureau or will require an Act of Congress.

My testimony will outline five principles that ALTA has identified to help the Bureau avoid unintended consequences for consumers and industry.

**Our First Principle is to Prevent Disruptive and Costly Delays to Closings for Consumers**

RESPA and TILA have conflicting timing requirements for when consumers receive their settlement disclosure. To resolve this conflict, Bureau is expected to adopt the TILA requirement and propose that consumers receive their final disclosure three days before closing.

Providing disclosures earlier in the process makes sense in theory, but is simply not practical and will result in delays, costs and frustration for businesses and consumers.

A lot of costs change within three days of closing because of property inspections and walkthroughs. If each change triggers a new three-day waiting

period, the rule will most certainly delay settlements and add costs.

## **Our Second Principle is to Provide Industry with Clear Guidance**

Today, a lack of clear and definitive guidance causes lenders and settlement agents to unnecessarily lose an estimated 3 million hours of productivity each year.

When these forms changed just two years ago, HUD issued 400 frequently asked questions after the rule was published. This was very costly for businesses because each change required new software coding, testing and training.

## **Our Third Principle the Rule Should Promote Competition**

To improve accuracy and prevent bait and switch, regulators hold lenders liable for some costs that increase more than a certain amount at closing. This is called tolerance. However, the economics of tolerance inflate estimates and reduce the number of settlement agents that are allowed to compete for business. We urge the Bureau to work with us to improve accuracy for consumers and protect consumers by ensuring settlement agents continue to serve as the independent, third-party at closing.

## **Fourth, is to Avoid Unnecessarily High Costs for Small Business**

These forms will be very costly to implement. Software vendors estimate that they will each spend around \$2.5 million dollars to develop and implement compliant software. This is more than twice the amount spent when these forms changed in 2010.

These costs will likely be passed on to the 21,000 settlement agents across the country, roughly 88% of which are small businesses and ultimately the consumer. We estimate they will pay \$800 per employee for upfront implementation and training and see a 20% annual increase in software fees. It is also estimated that their closing staff will be able to close two fewer transactions a day.

In addition, changes that might be perceived as industry-friendly can actually be very costly. One example is that we strongly recommend a standard disclosure form, as required by RESPA, rather than a model disclosure form, as required by TILA.

Standardization reduces costs and prevents consumer confusion caused by the hundreds of different versions of the same disclosure produced for each mortgage lender.

## **Our Final Principle, Encourage Consumers to Make Informed Decisions**

The choice of words influences consumers' likelihood of making decisions in their financial interests. Some drafts of the forms described

owners' title insurance as "not required." A consumer without an owners' title insurance policy is out of luck when their ownership is challenged. This is tragic, and can be prevented.

If these forms need to use modifiers to describe a particular settlement service, they should use terms like "recommended" or "advisable" to encourage consumers to make an informed choice.

We appreciate the opportunity to discuss federally mandated mortgage disclosures. Getting this rule right is critical. ALTA is eager to serve as a resource to the Subcommittee and the Bureau. Thank you.