

Bloomberg Reports CFPB Considering a Ban on Mortgage Banks Charging Borrowers for Purchasing Lender's Title Insurance

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United States Consumer Financial Protection Bureau CFPB

The Consumer Financial Protection Bureau is considering a ban on mortgage banks charging homebuyers for the lender's title insurance policy according to a report by Bloomberg.

Lender's title policies protect lenders from issues that may arise with the title of the property, but they are paid by the borrower. The homebuyer also has the option to purchase an owner's title policy, which protects the equity they build on the property.

Bloomberg reported that in its current form it would apply to both home purchase and refinance transactions.

The CFPB will release a request for information on closing costs, including title insurance and other fees, as soon as late April. Sources told Bloomberg that any final proposal on changes to closing costs, including title insurance, would not come until 2025.

The CFPB would not comment on the possible ban on lenders charging buyers for their title policy, but a spokesperson noted in an email that the CFPB “is looking carefully at closing costs and fees consumers may encounter throughout the mortgage process.

“We are working with agencies across *the government to foster greater competition in the mortgage market and help Americans save money when purchasing or refinancing a home,*” the spokesperson added.

During his 2024 [State of the Union address](#) in early March, 2024 President [Joe Biden](#) announced a housing plan, noting that [the CFPB would be pursuing](#) “*rulemaking and guidance to address anticompetitive closing costs imposed by lenders on homebuyers and homeowners.*”

“*These charges – which benefit the lender but not the borrower – can add thousands to the upfront costs of a mortgage,*” the White House said in a prepared statement. “*Those upfront costs cut into the amount of homebuyers’ down payments and reduce homeowners’ available equity.*”

This measure under consideration is just the latest attempt by the CFPB to cut borrower’s closing costs by reducing or removing title insurance coverage. Last month, the agency, in conjunction with [Fannie Mae](#) and the [Federal Housing Finance Agency](#), announced a [pilot program](#) to waive

the requirement for a lender's title insurance policy for certain refinance transactions.

Both the mortgage industry and the title industry have not taken kindly to the news of the CFPB's latest proposal.

In March 2023, a [report](#) from PoliticoPro showed that Fannie Mae was considering piloting a program to bypass traditional title insurance and [attorney opinion letters](#) (AOLs), which drew resistance from trade groups. *The introduction of AOLs had already frustrated groups representing the title industry the previous year.*

“Community Home Loan Association, representing Independent Mortgage Bankers, is concerned about the costs and competition for title insurance, and that is why we have supported Attorney Opinion Letters and the Fannie Mae title pilot program that FHFA has greenlighted,” Scott Olson, the executive director of the [Community Home Lenders of America](#), wrote in an email. “However, it is important that any proposal does not reduce transparency and protects smaller lenders and their borrowers against the emergence of exclusive deals between title companies and large lenders that results in even less competition.”