

Know before you close.



Five Things Lenders Need to Know Before October 2015

Straight talk about how we can have a smooth transition to the new CFPB regulations and the Closing Disclosures.

A few things we should talk about:

- Who will prepare the new Closing Disclosure?
- Who will deliver the Closing Disclosure?
- How will settlement agents and lenders communicate data?
- Who will make changes to the Closing Disclosure?
- How will settlement agents communicate title and settlement fees?

Changes to the new RESPA/TILA Mortgage Disclosure forms are just around the corner (October 3, 2015) and that means we need to work with our lender partners to determine processes for completing and delivering the new Closing Disclosure ("CD") form. To get things started, here are some of the topics we would like to cover:

1. Who Will Be Responsible For Preparation Of The New Closing Disclosure?

The new CFPB rule provides that the lender is ultimately responsible for preparation of the CD. However, the rule also allows the lender to delegate some or all of the preparation to the settlement agent. Determining which system will create the final form is important in establishing workflows for the transfer of information.

2. Who Will Be Responsible For The Delivery Of The New Closing Disclosure?

The rule contains a requirement that the borrower receive a copy of the CD three days prior to "consummation" (most often the date of signing loan documents). Similar to preparation of the new CD, the Rule allows for a settlement agent, at the lender's discretion, to deliver the CD to the borrower. We are gearing up to provide compliance information regarding delivery, but some lenders, as a result of compliance concerns, may opt to deliver the CD themselves. Again, impacts to workflow will occur based upon the decision regarding delivery.

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3. How will settlement agents and lenders communicate information contained in their respective systems?

Not all information on the CD is contained in a single system. As a result, we need to decide how to exchange the information needed to complete the CD. Some lenders have indicated this “collaboration” process will occur electronically, while others may need to rely on a less automated approach.

4. Who will make any necessary changes to the CD?

Changes to numbers contained on the initial CD may occur prior to closing, necessitating adjustments, re-printing and delivery of the corrected CD at signing. It is important to consider and decide if the party that prepared the initial CD will also make the changes for an amended CD? In addition, we need to discuss whether settlement agents can make some changes to a lender-prepared CD?

Changes to the settlement numbers on the CD may also occur after the closing (for example if there are changes to recording fees). While documentation of such changes currently falls to the settlement agent in the preparation and delivery of an amended HUD-1 settlement statement, for transactions processed under the new Rule, lenders will need to arrange for the preparation and delivery of such amended documentation.

5. How will settlement agents communicate title and settlement fees for use in the new forms?

Lenders will continue to need accurate estimates of title and settlement fees for the preparation of both Loan Estimate and CD. In addition, for transactions in which an owner’s policy will be purchased, the Rule prescribes special mathematical calculations for disclosure of the owner’s and lender’s title insurance premiums, which may require receipt of rates for both a stand-alone and simultaneously-issued lender’s policy, as well as the owner’s policy rate. We are modifying our online rate calculators to assist in these calculations and make these disclosures smooth and easier to distribute and understand.

So, Let’s talk!

We are committed to working with you to think through all the implications of the CFPB Rule, so that the transition is as smooth as possible. So let’s talk, discuss the impacts, and come up with solutions and processes that will be compliant with the new regulations and that will work for you.