



Recent Changes to Federal Lending Regulations

The recent changes to Federal lending regulations (called TRID or “Know Before You Owe”) went into effect on October 3, 2015 and are expected to have a significant effect on closing procedures when purchasing a home. This document is designed to briefly explain relevant information to help complete a smoother transaction.

The application process will begin with the Loan Estimate. On and after October 3, 2015, a lender is required to provide a buyer with a Loan Estimate once a buyer submits an "application" (which involves the submission of six pieces of information - - including the property address).

Open lines of communication help prevent needless confusion and delays.

- Make sure your clients have detailed information to share with their lender.
- If anything about the transaction changes, communicate those changes **promptly** to all involved.
- Make sure your client understands the need to communicate changes promptly and that failure to do so can result in delays in the closing.
- The lender and the closing Attorney both need correct and complete information, including name, office address, office phone number, Broker CT License Number, **and** Agent License Number. ****There is a Broker Identification Addendum to the Purchase and Sale Contract available in the CTR Forms Library through zipForms.****

Find out who provides the Closing Disclosure.

- Learn who will be preparing and providing the Closing Disclosure form, when and how your client can expect to receive it, and how any last-minute changes are handled. As is discussed below, these factors can offset timing.
- Previously HUD-1 Settlement Statements were most often provided by a settlement attorney. Lenders may choose to prepare and deliver the Closing Disclosure to your client directly through the mail, in- person, or electronically (if your clients have given permission for electronic delivery).
- No matter who prepares or provides the Closing Disclosure, the lender is accountable for its accuracy and approves the final version.

Note the impact on documents and pre-qualification letters.

- The new disclosures are streamlined documents integrating both the RESPA and Truth-in-Lending disclosures - Four documents have been turned into two, the Loan Estimate and the Closing Disclosure. Now, the documents your clients see after completing the loan application (Loan Estimate) and at closing (Closing Disclosure) mirror each other, so it's easier to compare and notice any and all changes.
- Preapprovals and pre-qualifications require additional information at the time of application so the time the lender takes to provide that information may be several hours longer than in the past.

Your client must receive the Closing Disclosure at least three business days prior to closing.

- Find out how the lender (or settlement agent) expects to deliver the Closing Disclosure. That will likely

affect how far in advance the closing must be scheduled. That, in turn, will likely affect how far in advance the client will need to get documents and information to the lender (or settlement agent) in order to be cleared to close.

- Many lenders will elect to send the Closing Disclosure by U.S. mail. Because there is a regulatory "presumption" that a borrower has not "received" the Closing Disclosure until 3 business days after it is placed in the mail, lenders will likely place the Closing Disclosure in the mail at least 7 calendar days prior to the scheduled closing.
- Buyers who elect to receive the Closing Disclosure by email must either send back a "read receipt" when prompted upon opening the email, or sending a return email back to the lender expressly acknowledging they have received the document. **The three day clock cannot start ticking until the buyer has expressly confirmed they have received the Closing Disclosure from the lender.**
- When changes to the transaction are significant, a new three-business-day review period is required along with a revised Closing Disclosure. Since large, last-minute changes should be rare, an additional review period should also be rare.
- **Most settlement issues, such as adjustments to seller credits to account for repairs and fuel proration, that are currently addressed as late as the day of closing can continue to be handled at closing without requiring a new three-business-day review period.** These changes will still likely result in a revised Closing Disclosure that will be delivered to the buyer. It is possible that the closing will be able to take place as originally scheduled, but you should anticipate that lenders (or settlement agents) will need time to generate a new Closing Disclosure for delivery at closing. Learn how that process will work, and plan ahead, to avoid any unnecessary delays.
- Business days include Saturdays, but do not include Sundays or Federal Holidays.

Only three changes require a new three-day review.

- The APR (annual percentage rate) increases by more than 1/8 of a percent for regular loans (most fixed-rate loans) or 1/4 of a percent for irregular loans (most adjustable loans). Under the rules a decrease in APR will not necessarily require a new three-day review; buyers need to check with their lenders about whether they require a new three day period if the APR decreases. Please note lenders have been required to provide a three-day review for these changes in APR since 2009, so this is not new.
- A prepayment penalty is added, making it expensive to refinance or sell. Given the new mortgage rules that went into effect last year, it is unlikely that you will see many lenders adding prepayment penalties.
- The basic loan product changes, such as a switch from fixed rate to adjustable interest rate or to a loan with interest-only payments.

The National Association of REALTORS® and the Consumer Financial Protection Bureau have created extensive materials to explain the new regulations and to answer common questions about the impact. Those can be found at this link: <http://www.consumerfinance.gov/know-before-you-owe/real-estate-professionals/>.

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