



# Change Happens! RESPA, TIL, etc.

---

Florida CUREN Seminar

All Slides Available at  
[www.trimmier.com](http://www.trimmier.com)



*Edward S. Reisinger*

---

**TRIMMIER L.L.C**

2737 Highland Ave

Birmingham, Alabama 35201

Phone: (800) 666-3151 or

Cell: (205) 401-4187

Fax: (205) 322-6444

E-mail: [ed@trimmier.com](mailto:ed@trimmier.com)



# My Disclaimer

---

1. It is not my intention to represent any of you, unless I already do and in that case you can hold me to it.
2. I make no warranty, expressed or implied, about the accuracy or reliability of the information in this presentation. You should not act or rely on any information without seeking the advice of an attorney that represents your institution.



## My Goals

---

- Review Recently Effective Regulations
- Assess Dodd-Frank Act
- Inform You of Upcoming Regulations
- Discuss Proposed Regulations
- No, there is not a “Silver Lining” to these new regulatory requirements, unless you enjoy model forms



# Recently Effective Regulation

---

- Notification of Transfer or Sale of Mortgage Loan
- Mortgage Disclosure Improvement Act



## Notification of Transfer or Sale of Mortgage Loan

---

- Purchaser or assignee of mortgage must provide disclosure within 30 days
- All consumer loans secured by borrower's principle residence



## Mortgage Disclosure Improvement Act

---

- Real Estate or dwelling secured closed end loans (even fixed rate and payment) are affected.
- Loans for vacant land, loans for alternative dwellings (e.g. mobile home on rented land or a dwelling vessel loan) require this new, more complicated disclosure





# Sample Simple TIL

## TRUTH IN LENDING DISCLOSURE

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	TOTAL SALE PRICE
The cost of your credit as a yearly rate you credit will cost you	The dollar amount your to you on your behalf	The amount of credit provided after you have made	The amount you will have purchase on credit, all payments as scheduled.	The total cost of including your down payment
_____ %	\$ _____	\$ _____	\$ _____	\$ _____

**REQUIRED DEPOSIT:** The Annual Percentage Rate does not take into account your required deposit, if there is one.

INTEREST RATE AND PAYMENT SUMMARY	RATE & MONTHLY PAYMENT
Interest Rate	_____ %
Principal + Interest and Payment	\$ _____
Est. Taxes + Insurance (Escrow)	\$ _____
▪ (includes Private Mortgage Insurance)	\$ _____
Total Est. Monthly Payment	

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS.

### SECURITY

You are giving a security interest in the following:

- your shares and deposits at the Credit Union
- the goods and property being purchased
- collateral securing other loans with the Credit Union will also secure this loan.
- your dwelling located at \_\_\_\_\_
- other (describe) \_\_\_\_\_

### LATE CHARGE

The Note and Mortgage may contain additional information about nonpayment, default, and any required payment. You acknowledge that you have received and read this disclosure.

\_\_\_\_\_  
BORROWER 1

\_\_\_\_\_  
BORROWER 2



# Dodd-Frank Act

---

- Who is covered?
  - Financial Institutions
  - Payday Lenders
  - Private Education Loans
  - Institution engaging in conduct that poses risks to consumers
  - Institution that offers or provides origination, brokerage or servicing for consumer real estate loans, modification, or foreclosure relief
- Bureau of Consumer Financial Protection
- Financial Stability Oversight Council
- Office of Financial Research



# Dodd-Frank Act

---

- Imposes New Disclosures on Credit Union
- State Law Preempted?
- Penalties for TIL violations
- HMDA Changes
- RESPA Changes



# Title XIV – Dodd Frank Act

---

- Origination and Servicing Requirement
- Mortgage Originator Prohibited from:
  - Mischaracterizing credit history
  - Mischaracterizing appraised value
  - Steering to a mortgage borrower that lacks the ability to pay
- Must make reasonable good faith determination based upon verified ability to repay loan, taxes, and insurance



# Title XIV – Dodd Frank Act

---

- ARM Loans
- Qualified Mortgage
  - Loan payments do allow deferral of principal
  - No balloon payment twice size of earlier payment
  - Verification of income and resources
  - Fully Amortize
- Prepayment Penalties



# Title XIV – Dodd Frank Act

---

- Home Ownership and Equity Protection Act (HOEPA)
  - Will now apply to any and all open-end credit
  - Tie to APOR instead of US Treasuries
  - Manufactured Homes – 8.5% if less than 50k
- Additional Disclosures
  - Disclosure for non-escrowed loans
  - New monthly statement disclosures
  - 6 month notice of adjustable rate reset



## Soon to be Effective Regulations

---

- Jumbo Higher Priced Mortgages- April 1
- Loan Originator Compensation- April 1
- Appraisal Guidelines- April 1
- SAFE Act - registration



# Jumbo Higher Priced Mortgages

---

- Higher Priced Mortgage – Average Prime Offer Rate exceeded by 1.5%
  - 2<sup>nd</sup> lien 3.5%
- Jumbo Loan currently \$417,000
  - Average Prime Offer Rate exceeded by 2.5%





# Loan Originator Compensation

---

- Prohibits loan originators from receiving compensation based upon terms and conditions of a loan secured by a dwelling
- Prohibits steering members to a loan based upon loan originator compensation
- Safe Harbor



# Who is a Loan Originator

---

- “who for compensation or other monetary gain... arranges, negotiates, or otherwise obtains an extension of consumer credit for another person”
- Creditor is excluded from the definition of loan originator when they do not use table funding
- Loan Originator’s compensation may not decrease based upon loan terms, the creditor would bear any reduction in income



## Safe Harbor

---

- If member is presented with loan options that provide:
  - The lowest interest rate
  - No risky features, i.e.. Prepayment penalty, negative amortization, or balloon payment
  - The lowest total dollar amount for origination points or fees and points
- Compensation may be based on the amount of credit extended



# Appraisal Guidelines

---

- Real Estate Appraisal/Evaluation Policy
- Minimum Appraisal Standards
  - Conform to Uniform Standards of Professional Appraisal Practice
  - In Writing with Analysis
  - Based Upon Market Value
  - Certified and Licensed Appraiser
- Independence for the Appraiser
- “Valuation Management Functions”-  
Employee



# Appraisals Guidelines

---

- Previous 3<sup>rd</sup> Party Appraisal Used
- If you are using a previous appraisal list the appraisal cost as \$0.00 in the GFE
- Evaluation instead of Appraisal
- Automated Valuation Model Acceptable
- Depth of AVM Review should be based upon risk analysis



## SAFE Act

---

- Policies and Procedures – Oct 2010
- Registration Opened – January 2011
- A mortgage loan originator is a person who both:
  - Takes a residential mortgage loan application; *and*
  - Offers or negotiates terms of a residential mortgage loan for compensation or gain.



# SAFE Act

---

Who are not mortgage loan originators:

- Loan officers that make underwriting decisions about a loan *but do not directly communicate with the member about the loan*;
- Members of the Board of Directors that review “exception” loans *because they neither take applications directly from members nor receive compensation*;
- Member service representatives that merely gather application information and forward it to a loan officer, *so long as they are no longer involved in the loan process after that time*;
- Member service representatives that merely discuss qualifications for mortgage loans in general, loan policies and explanations of underwriting terminology (such as “debt-to-income”);
- Member service representatives that quote the mortgage rates and general information about mortgages available from the Credit Union, including general qualification requirements, *but do not discuss any individual member’s qualifications for a particular type of mortgage*;
- Member service representatives that, *without providing any details about the loan offer*, tell members that the Credit Union is sending them a loan offer; and
- Member service representatives that discuss or schedule closing arrangements.



# How to Register

---

- Each Originator must complete and submit (upload) an *Originator form* (form MU4R). Once in the system, each Originator must obtain a background check and schedule an appointment to have fingerprints taken. This can be done through the “view individual accounts” option on the registration system website. The system has approved Livescan, which has “700 locations across the nation,” to process its fingerprinting. If there is no Livescan location nearby, your local police department may be used; however, the printing must be completed on Fieldprint forms and mailed to Fieldprint for scanning and submission.[\[1\]](#)
- Once an Originator successfully completes registration, the Credit Union’s Account Administrators will be notified. Account Administrators must first view the Originator’s criminal background check results. Thereafter, the Credit Union can register the Originator to its account.
- Each Originator will then receive an email when he or she has been properly registered with the Credit Union.





# Proposed Rules

---

- 2009 and 2010 Truth In Lending
- Mortgage Servicing Guidelines - Foreclosure



# 2009 and 2010 Proposed Changes to Home Mortgage Transactions

---

- Intent to strengthen the informed use of credit by members.
- Reduce Compliance Burden and Litigation Risk
- Model Forms
- Recession, Credit Life, Reverse Mortgage Sample Forms

# Rescission Form

## H-8(A) Rescission Model Form (General)

### Your Right to Cancel This Loan

<b>You Could Lose Your Home</b>	<b>You are giving us the right to take your home if you do not repay the money you owe under this loan.</b>
<b>Your Right to Cancel</b>	<b>You have the right under federal law to cancel this loan on or before the date stated below. Under federal law, we cannot make any funds available to you until after this date.</b>
<b>If You Cancel</b>	If you cancel, we will: <ul style="list-style-type: none"><li>• Not charge you a cancellation fee; and</li><li>• Refund to you any fees you paid to get this loan.</li></ul>
<b>How to Cancel</b>	To cancel, you may submit the bottom portion of this notice to _____ at _____ [or _____ or _____].
<b>Deadline to Cancel</b>	<b>If you want to cancel this loan, you must submit the bottom portion of this notice on or before _____, _____.*</b> <small>*In certain circumstances, your right to cancel this loan may extend beyond this date. In that case, you must submit the bottom portion of this notice to either the current owner of your loan or the person to whom you send payments.</small>

[If two or more people have the right to cancel this loan, cancellation by one person is effective for all of them.]

[Initial here \_\_\_\_\_ to acknowledge receipt of this notice on \_\_\_\_\_.]

[ (initials) (date)]

cut here → -----

**I AM CANCELLING THIS LOAN.**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Property Address

[12345678 \_\_\_\_\_]

[Loan Number]



# Credit Life

---

## G-16(B) Credit Life Insurance Sample

### OPTIONAL COSTS

#### Option to Purchase Credit Life Insurance

**STOP.** You do **not** have to buy Credit Life Insurance to get this line of credit. Go to [www.frb.gov/creditprotectionproducts](http://www.frb.gov/creditprotectionproducts) to learn more about this product.

<b>Do I need this product?</b>	If you already have enough insurance or savings to pay off this line of credit if you die, you may not need this product. Other types of insurance can give you similar benefits and are often less expensive.
<b>How much does it cost?</b>	This product will cost up to <b>\$63 per month</b> if you borrow the entire credit limit. The cost depends on your balance and interest rate.
<b>What is the maximum benefit amount?</b>	This product only covers the first \$50,000 of the outstanding line of credit. You will be responsible for any balance due above \$50,000.
<b>Can I receive benefits?</b>	<b><u>You may not receive any benefits even if you buy this product.</u></b> You meet the age eligibility requirements, but there are other requirements that you must meet. If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly premium.
<b>How long does the coverage last?</b>	This product provides coverage for the first 10 years of your line of credit or until you reach age 70, whichever comes first.

Yes, I want to purchase optional Credit Life Insurance at a cost of up to \$63 per month.

\_\_\_\_\_  
Signature



# Reverse Mortgage Form

## REVERSE MORTGAGE LOAN SUMMARY

[Name of Creditor]  
[Loan Originator's Unique Identifier]

[Date]

### Borrower & Property Information

Borrowers' Names & Ages	[Loan Applicants' Name and Ages]
Property Address	[Loan Applicants' Address]
Appraised Value	[Disclosure of value of property]

### About this Loan

- [Statement that the consumer has applied for a reverse mortgage that does not have to be repaid for as long as the consumer lives in the home]
- [Statement about the types of payments the consumer may receive]
- [Statement about consumers' obligations] [Cross reference to risks section]
- [Statement that the borrower will continue to receive monthly payments and have access to loan funds as long as the borrower remains in the home even if the loan balance eventually exceeds the value of the home]
- [Statement that the loan must be repaid]

### Payment of Loan Funds

[You have chosen to receive your funds as follows:] [You (may/will) receive your funds as follows:]

Initial Advance	[Disclosure of initial advance]
Monthly Advance	[Disclosure of monthly advance]
Line of Credit	[Disclosure of line of credit]

[Statement that consumers may change the type of payments they receive]

### Annual Percentage Rate

Annual Percentage Rate (APR)	[APR(s) applicable to the reverse mortgage, including introductory APR information] [For variable APRs, the following (1) description that the APR varies, (2) how the APR is determined, (3) the frequency of changes in the APR,
------------------------------	--



## Mortgage Servicing Guidelines - Foreclosure

---

- A single employee shall be designated the point person for all contact concerning a file
- Servicer must accept non-conforming payment if within \$50.00 of amount owed
- All collections efforts should stop if there is a pending permanent loan modification application



# Mortgage Modifications

---

- Modification over what time period
- Do you:
- Extend the term of the loan
  - Increase the Total amount financed
  - Record the Modification
- TDR



# Modification Examples

---

- 36 Months, amortization, interest rate
- 12 Months, lower interest rate
- 6 Months, interest only
- 60 Months, appraisal each 12 months
- Forbearance





# Checklists

---

Pilots, Surgeons, and the Drivers License Office Use Them, Do You?



### Closing Package Checklist

BORROWER NAME \_\_\_\_\_ WHEDA LOAN # \_\_\_\_\_  
 CONTACT PERSON \_\_\_\_\_ PHONE # \_\_\_\_\_  
 LENDER NAME \_\_\_\_\_ LENDER'S LOAN # \_\_\_\_\_  
 EMAIL ADDRESS \_\_\_\_\_

Please assemble the closing package in the following order and submit within 15 calendar days of closing.

- \_\_\_\_\_ 1. Closing Package Checklist (Form 12)
- \_\_\_\_\_ 2. Original Note properly endorsed "Pay to the order of WHEDA without recourse" (FNMA/FHLMC Form 3020);
  - Insert office name and title, Lending Institution and signature
- \_\_\_\_\_ 3. Original recorded Mortgage (FNMA/FHLMC Form 3055);
  - File all recorded Addenda and FNMA/FHLMC Riders
  - Recorded WHEDA Mortgage Rider (Form 21 (Rev. 2/10))
- \_\_\_\_\_ 4. Original recorded Assignment of Mortgage
- \_\_\_\_\_ 5. Long or Short Form Mortgagee's Final Title Insurance Policy.
- \_\_\_\_\_ 6. HUD 1 Settlement Statement signed by the borrower and seller
- \_\_\_\_\_ 7. Fins. Good Faith Estimate and Truth-In-Lending signed by each borrower
- \_\_\_\_\_ 8. Certificate of Hazard Insurance, Flood Insurance (if applicable), & paid receipt of 1<sup>st</sup> year's annual premium:
  - Mortgage clause should read "WHEDA, its successors and/or assigns"
  - PO Box 1726, Madison, WI 53701
  - Notify insurance agent of the WHEDA loan # and that this is an escrow account
- \_\_\_\_\_ 9. Prepaid escrow check made payable to WHEDA
- \_\_\_\_\_ 10. Copy of Initial Escrow Account Disclosure Statement (if month escrow option is required)
- \_\_\_\_\_ 11. W-9 Form provide a separate signed form for each borrower
- \_\_\_\_\_ 12. Complete a separate IRS Form 4506-T (rev. 1-2012) for each borrower, dated and signed at closing
- \_\_\_\_\_ 13. Life of Loan Flood Determination Certificate and evidence of transfer to WHEDA
- \_\_\_\_\_ 14. Executed Repair Escrow Agreement, if applicable
- \_\_\_\_\_ 15. Signed Lender's Warranty (Form 12)
- \_\_\_\_\_ 16. Fins. FHLMC/FNMA Uniform Residential Loan Application signed by all borrowers
- \_\_\_\_\_ 17. Copy of the PMI servicing transfer notice indicating WHEDA as the servicer, if applicable
- \_\_\_\_\_ 18. Notice of Servicing Transfer

If items 3, 4, 20 and 21 are not available, submit copies.

If Borrower is participating in the Easy Close program please submit the following:

- \_\_\_\_\_ 19. Original Note properly endorsed "Pay to the order of WHEDA without recourse"
- \_\_\_\_\_ 20. Original recorded Mortgage
- \_\_\_\_\_ 21. Original recorded Assignment of Mortgage
- \_\_\_\_\_ 22. Copy of Truth In Lending Disclosure
- \_\_\_\_\_ 23. Copy of HUD 1 Settlement Statement

Send to:





## Great Resources

---

- RESPA Questions and Answers
- RESPA Roundup
- Official Commentary to Regulations
- Credit Union's Closing Attorney
- Trimmier Law Firm



# **Any Questions?**

---



All Slides Available at  
[www.trimmier.com](http://www.trimmier.com)

---

**Edward S. Reisinger**

**TRIMMIER L.L.C**

2737 Highland Ave

Birmingham, Alabama 35201

Phone: (800) 666-3151 or

Cell: (205) 401-4187

E-mail: [ed@trimmier.com](mailto:ed@trimmier.com)