

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 in Colorado.

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

For More Information, visit:
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What BUYERS AND SELLERS

Need to KNOW

About the New Loan Estimate

& Integrated Closing Disclosure

What Buyers and Sellers Need to Know

About the New Loan Estimate & Integrated Closing Disclosure



Why is this happening?

The CFPB has mandated that buyers/borrowers must now be given at least three business days (upon their receipt of the Closing Disclosure) to review the new form before the buyer/borrower can enter contractual obligation with lender for the real estate transaction (now known as consummation).

Loan Estimate – When? What information does it contain?

When – 3 days after a lender takes a loan application. The Loan Estimate is designed to provide disclosures that will be helpful to buyers/borrowers in understanding the key features, costs, and risks of the mortgage loan for which they are applying, including the property to be taken as collateral, length/purpose/type/loan terms, origination costs, projected payments, estimated costs & cash to close. The loan estimate could also include items not listed here.



Closing Disclosure:
What it Contains
Must be received not just sent

The Closing Disclosure must be received 3 days prior to consummation so that the buyer/borrower has time in a non-pressure environment to review what they are signing up for. The Closing Disclosure contains the same information as the Loan Estimate but contains actual costs, not estimates.

The Loan Estimate must be handed to borrower or sent via mail within 3 days of lender taking the application. The Closing Disclosure must be “receipted” by borrower 3 days before consummation can take place. This may mean transactions could take longer if a loan is involved. And if the Loan Estimate and/or Closing Disclosure must be redone, closings could be pushed back 3-10 days to accommodate these timelines. This doesn’t mean the borrower has bad credit or won’t get the loan. It simply means the lender is required to comply with the new regulations.



Timeline
Transaction as a whole,
3 Day Closing Disclosure
Rule



Do over: When will it have to happen? When not?

Will: If APR increases by 1/8%, If there are changes to the type of loan (e.g. fixed to adjustable), If a prepayment penalty is added.

Won't: Non-numeric mistakes, Last minute buyer/seller negotiations, Clerical errors, Disclosed costs increasing by less than \$100, Governmental fee changes (recording fees, etc.)

*Redisclosure is ultimately lender driven

