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## Copilot Compliance Changes Update

This newsletter is being sent out to inform our customers of the steps we are taking to ensure compliance with the upcoming loan regulation changes. We have been monitoring and researching the changes to implement the new requirements into Copilot. Updates will be sent to all customers prior to the effective dates of the changes.

### Mortgage Disclosure Improvement Act of 2008 (MDIA)

**Effective:** July 30, 2009

**Summary:** MDIA requires early, transaction-specific disclosures for mortgage loans secured by dwellings other than the consumer's principal dwelling and requires waiting periods between the time when disclosures are given and consummation of the mortgage transaction.

**Outline:**

- Early Truth in Lending disclosure on all consumer real estate loans, subject to Reg. Z and RESPA, secured by a consumer dwelling, previously primary residence only.
- Prohibits collection of fees before the consumer receives the disclosures, other than a fee for obtaining a consumer's credit report.
- Disclosures must be delivered within three business days of receipt of application and seven business days prior to closing. Business days are defined as any calendar day except Sunday and federal holidays.
- Early Truth in Lending disclosure must contain the following statement: "You are not required to complete this agreement merely because you have received these disclosures or signed a loan application."
- The seven day waiting period can only be waived in case of a bona fide personal financial emergency, such as foreclosure. All borrowers must sign a written waiver describing the emergency, no preprinted waivers allowed.

**CoPilot 6.0 Changes:**

- Early Truth in Lending disclosure will be generated on all consumer dwelling loans less than 25 acres and not business purpose.
- Update Early Truth in Lending disclosure [TL-EARLY] from Wolters Kluwer with required statement.
- Compliance on Loan Date compared to Disclosure Delivery Date to verify at least seven business days, can bypass if emergency. This will apply to applications received on or after July 30, 2009.

**CoPilot 5.5 Changes:**

- Early Truth in Lending disclosure will be generated on all consumer dwelling loans less than 25 acres and not business purpose.
- Update Early Truth in Lending disclosure [TL-EARLY] from Wolters Kluwer with required statement.

## Reg. Z Section 35 Higher-Priced Mortgage Loans

**Effective:** October 1, 2009

**Summary:** The closed-end mortgage provisions of Regulation Z, implementing the Truth in Lending and Home Ownership and Equity Protection Acts, have been amended. The amended provisions now include consumer protection specific to "higher-priced mortgage loans," revised prepayment penalty provisions for high-cost (Regulation Z Section 32) mortgage loans, prohibitions relating to servicing, appraisers, advertising, and expanded early disclosure requirements.

**Outline:**

- New category of mortgage loans, "higher-priced mortgage loan" which is any consumer loan secured by a consumer's principal dwelling (purchase or non-purchase money). Exempt loans would be the initial construction of the dwelling, a temporary or bridge loan with a term of 12 months or less, a reverse mortgage loan, or a home equity line of credit.
- Rate Test: If the Annual Percentage Rate (APR) exceeds the "average prime offer rate" on prime loans (published by the Federal Reserve Board) by at least 1.5 percentage points for first-lien loans and 3.5 percentage points for subordinate-lien loans, the loan is considered a "higher-priced mortgage loan".

**CoPilot 6.0 Changes:**

- A new Copilot service "APOR Rate Services" will be added to download the latest Average Prime Offer Rate.
- The APR will be compared to the APOR to determine if loan is a higher-priced mortgage loan. A document will be generated for the loan file with the APR and APOR and the result of the determination. Additional information will be included with an outline of the consumer protections if the loan is a higher-priced mortgage loan.

**CoPilot 5.5 Changes:**

- These changes will not be supported in CoPilot 5.5.

**Research Links:**

Refer to [www.fdic.gov/news/news/financial/2008/fil08134a.html](http://www.fdic.gov/news/news/financial/2008/fil08134a.html) for the Financial Institution Letter regarding the 2008 Amendments to Regulation Z for all changes and requirements relating to changes effective October 1, 2009.

## RESPA Mortgage Reform Rule to Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs

**Effective:** January 1, 2010

**Summary:** The new Real Estate Procedure (RESPA) rule is intended to help consumers shop for the lowest cost mortgage and avoid costly and potentially harmful loan offers. The RESPA rule will require a new, standardized Good Faith Estimate (GFE), a revised HUD-1 Settlement Statement and a revised Settlement Cost Booklet.

**Outline:**

- The Standardized **Good Faith Estimate (GFE)** is easy-to-read and will clearly answer the key questions that the consumer may have when applying for a mortgage. The new Good Faith Estimate (GFE) is 3 pages in length, including an instructional page to help borrowers better understand their loan offer. In addition, the Good Faith Estimate (GFE) will consolidate closing costs into major categories to display total estimated settlement charges on the first page so the consumer can easily compare loan offers. Must be given to borrower within 3 business days of "application" and 7 business days prior to closing. If re-disclosure then 3 business days prior to closing.
- The **HUD-1/HUD-1A** Settlement Statements lines will include a reference to the relevant line from the Good Faith Estimate (GFE) with consistent terminology used in both. This will allow borrowers to easily compare their final loan terms and closing costs with those listed on their Good Faith Estimate (GFE).
- **Settlement Cost Booklet** has been revised and is to be provided at the time of application to inform the borrower of any fees involved.
- The only fee that can be collected prior to the Good Faith Estimate is the Credit Bureau Fee.

**CoPilot 6.0 Changes:**

- Implement new GFE, HUD, and Settlement Booklets for loans where application is received on or after January 1, 2010.

**CoPilot 5.5 Changes:**

- These changes will not be supported in CoPilot 5.5.

**Research Links:**

[http://www.hud.gov/offices/hsg/ramh/res/respa\\_hm.cfm](http://www.hud.gov/offices/hsg/ramh/res/respa_hm.cfm)