

A REAL ESTATE AGENT'S GUIDE TO CLOSING TRANSACTIONS:

5 Things to Know Before You Close

Be familiar with and be able to explain the new Loan Estimate (LE) and Closing Disclosure (CD) forms:

The Loan Estimate: Today, borrowers receive two separate forms from their lender at the beginning of the transaction: the Good Faith Estimate (GFE) and the initial disclosure required under the Truth-in Lending Act (TILA). For loan applications taken on or after October 1, 2015 the creditor will now use a combined Loan Estimate 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.

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.

Closings are now impacted by delivery rules of the new forms:

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 form 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.

Note: 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 seven business days (excluding Sundays) from mailing to loan signing.

Title fees may need to be adjusted at closing and explained:

Both the new Loan Estimate and Closing Disclosure forms require any listing of settlement service involving title insurance or closing activities to be preceded by the phrase "Title ". This will allow the borrower to clearly see all charges in the same area. The disclosure of fees will be adjusted and explained on page 3 to reflect the following:

Simultaneously-Issued Rate | Full, Not Discounted, Loan Policy Premium | Owner's Policy | Lender's Policy

The new forms have 7 areas for fees:

The line numbering on the HUD-1 familiar to most 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 & Other Government Fees | Pre-Paid | 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 other (as well as columns for both payments before and at closing).

Your clients will likely receive more than one Closing Disclosure:

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.

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 re-disclosed, even post closing.