Know before you close.

# Five Things **Escrow Officers** Need to Know Before October 2015

Important things to know and how they change transactions you work on every day.

## Five things to know:

1. What transaction types are affected?
2. What transaction types are exempt?
3. What new forms will be used in transactions?
4. Closing vs. Consummation
5. How can I find out more and be prepared?

Starting October 3, 2015, the new CFPB Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth-In-Lending Act (Regulation Z) will be used for residential real estate transactions. In anticipation of the monumental changes the new rule requires, here are five things you need to know before you close your first transactions:

### 1 What transactions types are affected?

The new rules and the new forms apply to all closed-end consumer credit transactions secured by real property, other than reverse mortgages, which include the following types of loans:

- Purchase money
- Refinance
- 25 acre
- Vacant-land
- Construction-only
- Timeshare

### 2 What transaction types are exempt?

Consumer loans exempted from the new rules and the new forms are as follows:

- Reverse Mortgages
- Home Equity Lines of Credit (HELOCs)
- Chattel-Dwelling/Mobile Home Only Loans
- Creditors who originate less than 5 loans in a calendar year

The portions of TILA and RESPA governing Reverse Mortgages are not being replaced or deleted. Creditors will be required to issue a TILA disclosure and Good Faith Estimate (GFE) on these types of loans. Settlement agents will be required to use a 2010 HUD-1 settlement statement to close these types of loans. Loans in progress (applications submitted prior to October 3, 2015) are not subject to the new rules or the new forms.

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## 3 What new forms will be used in transactions?

The Dodd-Frank Act provided for the creation of the Consumer Financial Protection Agency, which in turn created a bureau, referred to now as the CFPB. The Dodd-Frank Act required the bureau to integrate the mortgage loan disclosures under TILA and RESPA. The rules replace the Good Faith Estimate (GFE) and early TILA with the new Loan Estimate and the final TILA and HUD-1 Settlement Statement with the Closing Disclosure.

## 4 What is Closing vs. Consummation?

The rules introduce a new term into real estate transactions. The term is "consummation" and is defined in the rule as the day the borrower becomes legally obligated under the loan. This will generally be the date of signing.

Consummation may be different than the closing date as defined in the purchase and sale agreement where the buyer becomes contractually obligated to a seller on a real estate transaction. In most cases these two dates are not the same and clearly have very different meanings.

The reason it is important to understand the difference between the date of consummation and the closing date is because the Closing Disclosure must be delivered at least three business days prior to the consummation of the transaction. If the Closing Disclosure is hand delivered a Waiting Period commences. If the Closing Disclosure is delivered by mail, courier or fax, a Delivery Period of three business days precedes the Waiting Period.

## 5 How can I find out more and be prepared?

With the forms, dates, rules, and laws taking effect this year it can seem like a lot to take in and remember. The good news is that we have done our homework and we are here to guide you through. If you have questions, concerns, or need more information about what else you can do to be ready for the changes coming - just ask. We are your CFPB readiness partner every step of the way.