

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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DRE TRUST FUND GUIDE AND CFPB REGULATIONS

While I was out on my “medical exercise” several announcements were made that are of significant interest to mortgage lenders. We thought it would be a good idea to bring you up to date in the event that you may have missed some of them. The announcements come from both the prolific Consumer Finance Protection Board and the California Department of Real Estate.

California Department of Real Estate Trust Fund Guide.

This month the DRE issued a revised guide to trust funds. The guide can be found on the department’s website at www.dre.ca.gov.

The guide provides an almost 20 page summary concerning general information on trust funds, bank accounts, accounting records, the reconciliation of accounting records, documentation requirements and audit and examination. They also include examples of transactions involving the use of trust funds and record keeping. For anyone who maintains trust accounts under the California DRE license, these provide a fairly complete and precise “bible” that can be followed and relied upon.

Consumer Finance Protection Board and major issues addressed over the past 30 days.

The CFPB has issued proposed rules which will probably go into effect in January of next year concerning greater accountability in the mortgage market for disclosures of fees etc. and also the provision of reports to borrowers. These were published on August 17 and August 15 respectively and can be found on the CFPB site.

The CFPB news release provides a summary of the rules on accountability in Mortgage Marketing. The actual 369 pages of the proposed rule is attached to the release. CFPB requires lenders to make a no point, no fee loan option available, require an interest rate reduction when consumers elect to pay up front points and fees, and provide new guidance for qualification and screening standards, additional steering restrictions, restrictions on arbitration clauses and financing of credit insurance and other impact issues.

Proposed rules are often delayed in implementation and can change significantly between the proposal and adoption. However it is likely that these rules, absent election effects, will be implemented in close to the form presented.

The CFPB has also released a proposed rule that would require mortgage lenders to provide applicants with copies of written appraisals and other home loan value estimates. This information would have to be delivered prior to closing. Again the summary of the proposed rule and the rule itself can be found attached to the press release on the CFPB site.

We hope you have had a good summer. It appears that the fall will be a busy one amidst the elections and a myriad of new regulations.

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

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