



# Countdown to August 1st with Citibank and Stewart Title

A brief overview of the Consumer Financial Protection Bureau's rule on mortgage disclosures and what led to its creation.

## Some background on what led to the rule

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was signed into law. Under the law, a new federal regulator was created – the Consumer Financial Protection Bureau® (CFPB). One of the mandates set down for the CFPB in Dodd-Frank was to propose regulations integrating the consumer disclosures required under RESPA and the Truth-in-Lending Act (TILA) in order to make it easier for consumers to shop for mortgages and protect them from costly surprises at their closing. This mandate led to the proposed rule released on July, 2012, which led to the final rule on November, 2013.

## What does the rule entail?

The CFPB's rule to integrate, simplify and improve consumer disclosures given in mortgage transactions has four primary parts. The CFPB sought comments from lenders, title insurers and anyone else affected by the proposed rule to give input concerning all parts of the proposal, including the cost to implement and impact on operations. The rule does not affect home equity line of credit loans, reverse mortgages or mobile home loans. Applications submitted on or after August 1, 2015, will be subject to the new rule.

The four areas covered under the rule are:

### *Loan Estimate Form*

- Replaces the "initial TIL" required under the TILA and the Good Faith Estimate or "GFE" required by the Real Estate Settlement Procedures Act (RESPA)
- May be provided by the lender or their mortgage brokers, though the lender maintains ultimate responsibility for all information
- No fees may be charged prior to the applicant's receipt of the form with exception of a credit report fee
- Any written estimates provided prior to this form must contain a disclaimer to prevent confusion with the Loan Estimate Form

### *Closing Disclosure Form*

- Available in multiple formats for different transaction types
- Integrates the HUD-1 required by RESPA and the "final TIL" required under TILA (reverse mortgages and home equity lines of credit would still use the HUD-1 form)
- Change in loan product, addition of prepayment penalty, or APR change over 1/8th of 1% will cause new disclosure and three day waiting period

### *Three-day Rule*

- Loan Estimates must be delivered to borrowers no later than three business days after the lender receives the mortgage application, or its equivalent
- Closing Disclosures must be received by the borrower no later than three business days prior to the consummation of the transaction

### *Changes to Zero Tolerance Category*

- Items that cannot increase between Loan Estimate and Closing Disclosure include:
  - Creditor's or broker's charges for its own services
  - Charges for services the consumer was not permitted to shop for
  - Transfer taxes
  - Charges for services the consumer was not able to shop for and determine the provider
- Other service charges can generally increase 10% or less without triggering a tolerance violation
- Exceptions that would allow increases in prices beyond these levels include:
  - Consumer requests a change that causes the increase
  - Consumer chooses a provider not on the lender's list of providers
  - Information provided by consumer at time of application is/becomes inaccurate
  - Expiration of the Loan Estimate

For more in-depth information on the proposed rule and service provider bulletin, visit [stewart.com/cfpb](http://stewart.com/cfpb).