

A **CONSUMERS** Guide to Buying

or Selling After October 3rd

Buying or Selling a Home After October 3rd?

NATIONWIDE the mortgage lending industry (creditors) will face a big change beginning October 3rd of this year. Here are the 3 W's (who, what, why) and some other tips that will help you navigate the changes to come.

▶ **WHO IS MAKING THESE CHANGES?**

Previously, the mortgage industry was regulated by multiple federal agencies. After the Dodd Frank Act of 2010, oversight was combined into one powerhouse agency, the Consumer Financial Protection Bureau (CFPB).

▶ **WHAT DOES THE CFPB DO?**

The CFPB is a 21st century agency that helps consumer finance markets by making rules more effective, enforcing those rules, and empowering consumers to take more control over their economic lives. It has the ability to assess fines for lending institutions from \$5,000 to \$1,000,000 per day, per violation.

▶ **WHY AND HOW WILL THIS AFFECT ME?**

Any mortgage loan application submitted after October 3, 2015, will be required to use new integrated documents and follow new regulations set out by the CFPB. The new regulations could create a longer contract close timeline. Check with each individual lender to see how the regulations will affect your closing timeline.

Your **NEW** Documents

This new law requires the CFPB to combine the Truth in Lending and RESPA disclosures. The new forms were created to help with consumer comprehension of the mortgage process and to promote comparison shopping of lenders. If you have a cash, commercial, home equity line of credit or mobile home transaction the new forms will not apply.

The Good Faith Estimate and Truth in Lending disclosure will be integrated into one document, the **LOAN ESTIMATE**.

The HUD1 and Truth in Lending disclosure will be integrated into one document called the **CLOSING DISCLOSURE**.

Under the CFPB's goal of protecting personal information, buyers and sellers will each have a separate Closing Disclosure. We will utilize the American Land Title Association's Settlement Statement to disclose closing costs and other fees to each party.

Documentation Your Lender May Need for Loan Approval

INCOME VERIFICATION

- Most recent 30 days of pay stubs
- W-2s for most recent two years (1099s or K1s if self employed)
- Full tax returns, with all pages and schedules, for the last two years
- If you have a variable component to your pay such as commissions, overtime or bonus, the lender will need your authorization to complete a written verification of employment to be certain they are obtaining accurate averages

ASSET VERIFICATION

- All pages of the last two months of bank statements for checking, savings, non-retirement investment accounts, and retirement accounts
- If you have had unusual "large" deposits into your bank accounts over the last two months which cannot be traced to payroll, IRS refund, etc., please provide a copy of the check that was deposited and an explanation of the deposit

PROPERTY DOCUMENTATION

- If you own any residential properties, which will not be sold prior to the closing of the subject property, provide a copy of the mortgage statement, showing taxes and insurance as part of the monthly payment. If you waive escrows, provide a copy of the homeowner's insurance declarations pages
- If you own property free and clear, provide a copy of the homeowner's insurance declarations page
- Choose the homeowner's insurance agent you will use to insure the new home. Provide contact information to your lender



- Voluntarily provide documentation to your lender up front to help shorten closing timeline
- Respond promptly to your lender. The new regulations require the lender to note when certain documents are received by the consumer
- Check out the step-by-step guide, "Home Loan Toolkit" on the CFPB website: <http://1.usa.gov/1NEvbs0> - or contact us for more information

New Terms to Know:

The CFPB wants buyers and sellers to be able to use consistent terminology nationwide when buying and selling real estate.

Lenders will now be called **CREDITORS**

Borrowers will now be called **CONSUMERS**

Closing will now be called **CONSUMMATION**