



Know before you close.

# Five Things Real Estate Agents Need to Know

New mortgage disclosure forms and how they change every transaction you work on after August 2015.

## Five things to know:

1. Be able to explain the new Loan Estimate and Closing Disclosure
2. Timing of closings are impacted by disclosure delivery rules
3. Title fees may need to be adjusted at closing and explained
4. Line numbers have been removed and there are now 7 fee areas
5. Your client will likely receive more than one Closing Disclosure

By now you have heard of CFPB, but the question still remains, “How will it impact me?” While CFPB will not significantly impact your day-to-day processing of sales, your seller and buyer clients will be looking to you for general information about the new rules and forms, as well as the impact on both the loan process and the closing of the transaction.

As a primer, here are five items you will need to know before the new rules and forms take effect August 1, 2015:

### 1 Be able to explain the new Loan Estimate and the Closing Disclosure

After the 2008 financial meltdown, Congress established the Consumer Financial Protection Bureau (CFPB). Among its first tasks was the combination of forms provided to borrowers at both the beginning and end of their loan transaction. In 2013, CFPB published its final rule revealing these two new combined forms.

**The Loan Estimate** – Currently, borrowers receive two separate forms from their lender at the beginning of the transaction: the Good Faith Estimate (GFE), a form required under the Real Estate Settlement Procedures Act (RESPA), and the initial disclosure required under the Truth-in Lending Act (TILA). For loan applications taken on or after August 1st, 2015 the creditor will instead use a combined Loan Estimate form intended to replace the two previous forms. The new three-page Loan Estimate form must be provided to borrowers on a timetable similar to the current receipt of the GFE.



PACIFIC COAST  
TITLE COMPANY

## New mortgage disclosure forms and how they change every transaction you work on after August 2015.

**The Closing Disclosure** – The combination of forms continues at the end of the transaction as well, with the HUD-1 Settlement Statement and the final TILA forms now combined into a single Closing Disclosure form. This new five-page form is used not only to disclose many terms and provisions of the loan, but also the financial transaction of the closing of the sale.

## CURRENT

## Initial TIL disclosure + Good Faith Estimate


## TRUTH IN LENDING DISCLOSURE STATEMENT

(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

LENDER: **Farm Bank**

BORROWERS: **John A. and Mary B.**

ADDRESS: **123 Anywhere Street**  
 CITY/STATE/ZIP: **Anytown, ST 12345**  
 PROPERTY: **456 Somewhere Avenue, Anytown, ST 12345**

 **Refinancing**

**DATE: 07/27/2012**

**LOAN**

**CASE NO: 123456789**

ANNUAL PERCENT RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit on a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you on your behalf	The total of all payments you have made or payments to be made
4.494%	\$124,906.17	\$156,021.00	\$236,906.17

**INTEREST RATE AND PAYMENT SUMMARY:**


First 78 Payments	Last 282 Payments
Principal and Interest	\$761.78
Mortgage Insurance	82.35
Property Tax and Insurance (Escrow)	206.13
Total Monthly Payment	\$967.91

Truth in Lending Disclosure Statement

[illegible]

## AFTER AUGUST 2015

## NEW Loan Estimate

		Save this Loan Estimate to compare with your Closing Disclosure.																
421 North Boulevard • Smyrna, ST 12340																		
<h2>Loan Estimate</h2>																		
<b>DATE ISSUED</b> 2/15/2013 <b>APPLICANT</b> Michael Janner and Mary Stone 123 Anywhere Street Anytown, ST 12345	<b>LOAN TERM</b> 30 years <b>PURPOSE</b> Purchase <b>PRODUCT</b> Fixed Rate <b>LOAN TYPE</b> <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> CHVA <input type="checkbox"/>	<b>LOAN #</b> 4 <b>RATE LOCK</b> <input checked="" type="checkbox"/> 90 days, until 6/16/2013 at 5.00 pm, <b>EDT</b> <i>Before closing, your interest rate, points, and other costs can change after you lock the interest rate, and other estimated closing costs expire on 6/16/2013 at 5:00 pm, EDT.</i>																
<b>PROPERTY</b> 456 Somewhere Avenue Anytown, ST 12345 <b>SALE PRICE</b> \$180,000	<b>Can this amount increase after closing?</b> <b>Loan Terms</b> <b>Loan Amount</b> \$162,000 <b>NO</b> <b>Interest Rate</b> 3.875% <b>NO</b> <b>Monthly Principal &amp; Interest</b> \$761.78 <b>NO</b> <i>See Projected Payments below for your Estimated Total Monthly Payment</i>																	
<b>Does the loan have these features?</b> <b>Prepayment Penalty</b> <b>YES</b> • <b>As high as \$3,240</b> if you pay off the loan during the first 2 years <b>Ballloon Payment</b> <b>NO</b>																		
<b>Projected Payments</b> <table border="1"> <thead> <tr> <th>Payment Calculation</th> <th>Years 1-7</th> <th>Years 8-30</th> </tr> </thead> <tbody> <tr> <td>Principal &amp; Interest</td> <td>\$761.78</td> <td>\$761.78</td> </tr> <tr> <td>Mortgage Insurance</td> <td>+ 82</td> <td>+ —</td> </tr> <tr> <td>Estimated Escrow Amount can increase over time</td> <td>+ 206</td> <td>+ 206</td> </tr> <tr> <td><b>Estimated Total Monthly Payment</b></td> <td><b>\$1,050</b></td> <td><b>\$968</b></td> </tr> </tbody> </table>				Payment Calculation	Years 1-7	Years 8-30	Principal & Interest	\$761.78	\$761.78	Mortgage Insurance	+ 82	+ —	Estimated Escrow Amount can increase over time	+ 206	+ 206	<b>Estimated Total Monthly Payment</b>	<b>\$1,050</b>	<b>\$968</b>
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<b>Estimated Total Monthly Payment</b>	<b>\$1,050</b>	<b>\$968</b>																
<b>Estimated Taxes, Insurance &amp; Assessments</b> \$206 a month <b>YES</b> (to encrow) <input checked="" type="checkbox"/> Other <b>YES</b> <i>See Section G on page 2 for increased property costs. You must pay for other property costs separately.</i>																		
<b>Closing Costs</b> <table border="1"> <thead> <tr> <th>Estimated Closing Costs</th> <th>\$8,054</th> </tr> </thead> <tbody> <tr> <td colspan="2">Includes \$5,672 in Loan Costs &amp; \$2,382 in Other Costs - \$0 in Lender's Credits. See page 2 for details.</td> </tr> <tr> <th>Estimated Cash to Close</th> <th>\$16,054</th> </tr> <tr> <td colspan="2">Includes Closing Costs. See Calculating Cash to Close on page 2 for details.</td> </tr> </tbody> </table>				Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs & \$2,382 in Other Costs - \$0 in Lender's Credits. See page 2 for details.		Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.								
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Visit <a href="http://www.consumerfinance.gov/mortgage-estimate">www.consumerfinance.gov/mortgage-estimate</a> for general information and tools.																		
LOAN ESTIMATE		PAGE 1 OF 3 • LOAN ID # 123456789																

## Final TIL disclosure + HUD-1 Settlement Statement

# TRUTH IN LENDING DISCLOSURE STATEMENT

(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

LENDER: FICUS BANK

☐ Finance ☐ Real

BORROWER: John A. and Mary B.

DATE: 09/14/2012

LOAN

CREDIT 123456789


ADDRESS 123 Anywhere Street  
CITY STATE ZIP Anytown, ST 12345  
PROPERTY 456 Somewhere Avenue, Anytown, ST 12345

ANNUAL PERCENT RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you as your loan	The amount you will have paid after you have made all payments as scheduled
4.441%	\$123,997.58	\$156,964.47	\$292,420.88

## INTEREST RATE AND PAYMENT SUMMARY:

	First 78 Payments	Last 282 Payments
Principal and Interest	\$761.78	\$761.78
Mortgage Insurance	82.35	
Property Tax and Insurance (Escrow)	206.13	206.13
Total Monthly Payment	\$1,050.26	\$967.91

Truth in Lending Disclosure Statement



# A Settlement Statement (HUD-1)

OAS Form 940, 2002 Edition

**A. Borrower Information**

<b>1</b> <input type="checkbox"/> <b>Individual</b>	<b>2</b> <input type="checkbox"/> <b>Co-borrower</b>	<b>3</b> <input type="checkbox"/> <b>Trust</b>	<b>4</b> <input type="checkbox"/> <b>Other</b>	<b>5</b> <input type="checkbox"/> <b>Refinance</b>	<b>6</b> <input type="checkbox"/> <b>Loan Assisted</b>	<b>7</b> <input type="checkbox"/> <b>Reverse Mortgage</b>
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**8. Note:** This form is required to be given to a borrower at each refinancing event. Amounts paid by the refinancing agent on this form, when noted on the form, are not to be included in the closing money. Pay or should pay amounts are not to be included in the closing money.

**9. Borrower Information**  
**a. Name & Address of Borrower:**  
  
**b. Settlement Agent:**  
  
**c. Property Location:**  
  
**d. Name of Lender:**  
  
**e. Settlement Date:**

**Place of Settlement**

**C. Summary of Borrower Transactions**  
  
**100. Borrow Amount Due from Borrower**  
 101. Current balance of loan (see 100) \$  
 102. Personal property \$  
 103. Refinance advance (disclose to HUD-1) \$  
 104. \$  
**Adjustment for items paid by seller in advance**  
 105. Other items \$  
 106. \$  
 107. Escrow items \$  
 108. \$  
 109. Assumptions \$  
 110. \$  
**100. Borrow Amount Due from Borrower**  
 111. Amount Paid in or Ref'd of Borrower \$  
 112. Downside amount paid \$  
 113. Proceed amount (see item 100) \$  
 114. Escrow transfer (see item 106) \$  
 115. \$  
 116. \$  
 117. \$  
 118. \$  
 119. \$  
**Adjustment for items repaid by seller**  
 120. Other items \$  
 121. Escrow items \$  
 122. \$  
 123. Assumptions \$  
 124. \$  
 125. \$  
**100. Total First Borrower**  
 126. Loan of Settlement Refinance Borrower \$  
 127. Gross amount due to lender (see 100) \$  
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## NEW Closing Disclosure

Closing Disclosure		This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.		
<b>Closing Information</b> Date Issued 4/15/2013 Closing Date 4/15/2013 Settlement Date 4/15/2013 Epilot Title Co. 13-1466 Property 456 Somersville Ave Anytown, ST 12345 Sale Price \$160,000		<b>Transaction Information</b> Borrower Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345 Seller Steve Cole and Any Doe 321 Somewhere Lane Anytown, ST 12345 Piss Park Lender BNC BNC # 00064121		
		<b>Loan Information</b> Loan Type 30 years Purpose Purchase Product Fixed Rate Loan Orig C or Conventional CMHA CWA 12 123456789 Loan ID# 00064121		
<b>Loan Terms</b>		<b>Can this amount increase after closing?</b>		
<b>Loan Amount</b>	\$160,000	<b>NO</b>		
<b>Interest Rate</b>	3.875%	<b>NO</b>		
<b>Monthly Principal &amp; Interest</b>	\$761.78	<b>NO</b>		
See Projected Payments below for your Estimated Loan Monthly Payment				
<b>Prepayment Penalty</b>		<b>Does the loan have these features?</b>		
		<b>YES - As high as \$3,249 if you pay off the loan during the first 2 years</b>		
<b>Rollover Payment</b>		<b>NO</b>		
<b>Projected Payments</b>				
<b>Payment Calculation</b>		<b>Years 1-7</b>	<b>Years 8-30</b>	
Principal & Interest	\$761.78	\$761.78	\$761.78	
Mortgage Insurance	+	\$2.35	+	—
Estimated Escrow Amount can increase over time	+	206.13	+	206.13
<b>Estimated Total Monthly Payment</b>		<b>\$1,050.26</b>		<b>\$967.91</b>
<b>Estimated Taxes, Insurance &amp; Assessments</b>		<b>This estimate includes</b>		
Amount can increase over time See page 4 for details		<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues See Escrow Account on page 4 for details. You must pay for other property costs separately.		
\$356.13 a month		<b>Is escrow?</b> YES YES YES		
<b>Costs at Closing</b>				
<b>Closing Costs</b>	\$9,712.10	Includes \$4,640.00 in Loan Costs + \$5,072.10 in Other Costs - \$0 in Lender Credits. See page 4 for details.		
<b>Cash to Close</b>	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 4 for details.		

CLOSING DISCLOSURE
 PAGE 1 OF 3 - LOANID# 123456789

# Five Things Real Estate Agents Need to Know Before August 2015

New mortgage disclosure forms and how they change every transaction you work on after August 2015.

## 2 Timing of a closing will be impacted by Closing Disclosure delivery

As part of the final rule creating these two new combined forms, the CFPB determined that borrowers would be better served by having a short time to review the new Closing Disclosure prior to signing their loan documents. As a result, in its rule CFPB mandated borrowers have three days after receipt of the Closing Disclosure to review the form and its contents.







However, note that the three-day review period starts upon “receipt” of the form by the borrower. Unless some positive confirmation of the receipt of the form (i.e., hand delivery), the form is “deemed received” three days after the delivery process is started (i.e. mailing). As a result, the combination of the “delivery time period” and the “review time period” results in six business days from mailing to loan signing.

## 3 Title fees may need to be adjusted at Closing and Explained

Both the new Loan Estimate and Closing Disclosure forms require any listing of a settlement service involving title insurance or closing activities to be preceded by the phrase “Title – “. In doing so, a borrower can clearly see all such charges in the same area. However, that is where the clarity ends.

In most jurisdictions, title insurers offer a discount (often called a simultaneous-issue discount) on the loan policy premium when purchased at the same time as an owner’s policy. However, in some parts of the country, the standard purchase of an owner’s policy of title insurance is not as well established. As a result, CFPB determined consumers were better served by showing the full, not discounted, loan policy premium in all situations on both the Loan Estimate and the Closing Disclosure instead of, where applicable, the discounted premium. If an owner’s policy is also purchased in the transaction, a formula is used to discount the owner’s policy.

## Changes to the Closing Disclosure Timing

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
	 <b>Three-day delivery period</b> Non-hand Delivery of Closing Disclosure (i.e. mail)			 <b>Delivery of Closing Disclosure Occurs</b>	<b>Three-day waiting period</b>	
8	9	10	11	12	13	14
<b>waiting cont.</b> Sunday not counted	 First day signing / closing may occur  First day disbursements may occur for purchase and some refinances 	 <b>Three-day right of rescission</b> (Applicable to most refinances)			 First day disbursement may occur on most refinances	

# Five Things Real Estate Agents Need to Know Before August 2015

New mortgage disclosure forms and how they change every transaction you work on after August 2015.

In those areas where custom and practice provide that a buyer/borrower pay for both the owner's and lender's policies, the total actual amount paid for both policies is the same, even though the actual premium amounts are incorrect on the form.

More problematic are those areas where custom provides the seller pay for the owner's policy and the buyer purchase the lender's policy. In these areas, the policy premium for the lender's policy will be overstated and the owner's policy premium understated. As a result, look for an adjustment to be made on page 3 of the new Closing Disclosure form to correct premium amounts to those contemplated by the parties in their contract.

## 4 Line numbers have been removed and there are now seven fee areas on the Disclosure

Yes, it's true. The line numbering on the HUD-1 familiar to most of us is gone. Instead, the fees and charges are placed on the Closing Disclosure in one of seven areas:

- Origination Charges
- Services Borrower Did Not Shop For
- Services Borrower Did Shop For
- Taxes and Other Government Fees
- Pre-pays
- Initial Escrow Payment at Closing
- Other

Individual charges within each of these major groupings are listed alphabetically. Columns are provided to separate charges of buyer, seller and others, as well as columns for both payments before and at closing.

## 5 Your client will likely receive more than one Closing Disclosure

Since the buyer/borrower will receive a Closing Disclosure several days before the closing (and likely a few days before a walk-through on the property), buyers/borrowers will likely receive a new, adjusted Closing Disclosure at the closing showing any changes that occurred between the initial disclosure and the closing, including adjustments due to timing of the closing, walk-through adjustments and other matters. But changes may not end there and CFPB mandates that changes in financial disclosure numbers (i.e. changes in a recording fee) in any amount must be redisclosed, even post-closing.