The Regulatory Outlook: What's Ahead

BY SETH HOOPER

As of early 2017, the mortgage industry has already been affected by the 2016 election. We’ve seen rising interest rates, the rollback of a late-Obama administration move to lower FHA MIP rates, an executive order directing the Treasury secretary to review rolling back the Dodd-Frank Act, and an executive order instructing agencies to eliminate two regulations for every new regulation proposed. With changes coming so fast, bet that there will be more on the way.

As we see it, the focus will be on three questions: Will the Dodd-Frank Act be repealed, will this help or hinder innovation in mortgage solutions; and how will the US react? Chance of New Regulations: Low Repealing or changing Dodd-Frank

would require congressional action. Given the current split in the US Senate, only certain modifications can be made through reconciliation, a legislative tool that allows changes to be made with a simple majority in the Senate versus the traditional 60 votes. Additionally, as of this writing, the CFPB recently evaluated whether the recent executive actions apply to them and concluded they do not. This means, at least for the short term, no new regulations. If the CFPB determines that they are not subject to the actions, then it will almost certainly lead to a court battle. Either way, it seems like the chance of new proposed or final regulations is low. But as a reminder, unless and until any rules are repealed, existing rules -- even those with future implementation dates -- are still in effect and financial institutions need to support the new HMDA reporting requirements.

Chance of Technological Impacts: Medium

How about the impact on innovation? Fintech companies have established a new industry group to protect a small part of the Dodd-Frank Act within section 1033 (a) that states, “upon request, information in the control or possession of the covered person concerning the consumer financial product or service that the consumer obtained from such covered person, including information relating to any transaction, series of transactions, or to the account including costs, charges and usage data. The information shall be made available in an electronic form usable by consumers.” The members of this group, as well as others, hold the opinion that this section allows them to access and retrieve, with the consumer’s permission, bank and financial information. The use of this section is reflected in the development of personal budget software tools that aggregate all of a consumer’s accounts in one location. The section is also a key driver of digital application and verification services in the mortgage industry. The potential repeal of this provision would have a big impact on mortgage technology innovation.

Chance of State Law Impacts: High

Finally, compliance with state laws could become even more important in the industry. Just as we have seen state Attorneys General filing suit against the Federal government over the President’s executive order on immigration, Attorneys General from 17 states have committed to defend the CFPB in the PHH case. If the President works with Congress to repeal all or part of Dodd-Frank, it is possible that state legislatures could step in with additional statutes and/or regulations.

What does all this mean? Regulatory changes are not new to any of us. What will really define the future for lenders is their continued partnership with quality technology vendors.

ABOUT THE AUTHOR

As Origination Platforms Product Manager, Seth Hooper is responsible for the strategic direction of both Mortgage Cadence flagship loan origination solutions, Enterprise Lending Center and Loan Fulfillment Center. In this role, he guides both product teams through strategic initiatives aimed at advancing our technology to stay ahead of industry trends. Hooper joined Mortgage Cadence in 2010 as a member of our Document Center team, transitioning to product manager of our reverse mortgage division, then advancing to Compliance Product Manager, overseeing the successful launch of Ability to Repay and TRID enhancements to the Mortgage Cadence product suite.

To be the very best lender that you can be, means partnering with the leader in mortgage technology solutions. With the industry’s only true one-stop-shop, you’ll have the most reliable software and dedicated people constantly by your side supporting and building you up ever step of the way.

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