

How will the New CFPB Rules and Forms Impact Me?

Enclosed is general information about the new rules and forms effective October 2015 and how these changes will impact loan consummation and the historical process of settlement for real estate transactions.

This primer will tell you what you need to know before you get to the closing table.

Preparing You Now!



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Consumer Financial Protection Bureau

**What Buyers
(and Sellers)
Need to Know**
effective August 2015

**Preparing You Now
The New Loan
Estimate & Integrated
Closing Disclosure**



What are the most important things I should know about the new CD?

The Good Faith Estimate (GFE) and Truth-in-Lending Disclosure (TILA) along with the HUD-1 Settlement Statement (HUD) are being replaced by a single “Closing Disclosure” form.

The new Closing Disclosure (CD) will be prepared and delivered by either the Lender or the Settlement Agent, depending on your Lender. The CD will delineate the terms and provisions of the loan along with the integrated financial elements of the underlying transaction. It will contain non-public information applicable solely to the Borrower-Buyer and therefore will be a confidential document.

The CFPB has mandated that Borrowers must now be given at least three business days (upon their receipt of the CD) to review the new form before loan consummation can occur for the transaction. Receipt will be obtained through rules established by the Lender depending on how the CD is delivered (e.g., US Mail, overnight mail, electronic delivery, personal delivery). Loan consummation and settlement are normally done simultaneously at the closing.

Reviewing the new CD . . .

The CD has seven sections:

- (1) Origination Charges
- (2) Services Borrower did not Shop for
- (3) Services Borrower did Shop for
- (4) Taxes and other Governmental fees
- (5) Pre-Paid items
- (6) Earnest Money application, and
- (7) All other matters

Each item listed under these sections will be displayed alphabetically. Separate columns will show charges for Buyers, Sellers, and others that will delineate payments made and also due at closing.

The Borrower-Buyer will likely receive more than one CD. Some revisions are permitted to be made before, at, or even after closing (i.e., last minute Buyer-Seller negotiations, recording fees, non-numerical clerical errors). Sellers will receive a “state” Settlement Statement.



A “Do Over” Required!

If the CD contains terms or condition that significantly differ from the Loan Estimate previously issued by the Lender (e.g., APR increases by more than 1/8%, adjustable loan not fixed, prepayment penalty clause added) , a new Loan Estimate and a new CD must be delivered and (re)received before the loan consummation and settlement can occur. That could result in up to a ten day delay from the initial, estimated closing date, and the Lender will solely determine if a “Do Over” shall apply.

What types of transactions will require the new CD and the new Integrated Closing Process?

- Purchase
- Refinance
- Most vacant land
- Construction loans
- Timeshares

Not – Reverse mortgages, HELOCs, Mobile Homes, Private Lenders (seller-carry) who do less than five loans per calendar year.