

New Disclosure Guide



*TOP TIPS for Real Estate Agents on the
new TILA/RESPA Integrated
Disclosures*

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Why the Change?

For more than 30 years, Federal law has required lenders to provide four different disclosure forms to consumers applying for and closing a mortgage. The **information** on these forms is overlapping and the language is inconsistent. Consumers often find the forms confusing.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directed the Consumer Financial Protection Bureau (CFPB) to integrate the mortgage loan disclosures.

Effective Date

The Loan Estimate and Closing Disclosures will be used for all applications taken on or after October 3, 2015.

Loan Estimate at Application

The Loan Estimate will replace the existing Good Faith Estimate (GFE) and the initial Truth-in-Lending disclosure (initial TIL). The new Loan Estimate form is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying. The Loan Estimate must be given to the consumer within 3 business days of a complete application.

Closing Disclosure at Closing

The existing HUD-1 and final Truth-in-Lending disclosure have been combined into

The Process

Once your buyer's offer has been accepted, the lender will begin the process of taking the application for the loan. The following steps will occur after the real estate agent has communicated the details of the contract with the lender. Here are the steps that will happen.

another new form, the Closing Disclosure, which is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. The Closing Disclosure must be "received" by the consumer within 3 business days of consummation.

3 Business Day Requirement

When the lender is ready to close on the loan they will prepare and deliver the Closing Disclosure. The borrower(s) must receive the Closing Disclosure 3 business days prior to consummation. The definition of consummation is defined by state law so you will want to ask your lender what the definition of business day is for the state you are closing in. Business Days are Monday through Saturday, not counting Sunday or legal public holidays.



Step One

Application

The lender will meet with the buyer and complete an application. The information they gather will help them to prepare a Loan Estimate.

Step Two

Loan Estimate

Next, the lender will prepare a Loan Estimate. The Loan Estimate will detail the costs of the loan.

Step Three

Intent to Proceed

Once the buyer has completed an application and received a Loan Estimate from the lender they will need to let the lender know that they are ready to proceed with the transaction. Your lender cannot order the appraisal or underwrite the loan until they have received an intent to proceed from the buyer. The lender may ask the buyer to sign a document acknowledging their intent to proceed.

Step Four

Appraisal

The lender will place an order for the appraisal. The appraiser will coordinate with the real estate agent on a time to appraise the house. Your lender will communicate information regarding the appraisal.

Step Five

Underwriting

The underwriter is the person who will review the information your buyer has given to the lender. This will include income documentation, tax returns, bank statements and any other documents they will need to review. It is important for your buyer to work closely with their lender and get them the documents they need on a timely basis. The sooner they have the documents they have requested the sooner they can underwrite the loan.

Step Six

Changes

Sometimes changes happen along the way. This is normal. When a change happens such as a repair that is needed to the home prior to closing a change may occur in your closing costs. When this happens your buyer will receive a new Loan Estimate from the lender that will detail the change. If there is a change or revision to the original closing costs your buyer's revised Loan Estimate will be used as your comparison to your Closing Disclosure.

Step Seven

Closing Disclosure

Your buyer's lender will give instructions on how your buyer will be receiving their Closing Disclosure. They will need to acknowledge that they have received your Closing Disclosure at

least 3 business days prior to signing all your documents. (Or allow for 3 additional days to pass from the time the Closing Disclosure is mailed or sent electronically.) The timing on closing is very important so we will cover some important things you and your buyer should know. The most important thing to remember is to tell your buyer to work with their lender and communicate often through the process.

Closing Steps

1

Disclosure Delivery

Closing disclosures can be delivered to in person, electronically or by mail. The lender will work with you buyer to find out the best delivery method for them.

2

Timing of Delivery

How your buyer's Closing Disclosure is delivered and how your buyer acknowledges delivery determines the date that begins the 3 business day countdown period.

3

Receipt of Disclosure

How your buyer's Closing Disclosure is delivered and how they acknowledge delivery determines the date that begins the 3 business day countdown period. Be sure to tell your buyer to work with their lender to find out how disclosures are being delivered so that they can acknowledge the delivery time.

4

3 Day Waiting Period

The 3 business day waiting period is designed to give your buyer time to review and compare their closing costs. There is no waiver for this waiting period. Instructions for closing will be communicated to your buyer during this time period.

5

Closing

Closing instructions will be communicated to your buyer and seller and the date and time to sign closing documents will be set. Remember to remind your buyers and sellers to bring their government issued photo identification with them. They will need to verify them and their signature.

Receipt of Delivery



IN PERSON

In Person Delivery

The lender may give your buyer's Closing Disclosure in person. This will allow the 3 business day waiting period to begin immediately from the time they receive the disclosures. The lender may ask your buyer to acknowledge receiving the disclosures.



Electronically

The lender may send your buyer's Closing Disclosure via a secure e-disclosure delivery system. They will ask your buyer to opt in to receiving disclosures this way and they will need to log in and confirm that they have in fact received their disclosures.

Acknowledge Receipt of Disclosures

The 3 business day waiting period can begin from the time your buyer acknowledges receiving their disclosures. So be sure to tell your buyers to work with their lender to find out how they will confirm receipt.

If your buyer does not acknowledge receiving their Closing Disclosure then the disclosures will be considered received by the buyer, 6 business days after the lender sends the Closing Disclosure. This is why it is important for your buyer to work with their lender to determine the best delivery method and acknowledge receipt of disclosures.



Mail

Your buyer's lender may send them their Closing Disclosure to them by mail.

Additional 3 business day waiting period

The lender will need to add on an additional 3 business days to count for delivery of the Closing Disclosures by mail. This means that from the day the lender places your buyer's Closing Disclosures in the mail they will count a total of 6 business days before your buyer can sign their closing documents.