



What to Know Before You Owe



BERKSHIRE HATHAWAY
HomeServices
Homesale Realty

New Lending Regulations

What You Need to Know

The government, through the Consumer Financial Protection Bureau (CFPB), has created new lending regulations to protect you as you obtain a mortgage from a creditor (mortgage lender).

These regulations will apply to mortgage applications signed on or after October 3, 2015.

The regulations establish protocols on creditor communication, information the creditor is required to disclose, and when the information must be disclosed.

We are here to help you understand these regulations and to avoid any delays in your home purchase.

Brief Highlights of the New Regulations

A **Loan Estimate** will be prepared by the creditor (mortgage lender).

The **Loan Estimate** will contain the loan amount and loan terms, including interest rate, monthly payment, percentage of payments attributed to interest, closing costs, cash needed to close, late-payment information and other financial details.

The **Loan Estimate** must be delivered or placed in the mail to you no later than the third business day after the creditor receives your application for a mortgage loan.

A **Closing Disclosure** must be delivered to you a minimum of three business days before consummation of your loan (the act of signing the final paperwork for the loan). The **Closing Disclosure** restates and updates the loan terms, closing costs and cash needed at closing.

What Can Cause a Delay in Settlement?

Under these new regulations, there are three events that will trigger a new **Closing Disclosure**. If any of these events occur after the initial **Closing Disclosure** is issued, a delay in consummation of at least three business days should be expected.

1. The addition of a pre-payment penalty OR
2. The changing of the loan product, such as moving from a conventional mortgage to FHA, or from a fixed rate to a variable rate OR
3. If the APR goes up by more than 1/8% on a fixed-rate loan or 1/4% on a variable-rate loan (under certain conditions).

The purpose of this new **Closing Disclosure** is so that you receive clear and complete information about your loan prior to closing.

Why is This Important?

When obtaining a mortgage, these new regulations insure that you receive clear and complete information about your loan.

If you do not receive the **Closing Disclosure** at least three business days prior to consummation, then consummation will be delayed.

Using real estate, mortgage, and settlement service providers who are knowledgeable about the new regulations could help prevent a delay in your real estate closing.

Mortgage Loan Process

Consumer starts working with a Realtor®

Realtor® recommends mortgage pre-qualification

At the pre-qualification, consumer and creditor (mortgage lender) discuss mortgage terms

Home is found and contract is accepted

Mortgage application is completed and signed

Creditor prepares the **Loan Estimate** and provides it to the consumer within three business days of the mortgage application

Satisfactory inspections and appraisal of property

Loan is approved by creditor

Approval may contain conditions that must be satisfied on or before closing

At least three business days prior to closing, **Closing Disclosure** is delivered to the buyer

Final walk-through of property

Loan Consummation and real estate closing*

**Loan consummation may be delayed if a new Closing Disclosure is required.*