

Overview of Changes to RESPA/TILA Disclosures

On November 20, 2013, the Consumer Financial Protection Bureau (CFPB) issued its final rule to integrate the Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA) disclosures and regulations. The final rule integrates existing disclosures with new requirements from the Dodd-Frank Act to improve consumer understanding of the mortgage process, aid in comparison shopping, and help to prevent surprises at the closing table. The new rule and changes go into effect on October 1, 2015.

HIGHLIGHTS OF NEW RULE

New Loan Estimate Document Created

- Replaces the Good Faith Estimate (GFE) and initial Truth-in-Lending (initial TIL) disclosure.
- The new form provides clearer information so that consumers understand the loan terms and estimates of loan and closing costs and to facilitate comparison shopping.
- The Loan Estimate must be provided to consumers within three business days after submission of loan application.

New Closing Disclosure Document Created

- Replaces and combines the HUD-1 and final Truth-in-Lending disclosures (final TIL and, together with the initial TIL, the Truth-in-Lending forms).
- The new form provides clear details about loan charges and features so that consumers can better understand the costs of the transaction.
- The Closing Disclosure must be received by consumers three business days before consummation of loan.

Timing of Disclosures

- The Loan Estimate must be given to consumers within three business days of applying for the loan.
- The Closing Disclosure must be received by the consumer three business days before consummation.
- Consumers may modify or waive the waiting period of the Closing Disclosure if they have a “bona fide financial emergency”. Consumers should work directly with their mortgage lender or creditor to determine if they are eligible for this limited waiver.

Types of Loans Covered

- Applies to most closed-end consumer mortgage loans.
- The rule does not apply to:
 - Home equity lines of credit (HELOCs)
 - Reverse mortgages
 - Mortgages secured by mobile homes or by dwellings not attached to a property
 - Creditors that make five or fewer mortgage loans in one year.

Effective Date

- Beginning October 1, 2015, lenders will be required to use the new documents for any loan applications received.

More Information

Visit www.realtor.org to learn more about the upcoming changes and to view webinars, videos and articles.