

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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TILA'S NEW ESCROW RULE

Today the Consumer Finance Protection Bureau (CFPB) published its new Small Entity Compliance Guide for the TILA Escrow Rule. The CFPB is publishing these guides to provide an overview of their new rules to make the content more accessible to the mortgage lending industry. This Guide can be found at:

www.consumerfinance.gov

The Dodd-Frank Act requires creditors who make “higher-priced mortgage loans” to set up escrow accounts to help ensure that consumers have set aside funds to pay property taxes and premiums for homeowners insurance and other related insurance. The rule takes effect June 1 of this year.

Creditors must establish and maintain these escrow accounts for at least five years.

The rule allows an exemption for small creditors who operate predominantly in rural or underserved areas. These creditors must fulfill certain criteria;

- make more than half of their first lien mortgages in the underserved areas,
- possess assets of less than \$2 million,
- make 500 or fewer 1st lien mortgages during the preceding calendar year including those of any affiliates, and
- a lender cannot have opened any escrows for any mortgage loan it currently services.

Further, creditors who intend the mortgage to be held in portfolio need not establish escrow accounts, but must do so if the loan will be purchased by an investor.

The Rule also creates an exemption from the escrow requirement for insurance premiums for condominium units and in other circumstances where the borrower's property is covered by a master insurance policy.

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ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past

three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations.

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