LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

David Jerome Alt
Attorney at Law
David.j.alt@altandassociates.com
www.altandassociates.com

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

April 26, 2018

USING A CLOSING DISCLOSURE TO RESET TOLERANCES (2018TILARESPA RULE)

Today the CFPB issued a rule effective 30 days after its publication in the Federal Register, amending Regulation Z clarifying when a creditor may use a Closing Disclosure to reset tolerances.

As we know TILA-RESPA requires creditors to provide consumers with a Loan Estimate that discloses good faith estimates of terms and costs. An estimated closing cost is disclosed in good faith if the charge paid does not exceed the amount originally disclosed on the Loan Estimate. That said, certain closing costs are disclosed in good faith if the charge is within a "tolerance" specified in the Rule.

When a changed circumstance occurs, or in some other limited circumstances, a creditor may use a revised estimate, instead of the original estimate. Using a new estimate is sometimes referred to by the CFPB as "resetting tolerances". When this occurs, the creditor must provide the revised estimate within three business days of receiving information sufficient to establish that the changed circumstance has occurred.

The new rule adopted by the Bureau reads according to its summary as follows:

> ***Currently, a creditor may only use a Closing Disclosure to reset tolerances if there are fewer than four business days between the time the creditor is required to provide the Closing Disclosure reflecting the revised estimate and consummation. The 2018 TILA-RESPA Rule removes this four business day limit on a creditor's ability to reset tolerances with a Closing Disclosure. Thus, if a changed circumstance or another triggering event has occurred, the 2018 TILA-RESPA Rule permits a creditor to reset tolerances with either an initial or corrected Closing Disclosure regardless of the number of days between consummation and the date the Closing Disclosure reflecting the revised estimate is required to be provided to the consumer. The creditor must provide the consumer with the Closing Disclosure reflecting the revised estimate at or before consummation and within three business days of receiving information sufficient to establish that the changed circumstance or other triggering event has occurred. Additionally, the consumer must still receive an initial Closing Disclosure at least three business days prior to consummation. A new three-day waiting period is only required for a corrected Closing Disclosure if the APR becomes inaccurate, a prepayment penalty is added, or the loan product changes from the loan product previously disclosed.***

ABOUT ALT & ASSOCIATES

Alt & Associates publishes the *Lenders Update* via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Over the past three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their business operations. Legal counsel provided to the mortgage industry includes, but is not limited to:

- **Regulatory assistance, both state and federal**
- **Compliance work**
- **Operational advice**
- **Transactional work Agreements such as Loan Officer**
- **Compensation Agreements etc.**
- **Various forms of employee, officer, and/or manager contracts**
- **Litigation representation**

You may direct any questions or comments directly to:
David J. Alt, Esq.
David.j.alt@altandassociates.com
Previous issues of *Lenders Update* are available on our website at:
www.altandassociates.com

SHOULD YOU HAVE COLLEAGUES WHO WISH TO BE ADDED TO THIS COMPLIMENTARY SERVICE, PLEASE HAVE THEM E-MAIL US AT:
special@altandassociates.com
ONLY THOSE PERSONS WHO HAVE PERSONALLY REQUESTED THIS NEWSLETTER ARE ON OUR DISTRIBUTION LIST.
TO UNSUBSCRIBE,
PLEASE SEND AN EMAIL MARKED "OP-OUT" TO:
special@altandassociates.com

Who's Who in American Law
Martindale Hubble Pre-Eminent Attorney