CFPB Integrated Mortgage Disclosures – New Rules for Mortgage Lending

To: Settlement Agents

As Bank of America prepares for how new Consumer Financial Protection Bureau (CFPB) rules will impact us as a lender, it is our goal to share with you information to help you to determine the impact to you as a settlement agent. Please take advantage of this opportunity to learn more about this very important regulatory change. Mortgage industry veteran and regulatory expert, Brian Chappelle, has written a series of articles that highlight the changes and the new rules that will most affect your business.

We will continue to share information as it becomes available. In the meantime we welcome you to submit your feedback to us at Integrated.Disclosures.Feedback@bankofamerica.com.

New Disclosure Documents on the Horizon

By Brian Chappelle, Potomac Partners

Late in 2013, the Consumer Financial Protection Bureau (CFPB) issued its final rules creating new mortgage disclosure documents.

While the implementation deadline for these new disclosure documents is not until August 1, 2015, many lenders are already planning ahead, and settlement agents should begin to familiarize themselves with the coming changes.

The final rules will combine various RESPA and TILA regulations to create all-new disclosure documents designed to be more helpful to consumers, while integrating information from existing documents to reduce the overall number of forms. In essence, consumers will receive one document instead of two:

- When applying for a loan, the new **Loan Estimate (LE)** document replaces the Truth-in-Lending Disclosure (TIL) and Good Faith Estimate (GFE).
- At loan closing, the new **Closing Disclosure (CD)** replaces the Final TIL and HUD-1.

The key aspects of the new forms and rules for mortgage disclosure documents are:

The Loan Estimate, a comparison shopping tool with financial uniformity

The Loan Estimate is based on the unverified information provided by the customer. No collection of any documentation is required to issue the Loan Estimate. Thus, consumers can receive multiple LEs covering a variety of loan options, allowing them to compare loan scenarios across various lenders if they wish.

- Shopping is made easier because the CFPB rules define an application as only including six items: 1) borrower name, 2) borrower Social Security Number, 3) borrower income, 4) property address, 5) estimate of property value, and 6) mortgage amount requested.
- Once the six items are collected, lenders are not permitted to require other items before issuing a Loan Estimate, as had been allowed previously before issuing TIL disclosures and/or GFEs.

Uniformity of the Loan Estimate throughout the marketplace also applies to timing. The LE must be delivered within three business days of taking an application. No fees can be collected and no Intent To Proceed (ITP) can be requested until an applicant has received the LE.

Overall, the Loan Estimate is intended to give consumers more helpful information about the key features, costs and risks of the loan for which they are applying.

The Closing Disclosure, a big step toward reducing closing surprises

The biggest change will come as welcome news to settlement agents: The Closing Disclosure must be received by the consumer three business days before loan closing, instead of the current one-day requirement, giving consumers more time to compare the Closing Disclosure with the information on the Loan Estimate and settlement agents more time to prepare for closing.

The Closing Disclosure, which is similar to the HUD-1 in content, is also subject to fewer reasons for re-disclosure. A replacement Closing Disclosure, and an additional three business day waiting period, is required only if:

- There is a change of more than 1/8 percent in the APR
- The loan product has changed (e.g. fixed rate has changed to adjustable rate)
- A prepayment penalty has been added

Less significant changes can be disclosed at or before closing without triggering an additional three business day waiting period.

There are a few additional changes in the Closing Disclosure that are intended to provide borrowers with useful information. For example:

- An alphabetized list of settlement services fees.
- Fee amounts for services that a consumer does not shop for -- like appraisal or pest inspection fees -- must exactly match the amount in the Loan Estimate. (Specific exceptions may apply.)

These changes are also intended to reduce surprises as borrowers should have less uncertainty about the cash they will need to bring to the loan closing.

Brian Chappelle, a founding partner of Potomac Partners, has more than three decades of experience in the mortgage lending industry, including 13 years at the Mortgage Bankers Association of America.