



Know before you close.

Five Things Real Estate Agents Need to Know Before August 2015

New mortgage disclosure forms and how they change every transaction you work on after August 2015.

Five things to know:

1. Be able to explain the new Loan Estimate and Closing Disclosure
2. Timing of closings are impacted by disclosure delivery rules
3. Title fees may need to be adjusted at closing and explained
4. Line numbers have been removed and there are now 7 fee areas
5. Your client will likely receive more than one Closing Disclosure

By now you have heard of CFPB, but the question still remains, “How will it impact me?” While CFPB will not significantly impact your day-to-day processing of sales, your seller and buyer clients will be looking to you for general information about the new rules and forms, as well as the impact on both the loan process and the closing of the transaction.

As a primer, here are five items you will need to know before the new rules and forms take effect August 1, 2015:

1 Be able to explain the new Loan Estimate and the Closing Disclosure

After the 2008 financial meltdown, Congress established the Consumer Financial Protection Bureau (CFPB). Among its first tasks was the combination of forms provided to borrowers at both the beginning and end of their loan transaction. In 2013, CFPB published its final rule revealing these two new combined forms.

The Loan Estimate – Currently, borrowers receive two separate forms from their lender at the beginning of the transaction: the Good Faith Estimate (GFE), a form required under the Real Estate Settlement Procedures Act (RESPA), and the initial disclosure required under the Truth-in Lending Act (TILA). For loan applications taken on or after August 1st, 2015 the creditor will instead use a combined Loan Estimate form intended to replace the two previous forms. The new three-page Loan Estimate form must be provided to borrowers on a timetable similar to the current receipt of the GFE.

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The Closing Disclosure – The combination of forms continues at the end of the transaction as well, with the HUD-1 Settlement Statement and the final TILA forms now combined into a single Closing Disclosure form. This new five-page form is used not only to disclose many terms and provisions of the loan, but also the financial transaction of the closing of the sale.

CURRENT

Initial TIL disclosure + Good Faith Estimate

TRUTH IN LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

LENDER: FICUS BANK
BORROWERS: John A. and Mary B.
ADDRESS: 123 Anywhere Street
CITY/STATE/ZIP: Anytown, ST 12345
PROPERTY: 456 Somewhere Avenue, Anytown, ST 12345

DATE: 07/23/2012
LOAN CASE NO.: 123456789

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
4.494%	\$124,906.17	The dollar amount of credit will cost you \$124,906.17	The amount you will have paid after you have made all payments on schedule \$286,906.17

INTEREST RATE AND PAYMENT SUMMARY:	First 78 Payments	Last 282 Payments
Principal and Interest	\$761.78	\$761.78
Mortgage Insurance	82.35	—
Property Tax and Insurance (Escrow)	206.13	206.13
Total Monthly Payment	\$1,050.26	\$967.91

Good Faith Estimate (GFE)
OMB Approval No. 2603-0035

Name of Originator: FICUS BANK
Address: 123 Anywhere Street
City/State/Zip: Anytown, ST 12345
Originator Phone Number: (123) 456-7890
Originator Fax: (123) 456-7891
Date: 07/23/2012

Purpose: This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD-1 Settlement Statement Booklet on settlement charges, your Truth in Lending Disclosures, and other consumer information at www.fdic.gov. If you decide you need to be protected with this loan, contact us.

Shopping for your loan: Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Start the shopping effort as early as possible to ensure all of the other requirements.

Important dates:
1. The interest rate for this GFE is available through 07/23/2012. After this date, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change and you may have more rate.
2. This estimate for all other settlement charges is available through 07/23/2012.
3. After you lock your interest rate, you may not get a better settlement unless you pay your rate lock period to receive the locked interest rate.
4. You may lock the interest rate at a fixed rate before settlement.

Summary of your loan:
Your initial loan amount is \$200,000.
Your loan term is 30 years.
Your initial interest rate is 4.494% per year.
Your initial equity amount owed for principal, interest, and any mortgage insurance is \$124,906.17 per month.
Can your interest rate rise? No Yes, it can rise to a maximum of 5.494% per month.
Even if you make payments on time, can your rate increase? No Yes, the rate can rise to a maximum of 5.494% per month.
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise? No Yes, the amount can rise to a maximum of \$1,050.26 per month.
Does your loan have a prepayment penalty? No Yes, the prepayment penalty is 3% of the amount of the prepayment.
Does your loan have a balloon payment? No Yes, you have a balloon payment of \$200,000 at the end of the term.

Escrow account information: Some lenders require an escrow account to hold funds for property taxes or other property-related charges to be added to your monthly amount owed. Yes, you do not have an escrow account. You must pay these charges directly when due. Yes, you do have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges:
A Your Adjusted Origination Charge (see page 1) \$1,000
B Your Origination Charge (see HUD-1 Settlement Statement) \$1,000
C Total Estimated Settlement Charges \$2,000

AFTER AUGUST 2015

NEW Loan Estimate

FICUS BANK
4321 Random Boulevard - Somerby, ST 12340
Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate
DATE ISSUED: 7/15/2013
BORROWERS: Michael Jones and Mary Stone
PROPERTY: 123 Anywhere Street, Anytown, ST 12345
SALE PRICE: \$180,000

LOAN TERM: 30 years
PURPOSE: Purchase
PRODUCT: Fixed Rate
LOAN TYPE: Conventional C/FWA
LOAN #A: 123456789
BUREAULOCK: NO YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT.

Loan Terms	Can this amount increase after closing?
Loan Amount	\$162,000 NO
Interest Rate	3.875% NO
Monthly Principal & Interest	\$761.78 NO

Does the loan have these features?
Prepayment Penalty: YES • As high as \$3,240 if you pay off the loan during the first 2 years.
Balloon Payment: NO

Projected Payments	Years 1-7	Years 8-30
Payment Calculation		
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	—
Estimated Escrow	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Estimated Taxes, Insurance & Assessments	This estimate includes	In escrow?
\$206 a month	<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other See Section 6 on page 2 for escrowed property costs. You must pay for other property costs separately.	YES YES NO

Costs at Closing	Estimated Closing Costs	Includes
Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.
LOAN ESTIMATE PAGE 1 OF 3 - LOAN ID # 123456789

Final TIL disclosure + HUD-1 Settlement Statement

TRUTH IN LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

LENDER: FICUS BANK
BORROWERS: John A. and Mary B.
ADDRESS: 123 Anywhere Street
CITY/STATE/ZIP: Anytown, ST 12345
PROPERTY: 456 Somewhere Avenue, Anytown, ST 12345

DATE: 09/14/2012
LOAN CASE NO.: 123456789

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
4.441%	\$123,997.58	The dollar amount of credit will cost you \$123,997.58	The amount you will have paid after you have made all payments on schedule \$292,420.88

INTEREST RATE AND PAYMENT SUMMARY:	First 78 Payments	Last 282 Payments
Principal and Interest	\$761.78	\$761.78
Mortgage Insurance	82.35	—
Property Tax and Insurance (Escrow)	206.13	206.13
Total Monthly Payment	\$1,050.26	\$967.91

A. Settlement Statement (HUD-1)
OMB Approval No. 2603-0035

1. Identification:
1. Originator: FICUS BANK
2. Loan Purpose: Purchase
3. Mortgage Insurance Class Number: 123456789

2. Note: This form is provided to you as a statement of actual settlement costs. Amounts shown for the settlement agent are shown, items marked with * are not cash to be disbursed. Any amounts not to be disbursed are shown as zero.

3. Borrower and Seller:
3. Name of Borrower: John A. and Mary B.
3. Name of Seller: FICUS BANK

4. Property Location:
4. Settlement Agent: FICUS BANK
4. Settlement Date: 09/14/2012

5. Summary of Borrower's Transactions:
501. Gross Amount Due from Borrower: \$162,000
502. Cash on hand: \$162,000
503. Other cash: \$0
504. Total Cash: \$162,000
505. Total Settlement Charges: \$2,000
506. Total Cash to Borrower: \$160,000

6. Summary of Seller's Transactions:
601. Gross Amount Due to Seller: \$180,000
602. Cash on hand: \$180,000
603. Other cash: \$0
604. Total Cash: \$180,000
605. Total Settlement Charges: \$18,000
606. Total Cash to Seller: \$162,000

7. Settlement Agent's Charges:
701. Settlement Agent's Fee: \$1,000
702. Other Charges: \$1,000
703. Total Settlement Agent's Charges: \$2,000

8. Other Charges:
801. Other Charges: \$0
802. Total Other Charges: \$0

9. Total Settlement Charges:
901. Total Settlement Charges: \$2,000

10. Cash to Close:
1001. Cash to Close: \$16,054
1002. Total Cash to Close: \$16,054

NEW Closing Disclosure

Closing Disclosure
This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information:
Closing Date: 9/15/2013
Closing Date: 9/15/2013
Settlement Agent: Equifax Title Co.
Property: 456 Somewhere Ave, Anytown, ST 12345
Sale Price: \$180,000

Transaction Information:
Borrower: Michael Jones and Mary Stone
Seller: Steve Cole and Amy Doe
123 Somewhere Drive, Anytown, ST 12345
FICUS BANK

Loan Information:
Loan Term: 30 years
Purpose: Purchase
Product: Fixed Rate
Loan Type: Conventional C/FWA
CWA: 123456789
Loan ID #: 000614121

Loan Terms	Can this amount increase after closing?
Loan Amount	\$162,000 NO
Interest Rate	3.875% NO
Monthly Principal & Interest	\$761.78 NO

Does the loan have these features?
Prepayment Penalty: YES • As high as \$3,240 if you pay off the loan during the first 2 years.
Balloon Payment: NO

Projected Payments	Years 1-7	Years 8-30
Payment Calculation		
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82.35	—
Estimated Escrow	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91

Estimated Taxes, Insurance & Assessments	This estimate includes	In escrow?
\$356.13 a month	<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues See page 2 for details.	YES YES NO

Costs at Closing	Closing Costs	Includes
Closing Costs	\$9,712.10	Includes \$4,098.05 in Loan Costs + \$5,614.05 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Cash to Close	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

CLOSING DISCLOSURE PAGE 1 OF 3 - LOAN ID # 123456789

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2 Timing of a closing will be impacted by Closing Disclosure delivery

As part of the final rule creating these two new combined forms, the CFPB determined that borrowers would be better served by having a short time to review the new Closing Disclosure prior to signing their loan documents. As a result, in its rule CFPB mandated borrowers have three days after receipt of the Closing Disclosure to review the form and its contents.

However, note that the three-day review period starts upon “receipt” of the form by the borrower. Unless some positive confirmation of the receipt of the form (i.e., hand delivery), the form is “deemed received” three days after the delivery process is started (i.e. mailing). As a result, the combination of the “delivery time period” and the “review time period” results in six business days from mailing to loan signing.

3 Title fees may need to be adjusted at Closing and Explained

Both the new Loan Estimate and Closing Disclosure forms require any listing of a settlement service involving title insurance or closing activities to be preceded by the phrase “Title – “. In doing so, a borrower can clearly see all such charges in the same area. However, that is where the clarity ends.

In most jurisdictions, title insurers offer a discount (often called a simultaneous-issue discount) on the loan policy premium when purchased at the same time as an owner’s policy. However, in some parts of the country, the standard purchase of an owner’s policy of title insurance is not as well established. As a result, CFPB determined consumers were better served by showing the full, not discounted, loan policy premium in all situations on both the Loan Estimate and the Closing Disclosure instead of, where applicable, the discounted premium. If an owner’s policy is also purchased in the transaction, a formula is used to discount the owner’s policy.

Changes to the Closing Disclosure Timing



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In those areas where custom and practice provide that a buyer/borrower pay for both the owner's and lender's policies, the total actual amount paid for both policies is the same, even though the actual premium amounts are incorrect on the form.

More problematic are those areas where custom provides the seller pay for the owner's policy and the buyer purchase the lender's policy. In these areas, the policy premium for the lender's policy will be overstated and the owner's policy premium understated. As a result, look for an adjustment to be made on page 3 of the new Closing Disclosure form to correct premium amounts to those contemplated by the parties in their contract.

4 Line numbers have been removed and there are now seven fee areas on the Disclosure

Yes, it's true. The line numbering on the HUD-1 familiar to most of us is gone. Instead, the fees and charges are placed on the Closing Disclosure in one of seven areas:

- Origination Charges
- Services Borrower Did Not Shop For
- Services Borrower Did Shop For
- Taxes and Other Government Fees
- Pre-pays
- Initial Escrow Payment at Closing
- Other

Individual charges within each of these major groupings are listed alphabetically. Columns are provided to separate charges of buyer, seller and others, as well as columns for both payments before and at closing.

5 Your client will likely receive more than one Closing Disclosure

Since the buyer/borrower will receive a Closing Disclosure several days before the closing (and likely a few days before a walk-through on the property), buyers/borrowers will likely receive a new, adjusted Closing Disclosure at the closing showing any changes that occurred between the initial disclosure and the closing, including adjustments due to timing of the closing, walk-through adjustments and other matters. But changes may not end there and CFPB mandates that changes in financial disclosure numbers (i.e. changes in a recording fee) in any amount must be redisclosed, even post-closing.