RULES & REGULATIONS THAT MAY AFFECT YOUR MORTGAGE LOAN CLOSING DATE

WHAT YOU NEED TO KNOW WHEN PURCHASING OR REFINANCING A PRIMARY OR SECONDARY RESIDENCE

As part of the Home Ownership and Equity Protection Act (HOEPA) and the Housing and Economic Recovery Act (HERA) passed by Congress in 2008, The Federal Reserve Board has issued new rules and regulations under the Truth in Lending (TIL) Act. Designed to protect consumers when they purchase or refinance their primary residence or a second home, the new regulations provide more information and transparency in real estate transactions.

With mortgage applications as of July 30, 2009, HERA amends the Truth in Lending Act (TIL) with several new regulations including the Mortgage Disclosure Improvement Act (MDIA) regarding early and final disclosures to homebuyers, and spells out what mortgage application fees can be charged and when. These regulations apply to the purchase or refinance of a primary or secondary residence. They do not apply to investment property purchases.

WHAT YOU NEED TO KNOW

☑ If a homebuyer is financing the property, the new regulatory guidelines could affect the closing date.

In the past, homebuyers and sellers would mutually agree on an estimated closing date. Lenders, appraisers and others involved in the transaction would work to have everything ready by the chosen date. Now, purchase contracts can still be written with a closing date in mind, but **no closings can take place until at least 7 business days after the homebuyer has been provided with the initial mortgage disclosures from the lender.** Saturdays are considered a business day unless it is a federal holiday.

To keep purchase transactions moving as quickly as possible, CU Members Mortgage now makes disclosures available electronically through our secure website after August 4, 2009. You will be able to download required disclosures from your computer after setting up a security access number. This will save valuable time during the loan process.

☑ Only the credit report fee can be charged prior to receipt of initial disclosures by the homebuyer.

Until the homebuyer has received the initial disclosures either electronically or by mail, only the credit report fee can be charged at the time of the mortgage application. Receipt of disclosures is defined as follows:

- **Electronic Delivery:** upon downloading and acknowledgement by the homebuyer from our secure website
- **Regular Mail Delivery:** three business days after mailing
- **Overnight Delivery:** the next business day, excluding Saturday and Sunday
- **Face to Face Application:** Disclosures will be provided at that time and you may immediately collect fees

Following receipt of disclosures as defined above, additional fees may be collected by the Lender.

☑ If the Annual Percentage Rate (APR) increases/decreases more than .125% from the initial Truth in Lending Disclosure, then a revised TIL must be sent to the homebuyer.

If the annual percentage rate increases/decreases by more than .125% from the initial Truth in Lending Disclosure, then a revised TIL must be sent to the homebuyer at least 3 full business days before closing if sent electronically, or at least 6 full business days before closing if sent by regular mail.

CU Members Mortgage will make every effort to ensure the homebuyer's estimated fees are as accurate as possible. However, several things can impact the APR on a loan, including:

What affects the **Annual Percentage Rate** of a mortgage loan?	
	• A change in the loan amount • A change in the type of loan • An unlocked interest rate • A change in the closing date, which affects pre-paid interest • A change in fees, including settlement agent fees

Staying on Schedule for Closing

Most real estate transactions are not scheduled to close within 7 days of application, but rather take 30-45 days from start to finish. Still, homebuyers and all others involved in the transaction can make the process smoother by making sure all required documentation is complete and by accepting electronic disclosures from our secure website rather than using regular mail. Good communication is essential in the event the APR changes during the transaction, since that will likewise change the required delivery of subsequent revised disclosures.

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Frequently Asked Questions and Helpful Hints for On-Time Closings

How Each Home-Buying Partner Can Help

Homebuyer:

- Understand the timeline for disclosures to the homebuyer
- Discuss a timeline for closing with your loan officer
- Obtain a pre-approval before you start house-hunting
- Pay only for the credit report fee until you receive initial disclosures. After you receive initial disclosures, provide timely payment of other fees to avoid delays in ordering appraisals and other third party services related to your loan
- Inform your Realtor of your estimated timeline
- Plan for at least a 30 day process, from time of applica tion to closing. Forty-five days may be more realistic if the terms of your application change or if there is difficulty in obtaining documentation required for underwriting, the appraisal, inspection or other issues
- Review your disclosures and know the terms of your loan
- Ask your Loan Officer to clarify any issues and answer any questions. The more informed you are about the financing of your home, the better!

Mortgage Loan Officer:

- Understand the timeline for disclosures to the homebuyer
- Help homebuyers understand all the different loan options and documentation needed for underwriting
- Clearly spell out realistic timelines for closing
- Outline when required disclosures will be delivered and explain their meaning
- Collect only the credit report fee prior to delivery of initial disclosures
- Lock the loan as soon as possible, and at least 10 business days prior to the anticipated closing date
- Always issue new TIL disclosures if the APR increased/decreased by more than .125%, and allow a total of 6 business days for delivery if the disclosures are not being delivered electronically
- Encourage and instruct the member on how to obtain electronic disclosures

Realtor:

- Coordinate communication between the buyer, seller and the lender to estimate a realistic closing date
- Educate your settlement agents on new requirements for disclosures. Third party fees may change the initial APR by more than .125%, making new disclosures necessary and impacting the closing date
- Get settlement agent information to the Lender as early as possible

Settlement Agent or Attorney:

- Understand how changes to fees may impact the APR, which would trigger new disclosures and change the closing date
- Provide the lender with a preliminary HUD with accurate fees at least 10 business days before closing so that the Lender can issue a Pre-Closing TIL seven business days before the scheduled closing date.

1. When do the new requirements for applications take effect? HERA regulations for purchases and refinances of primary or secondary residences take effect with applications as of July 30, 2009.

2. Are investment properties affected by the rules for disclosures? No.

3. What happens if the Applicant does not pay the upfront fees quickly? A delay in upfront fees may delay the lender's ability to order some necessary third party services, such as the appraisal. All delays in payment of fees or providing documentation for the loan can add time to the process, and may result in an inability to meet the preferred closing date.

4. For a homebuyer in a "rush" situation, what can be done? The new regulations are very clear in that the minimum number of days to close a transaction is 7 business days after the initial disclosures are delivered or placed in the mail. Even if that schedule is met, a 7-day closing would be unusual due to the need to collect documents, conduct appraisals, and other issues. Also, if the APR increases or decreases by .125% during the application process, new disclosures must be issued, which will add time. Try to plan for a minimum of 30 days to close the loan.

5. When is the credit report fee collected? The credit report fee is the only fee collected before the homebuyer receives the initial disclosures.

6. If a homebuyer applies over the phone, can they provide a post-dated check for fees that will come later during the application process? No. Fees or other payment information are not collected prior to the allowed upfront fee collection date. A homebuyer who applies in person or consents to electronic disclosures, can obtain disclosures the same day and can pay upfront fees the same day. In-person applications may be ready to close sooner provided all other documentation and third party services are available quickly.

7. What triggers new disclosures? If the Annual Percentage Rate (APR) increases or decreases by .125% or more, then new and final Truth in Lending disclosures must be delivered at least 3 full business days prior to the closing date.

8. Can seller-paid fees be collected before the homebuyer's upfront fees? No. Just as with the homebuyer's fees (except the credit report fee), no seller-paid items can be collected until the next business day after the initial disclosures are received (unless it was an in-person application and disclosures were presented at that time).

9. Can the TIL Re-Disclosure be sent with the same 7-day business period as the initial disclosures? Yes. If a re-disclosure is required due to an increase or decrease in the APR of more than .125%, new disclosures can be sent within the same 7-day period.

10. Can the applicant lock the loan at the time of application even if no fees have been collected? Yes.

11. Is the 3 business day right of rescission still in effect? The right of rescission is still in effect for refinance transactions.

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