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May 4, 2020

**To:** Clients and Friends

**From:** David F. Dulock

**Subject:** CFPB Issues Interpretive Rule to Provide Certain Relief under TRID Rule and Regulation Z Rescission Rules Due to the COVID-19 Pandemic

In the May 4, 2020, *Federal Register* (85 FR 26319, [click here](#)), the Bureau of Consumer Financial Protection (Bureau) issued an interpretive rule that (A) “if a consumer determines that his or her need to obtain funds due to the COVID-19 pandemic (1) necessitates consummating the credit transaction before the end of the TRID Rule waiting periods or (2) must be met before the end of the Regulation Z Rescission Rules waiting period, then the consumer has a bona fide personal financial emergency that would permit the consumer to utilize the modification and waiver provisions, subject to the applicable procedures set forth in the TRID Rule and Regulation Z Rescission Rules[;]” and (B) “the COVID-19 pandemic is a ‘changed circumstance’ for purposes of certain TRID Rule provisions, allowing creditors to use revised estimates reflecting changes in settlement charges for purposes of determining good faith.”

This interpretive rule is effective on May 4, 2020.

The TRID Rule and Regulation Z Rescission Rules include provisions intended to provide regulatory flexibility in certain circumstances. The interpretive rule clarifies these provisions so that consumers and mortgage origination businesses can take advantage of these provisions during the COVID-19 pandemic. Below is a brief summary of the interpretive rule:

*1. Bona Fide Personal Financial Emergency*

The interpretive rule clarifies that “(1) if a consumer determines that the extension of credit is needed to meet a bona fide personal financial emergency, (2) the consumer’s brief statement describing the emergency identifies a financial need that is due to the COVID-19 pandemic, and (3) the emergency necessitates consummating the credit transaction before the end of an applicable TRID Rule waiting period or must be met before the end of the Regulation Z Rescission Rules waiting period, then the consumer has a bona fide personal financial emergency that would permit the consumer to utilize the modification and waiver provisions, subject to the applicable procedures set forth in the TRID Rule and the Regulation Z Rescission Rules.”

*2. Changed Circumstances*

“The TRID Rule specifies that changed circumstances includes ‘an extraordinary event beyond the control of any interested party,’ with the commentary to the TRID Rule clarifying that a ‘war or natural disaster’ is an example of such an extraordinary event.”

The interpretive rule clarifies “that, as with wars or natural disasters, the COVID-19 pandemic is an example of an extraordinary event beyond the control of any interested party, and thus is a changed circumstance. Accordingly, for purposes of determining good faith, creditors may use revised estimates of settlement charges that consumers

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would incur in connection with the mortgage transaction if the COVID-19 pandemic has affected the estimate of such settlement charges.”

In closing, before you get your “jazz hands” or “happy feet” going, we advise that you not rely solely on the interpretive rule summary in this memorandum and that you read the interpretive rule before following its provisions, especially the footnote citations to the TRID Rule and Regulation Z Rescission Rules that provide the legal basis and requirements for applying the interpretive rule.

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