

A new mortgage disclosure regime due to take effect on Aug. 1 is unlikely to cause closing delays, according to Consumer Financial Protection Bureau Director Richard Cordray.



## **LENDER PERSPECTIVE**

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# Closing Disclosure



- Lender must provide CD to consumer
- Settlement Agent may provide on behalf of Lender, but Lender remains liable.
- Settlement Agent to provide CD to seller
- The consumer must receive the CD at least three business days prior to closing/consummation.

# Closing Disclosure Process Changes



- Establishing a closing date to drive process vs. a clear to close status to drive a closing date.
- Lenders will need to be working on CD 7-10 business days from determined closing date.
- Closing Disclosure Issuance via e-sign, mailbox, hand delivery impacts timeline.
- Closing Disclosure needs to be issued to each borrower.

# Collaboration



- Collaboration and cooperation between real estate attorneys, title companies, settlement agents will be required.
- Lenders will require delivery of all closing costs, closing adjustments, title reports, insurance binders etc... much earlier in the process.
- Sellers counsel must have all title documentation ready sooner in the process (delivery to consumers attorney 30 days prior to proposed closing).

# Collaboration Timelines



- The title commitment delivery time frame will be approximately 30 days faster than it would normally take for a traditional purchase transaction.
- Title objections sent to Seller's attorney within 7 days of the file opening.
- Title issues are known sooner and remedied faster, preventing any delay in closing. This will greatly expedite the closing process and make the seller's attorney aware of all minor and major title issues well ahead of time giving them much more time to resolve them. Everything from current mortgage payoffs and tax receipts to more complicated issues such as ancient mortgages, estates and boundary line agreements will now be able to be known and started to remedy far in advance of when it normally would have been started.

# Change Impacts



- Changes late in the process may require issuance of a new Closing Disclosure and may start 3 business day timeline over.
  - The disclosed APR becomes inaccurate (generally increases by .125 percent)
  - Loan Product Change
  - Prepayment Penalty is added.
- If Change occurs after initial CD and does not involve three changes noted above, the consumer must receive a revised CD not later than closing.

# Scenario 1



- **Rate Lock expires. Borrower is charged to extend rate lock 10 days.**
  1. **CD not issued yet**
  2. **CD has been issued**

## Scenario 2



- **Amendments to Contract not provided timely to creditor or builder change request items not provided timely. CD has been issued.**

# Scenario 3



- **Final walk through after the CD has been issued.**
  1. As long as the credit does not effect the APR, loan program or result in a pre-payment penalty. The creditor must still issue a corrected CD with any terms or cost that have changed and insure that the consumer receives it at or before consummation.