

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

Main Office:  
2102 BUSINESS CENTER DRIVE  
SUITE 130  
IRVINE, CA 92612

Tel: 949.253.5755

Fax: 949.253.5756

**DAVID JEROME ALT**  
*Attorney at Law*

[David.j.alt@altandassociates.com](mailto:David.j.alt@altandassociates.com)  
[www.altandassociates.com](http://www.altandassociates.com)

**APRIL 19, 2013**

---

### **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](http://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 1<sup>st</sup> 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.

**The Lenders Update is published via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States.**

**Only those persons who have personally requested this newsletter are on our distribution list.**

**SHOULD YOU NOT WISH TO CONTINUE TO RECEIVE THIS SERVICE, PLEASE JUST SEND US AN EMAIL TO “OP-OUT” AT:**

**[special@altandassociates.com](mailto:special@altandassociates.com)**

**ALSO, SHOULD YOU HAVE COLLEAGUES WHO WISH TO BE ADDED TO THIS COMPLIMENTARY SERVICE, PLEASE HAVE THEM E-MAIL US AT:**

**[Special@altandassociates.com](mailto:Special@altandassociates.com)**

**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.**

**If you have any questions please contact:**

**David J. Alt, Esq.**

**[David.j.alt@altandassociates.com](mailto:David.j.alt@altandassociates.com)**

**You may view previous issues on our website at:**

**[www.altandassociates.com](http://www.altandassociates.com)**

*Who's Who in American Law*

*Martindale Hubble Pre-Eminent Attorney*