Given the notable shift in the regulatory environment, it is interesting to consider how the mortgage origination business may be affected in 2017 and beyond. While originators are not anticipating any new Consumer Financial Protection Bureau (CFPB) regulatory measures that would affect them this year, they continue to wait for clarifications associated with proposed amendments to RESPA-TILA. However, due to the political sea change that has occurred since the election of the new U.S. president, the wait may be longer than expected. This potential detour, combined with other regulatory challenges as well as technological opportunities, begs the question: What lies ahead for mortgage originators?

**CFPB: THE REGULATORY ROAD**

On January 20, 2017, President Donald Trump’s Chief of Staff Reince Priebus issued a memo directing a moratorium with respect to regulations issued by executive agencies. This excludes independent agencies, which until recently included the CFPB. However, a recent decision by a three-judge panel of the U.S. Court of Appeals for the D.C. Circuit found the CFPB’s structure unconstitutional since

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**INDUSTRY INSIGHT / RICH GAGLIANO**

With an uncertain regulatory environment, new data requirements, and promising technological opportunities all intersecting, mortgage originators face a winding road as they navigate through 2017.
“While the regulatory side of the mortgage origination industry may appear murky in terms of what lies ahead as they steer their way through the twists and turns they are likely to see in 2017. For originators, the need to continue working closely with their technology partners is vital. Ongoing communication about the adoption of digital solutions, system requirements, technology updates, testing protocols, and the impacts of additional regulatory measures will play a major role in effectively preparing originators to meet the opportunities, challenges, and uncertainties that crop up along the way—and the out-of-the-box solutions they offer to originators can help make the process more efficient, less complex, and overall better for both originators and consumers.

**HMDA: STEPPING ON THE GAS**

Originators are currently working through some of the challenges associated with the implementation of the Home Mortgage Disclosure Act – Regulation C (HMDA) recordkeeping and reporting requirements. Data collection under the rule begins January 1, 2018, with the data to be reported in 2019.

With 25 new data points to collect and report on, revisions to 14 existing data points, and continued reporting on nine unchanged data points—along with changes to institutional coverage and transactional coverage—there is plenty of work ahead for originators and their partners as they prepare to meet these requirements. Technology, processes, and procedures must be in place this year in order for originators to meet these requirements on time.

In addition, there are still some questions about how originators should handle certain aspects of HMDA reporting. There may be an inordinate number of “Other” responses to accommodate descriptions like “Italian-American” or “American-Italian” that do not do not lend themselves to one-word answers. As of early February, the CFPB has not yet provided originators with guidance regarding the handling of nonstandard answers.

**TRID: WAITING FOR DIRECTIONS**

Last summer, the CFPB issued several substantive proposed amendments and technical corrections to the final TILA-RESPA Integrated Disclosure (TRID) rule. The proposed amendments are largely focused on various calculations, such as excluding recording fees and transfer taxes from the 1-percent limit that applies to the TRID rule exemption for down-payment assistance. There are also numerous other changes proposed, including one that would give originators more flexibility to use closing disclosures to reset tolerances in those cases where there is not enough time to issue a new loan estimate.

For the time being, originators must wait to learn what the final provisions of the proposed amendments to TRID will look like. The proposed amendments were originally expected to be finalized by April 2017, but it is unclear whether that prediction will hold.

**TECHNOLOGY: TAKING THE WHEEL**

While the regulatory side of the mortgage origination industry may appear murky in terms of what the road ahead will look like, one thing is clear: Technology is steering mortgage originators toward a faster, safer, cleaner, and more transparent mortgage origination process for consumers.

With the availability of technology like application program interfaces (APIs), originators are working with their technology partners to deliver an “omni-device” digital origination experience that allows consumers the flexibility to start a mortgage application on one device such as a smartphone, update it from another device like a tablet, and finish it on a desktop computer. This creates a consumer experience that is better aligned with other areas of their lives where they enjoy seamless communication anytime and anywhere based on their preferred device or method.

Originators can also improve data accuracy and expedite the mortgage process by working with their origination technology partners to leverage third-party integrations. By providing a single endpoint for lenders to access the required information, an origination technology partner can help its mortgage originator clients to streamline the calculation of self-employed income and validate borrower assets, income, and employment automatically. This will not only help improve accuracy, but it will reduce turnaround time for the consent and approval of documents as well. This means it should take less time to complete the mortgage approval process, so mortgage applicants can receive their final answers much sooner.

In addition, automation enables a more streamlined, efficient process for originators. Along with the obvious benefits to consumers, deploying technology like APIs allows originators to evolve to a more data-driven environment and drive down operating costs. As a result, they may win more referrals from well-satisfied customers and make competitive gains in the markets where they conduct business.

**DESTINATION: TO BE DECIDED**

Ultimately, 2017 promises to be a mixed bag of possibilities for mortgage originators. From new technology-driven opportunities to a fair amount of uncertainty associated with regulatory clarifications and the ongoing challenges of meeting implementation deadlines for requirements like HMDA, the mortgage industry will continue to carefully navigate this winding road.

For originators, the need to continue working closely with their technology partners is vital. Ongoing communication about the adoption of digital solutions, system requirements, technology updates, testing protocols, and the impacts of additional regulatory measures will play a major role in effectively preparing originators to meet the opportunities, challenges, and uncertainties that crop up along the way—and the out-of-the-box solutions they offer to originators can help make the process more efficient, less complex, and overall better for both originators and consumers.

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