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Raising the Bar

*Exceeding Expectations Everyday!*

Greetings!

April showers bring May flowers and blooming blossoms are changing the landscape all around us! Within the world of Real Estate Closings the landscape is beginning to undergo a drastic change of its own. In this month's issue we are providing a basic introduction to what is occurring in the industry and how this will impact the way you conduct your business. If you have questions, we encourage you to ask us directly and we will be happy to elaborate on anything you might be uncertain of. Please feel free to email your questions to [staciejackson@perrielaw.com](mailto:staciejackson@perrielaw.com).

### What is the CFPB-Integrated Mortgage Disclosure Rule?

You have probably been hearing tidbits of information concerning the elimination of the HUD-1 settlement statement. On August 1st, 2015 the new National Integrated Mortgage Disclosure Rule takes effect. **That is only 87 days from today!** What do you need to know to ensure your clients continue to have a smooth closing?



First and foremost it is important to recognize that the closing process will significantly change when the Consumer Financial Protection Bureau's (CFPB's) Rule for Integrated Mortgage Disclosures goes into effect. The Rule integrates forms required under the Truth-in-Lending Act (TILA) and Real Estate Settlement and Procedures Act (RESPA). A "Loan Estimate" will replace the current Good Faith Estimate and early TIL disclosure, while a "Closing Disclosure" will replace the HUD-1 and final TIL disclosure.

The Loan Estimate and Closing Disclosure documents are both very consumer friendly and were designed to ensure that a Consumer is fully aware of all of the line item costs that are commonly associated with a real estate closing. The CFPB refers to these forms as the "Know Before you Owe Forms". These forms improve consumer understanding, make loan comparisons more straightforward, and help to prevent surprises at the closing table. The new forms use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments, and costs to close the loan. The forms also provide more information to help consumers decide whether they can afford the loan and to

compare the cost of different loan offers, including the cost of the loans over time.



### **Does this apply to every loan or every closing?**

No, not every loan will fall under this new Rule. Home equity lines of credit, reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (i.e., land) must continue to use current disclosure forms required by TILA and RESPA separately. The TILA-RESPA Rule does not apply to loans made by persons who are not considered "creditors" because they make five or fewer mortgages a year. Loans that do not apply to the Rule will continue to utilize the traditional HUD-1 settlement statement. Cash closings are also exempt from this Rule and will also continue to utilize the traditional HUD-1 settlement statement.

### **What are the penalties for not complying?**

Violating the provisions of the Rule brings with it the wrath of TILA & RESPA. Combining the liability aspects of the two Acts with the power given to the CFPB by Dodd-Frank requires that we all understand the Rule and take it very seriously. Violations can range from \$5,000 per day per violation to \$1,000,000 per day for knowing violations. The consequences can have a grave impact on the lending institutions who write consumer loans. Because the financial penalties are so steep, lenders are now taking on the responsibility of completing the Closing Disclosure in-house. Changes that might have once happened at the closing table or right before the closing will now have to be reported to the lenders and we will have to wait for their approval and for them to revise the forms accordingly.

### **What's the biggest change to the closing process as a result of this rule?**

Perhaps the biggest change is the Rule requires that a 3-day review period be provided to the Consumer before the consummation of the loan, better known as the closing. The final Closing Disclosure with the final settlement numbers and true bottom line calculation for the Consumer must be in the hands of the Consumer 3 business days prior to closing. There are very specific definitions included in the Rule that define delivery methods of the Closing Disclosure to the Consumer. **Hand delivery** of the forms is the only immediate method that will start the 3-day closing countdown timer ticking. If the forms are sent via **US Mail** it is assumed to be received by the consumer three days after the document was placed in the mail, and hence will require 6 days to close after the Closing Disclosure form has been mailed. If **Email** is utilized to transmit the document to the Consumer it is assumed that three days will be required for the Consumer to open the email and then another three days to review the document must be allotted before the closing can take place.

### **Where can I find additional information?**

Samples of completed forms can be found at:

<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/#disclosures>

The American Land Title Association (ALTA) has assembled a lot of valuable information for professionals and consumers alike. Visit their website at <http://www.alta.org/cfpb/>

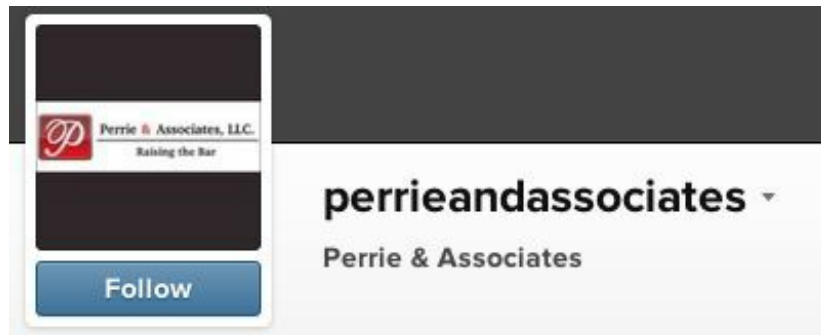
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It is now more important than ever to select a reputable closing attorney that is familiar with the new regulations to ensure your clients have a successful closing. Perrie & Associates is dedicated to implementing the necessary changes & communicating effectively with the lenders we work with to ensure scheduled closing dates are met.

**Call (770) 579-2700 to schedule your next closing with us!**

Sincerely,

David Perrie

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