ANN ARBOR AREA BOARD OF REALTORS®

Revised TILA Disclosure Requirements

Effective July 30, 2009

Lenders will be subject to new disclosure requirements for mortgage loans under the Federal Reserve Board Truth in Lending Regulation (Reg Z). The new requirements apply to loan applications filed on or after July 30, 2009. The new rules are complex and compliance will be a challenge for lenders. REALTORS® will want to learn the basics so they can advise clients of potential delays and the new procedures. Here are key highlights of the changes:

- The new requirements apply to all mortgages secured by a borrower's home, including primary and second homes and refinancings. Investor loans continue to be exempt.
- Lenders must give good faith estimates of mortgage loan costs within 3 business days after the consumer applies for a loan (early disclosure). The lender may not collect any fees before the disclosure is provided, except for a reasonable fee for obtaining a credit report.
- The closing may not take place until expiration of a 7 day waiting period after the consumer receives the early disclosure.
- If the annual percentage rate (APR) increases by more than 0.125 percent, the lender must provide a corrected disclosure to the borrower and wait an additional 3 business days before closing the loan.
- The APR includes not only the interest rate on the loan but certain other costs related to settlement, so it will be important for any fees that affect the APR to be as accurate as possible, as early as possible, to minimize the need for a corrected TILA disclosure.
- The consumer may modify or waive both waiting periods for a documented personal financial emergency, but must receive the disclosures no later than the time of the modification or waiver.

Read the Federal Reserve Board Final Rule (Federal Register, may 19, 2009).

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