
Make the most of the new CFPB mortgage rules

Beginning January 2014, new rules take effect that are designed to achieve a common sense goal: When it comes to shopping for a home mortgage, it should be easy for consumers to find the information they need to make good decisions. The CFPB rules simply require lenders to document a borrower's ability to repay the loan and follow other common sense rules to protect consumers.

The CFPB's rules ensure that anyone being paid to help you find a mortgage treats you fairly at key points in the process. The rules are aimed at empowering you to shop for loans to buy and own a home with more confidence.

How the CFPB's new rules help if you are shopping for a home loan

Tip #1: Only you can decide how much you are comfortable paying for your mortgage.

The new mortgage rules will make the market safer and easier to understand. For example, lenders now have to make a good faith effort to determine if you have the ability to repay your loan. They can meet this standard by making a loan known as a "Qualified Mortgage" that doesn't have high fees and certain risky features like negative amortization or interest-only periods. But in the end, only you can decide how much you are comfortable paying for a mortgage.

Tip #2: Use your market information.

You will get a copy of any appraisal or valuation at least three business days before you go to closing. Appraisals can provide you an estimate of what a home is worth. You may also obtain your own independent appraisal. If the appraisal is well below the price you offered to pay, you may want to consider renegotiating the price or reviewing the appraiser's work carefully to understand how the appraiser arrived at the estimated value.

Tip #3: Get reliable help.

Any company that is paid to help you find or get a mortgage must train its agents, brokers and loan originators and make sure they have been through a background check. With limited exceptions, the people you hire to help you find a mortgage should be licensed or registered at the state or federal level. Ask your loan originator about their credentials.

Tip #4: Watch those fees.

New CFPB mortgage rules limit the fees a lender can charge and still make what is called a Qualified Mortgage. In general, qualified mortgages do not have particularly risky features and the points and fees are less than 3% of the loan amount, though fees can be higher for loans of less than \$100,000. These rules do not require lenders to cap fees. You still have to decide for yourself whether it's a good idea to pay high fees to get a loan. And be sure to review your closing statement carefully to make sure there are no fees there you did not agreed to pay.