

REALESTATE

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October 2013

{Ask the Experts}



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Q: What do the recently proposed changes announced by the Consumer Financial Protection Bureau mean for today's buyers and sellers?

A: The recently proposed changes announced by the Consumer Financial Protection Bureau—also known as the CFPB or Bureau—are good news for professionals committed to serving consumers.

While a home purchase is typically the largest transaction that will happen in your client's life, the process doesn't always go as planned. Here's a quick rundown of the major changes from the CFPB that aim to improve this experience for buyers and sellers.

Integrated Disclosures and the Loan Estimate

The Good Faith Estimate, Truth-in-Lending Disclosure and HUD-1 statement are all going away. Everyone involved will need to learn the new

consumer-designed Loan Estimate and Closing Disclosure forms that are designed to be easier to understand.

The Three-Day Rule

The three-day rule says that the Loan Estimate and Closing Disclosure must be in the buyers' hands three business days prior to closing—whether delivered via secure electronic means or old-fashioned snail mail or courier delivery. Either way, the CFPB is eliminating the "surprise!" from the transaction process by ensuring loan docs and disclosures are delivered well before the closing. If charges change significantly, the proposed rule requires revised disclosures and another three business-day waiting period before closing.

Ability to Repay/Qualified Mortgage (QM)

The Bureau says most buyers will still qualify for the Qualified Mortgage (QM), but there'll be more stringent underwriting requirements. The Ability to Repay rule details eight requirements for lenders to consider when underwriting loans, but does not dictate that they follow particular underwriting models. Lenders underwriting to a tighter standard of the "Qualified Mortgage" are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. Visit [\[consumerfinance.gov/f/201301_cfpb_ability-to-repay-summary.pdf\]\(http://consumerfinance.gov/f/201301_cfpb_ability-to-repay-summary.pdf\) for a summary of both rules.](http://fles.</p></div><div data-bbox=)

Quality Business Partners

Some of the biggest changes were announced in the April 2012 Bulletin from the Bureau, detailing expectations that lenders use high-quality service providers. With this requirement, real estate professionals may find that lenders are increasingly moving toward settlement providers with higher security and operational compliance standards. The CFPB expects lenders to have processes for the following:

1. Conducting due diligence and verifying service providers understand financial laws.
2. Obtaining service provider policies, procedures, internal controls and training materials.
3. Including contract terms with clear expectations about compliance and consequences for compliance violations.
4. Establishing processes to ensure providers are following all federal laws.
5. Promptly addressing any problems found in the monitoring process, which may include terminating the relationship.

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The last thing you want is a delayed transaction while lenders begin vetting your settlement provider during a transaction. Ensure that you work with companies that pass the most rigorous of compliance tests, that are vetted and verified, like Stewart’s network of Trusted Providers™.

What should you do about all of these new changes? First, set up your own team to learn the new forms and prepare for the changes. Second, meet with your lenders to learn more about the new QM rule. Third, make sure your closing partners are vetted and verified by your lenders. Finally, meet with your title and closing partners to learn about the new

disclosures and improvements to the closing process.

Stewart has been at the forefront of CFPB discussions and is working with our offices and agencies so they’re prepared to help you deal with these changes. Last, but not least, Stewart also has a website with valuable CFPB-related resources (www.stewart.com/cfpb) in order to prepare for the new requirements.

This article is intended to provide an overview of the CFPB and pending regulations. For the full version of the proposed rules, visit www.consumerfinance.gov. © Stewart Title Guaranty