



**CITADEL**  
SERVICING CORPORATION

# Correspondent Compliance Best Practices

# Objectives

- Disclaimer of the Presentation
- E-Consent/E-sign
- Initial Disclosures
- Intent to Proceed and Imposition of Fees
- Appraisal Rules
- Closing Disclosures
- Corrected CDs
- Federal and State Test
- HMDA 2018

# Disclaimer of the Presentation

Please be aware that the following presentation is for educational and informational purposes.

The content presented should not be construed as legal advice.

All specific legal guidance should be sought from each organizations counsel.

# e-Consent

## **e-Consent**

- Form used if the borrower chooses to receive documents electronically.

## **e-Sign**

- Electronic signatures used to validate delivery and receipt of information.

# Initial Disclosures Best Practices

## Initial Disclosures Loan Estimate (“LE”)

- Initial LE sent within 3 days of receiving the application for credit (typically the date noted by the MLO on signed 1003).
- Alternative Cash to Close is used for refinances form is consistent with all other disclosures (when applicable)
- Proof Initial disclosures were sent to the borrower within TRID timeframes.
- Copies of all other Federal and State required initial disclosures
  - Federal Privacy Notice
  - Initial ARM Disclosure (when necessary)
  - CHARM Booklet (when necessary)
  - Home Tool Kit (when Necessary)
  - Homeowners Counselors

# Intent to Proceed & Imposition of Fees

## **Intent to Proceed**

- Intent must clearly reference the borrower's name, the Loan Estimate it is associated with and the date of when Intent was communicated.

## **TRID Compliant Appraisal, BPO or Other Fees**

- Appraisal or other valuations ordered and paid for within TRID compliance.
  - Documentation provided should clearly define the timing sequence of LE issuance, intent given by the borrower and any fees imposed.
  - Appraisal invoice should show paid date, who paid, and the payment method.

# Re-disclosure Best Practices

- Proof re-disclosures were sent to the borrower within TRID timeframes.
- Changed Circumstance documentation
  - Provide detail required to justify changes in fees and terms
- Product change from Fixed to ARM.
  - Provide required disclosures associated with the change in program.
- Alternative Cash to Close form is consistent with all other disclosures (when applicable).

# Appraisal Rules

## **HPML Appraisal Rule**

- Deliver a copy of the appraisal to the borrower 3 days prior to the consummation.
- Applicant cannot waive the three-business-days-before-closing deadline under the HPML Appraisal Rule.

## **ECOA Valuation Rule**

- Provide copies of the appraisals “promptly upon completion”.
- Borrower can waive timing requirements of the ECOA Valuation Rule by agreeing to received copies of the valuations at or before the consummation. Waiver must be received by the creditor 3 days prior to the consummation.

## **When both rules apply**

- Follow the rule that provides the earlier deadline for the delivery of the appraisal.



# Closing Disclosures Best Practices

- Proof the CD was sent within TRID delivery timelines
  - Proof of adherence to the Mail Box Rule (when applicable).
- “Operative” LE is disclosed correctly on pg. 3 under the “Calculating Cash to Close” section.
- Alternative Cash to Close form is consistent with LE (when applicable)
- Documented Changed Circumstance if initial CD is used to disclosed Changed Circumstance.
- Other selections within the CD:
  - Assumption clause “Will allow...”(ARM) “Will Not...”(Fixed)
  - Partial Payments “May hold...”
  - Escrow Account “Will have...”
  - Late Payment “%” as prescribed by state regulation.

# Corrected CDs

## **Corrected CDs “Pre-Consummation” CDs**

- New 3 day waiting period for upward APR variances of .125%, Changed Program or Addition of a Prepayment Penalty (when applicable)
- Documented Changed Circumstance if change occurs after the initial CD was issued and tolerances are reset.
- Corrected CD required 1 business day prior to or at consummation.

## **Corrected CDs “Post-Consummation” CDs**

- 30 calendar days after consummation if event is in connection with settlement.
- 60 calendar days after consummation for “Clerical Errors”.
- 60 calendar days after consummation if a “tolerance cure” is required after the correction.

# Assumption Explanation

ARM notes have the following language under section **11. Uniform Secured Note**

*To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.*

Thus, CSC elects to choose “Will Allow...” under the assumption on the CD

## **Assumption**

If you sell or transfer this property to another person, your lender

☒ will allow, under certain conditions, this person to assume this loan on the original terms.

☐ will not allow assumption of this loan on the original terms.

Fixed notes do not have the same language under section **10. Uniform Secured Note**

Thus, CSC elects to choose “Will not allow...”

# Federal and State Tests

## **Section 32 & 35 Testing**

Copy of most recent test results.

## **State Specific Testing**

Copy of most recent test results.

**Example:** if the last CD is dated 1/1/18 we want the test results from 1/1/18 (this is applicable to both Federal and State testing)

# Business Purpose and Foreign National

- **TRID compliance is not applicable**
- **If TRID compliance documents are provided, CSC will review for TRID Compliance**
- **Lenders should submit loans they wish to qualify for. All documents provided will be reviewed accordingly by CSC.**
- **ECOA Valuations compliance is still required**

# HMDA 2018 Requirement

Correspondent Seller to provide the following:

- Correspondent Seller's LEI:
- Application number:
- Check digit:



# What Questions Do You Have?

