KEEPING UP-TO-DATE ON THE CHANGING RESIDENTIAL MORTGAGE FINANCING LANDSCAPE: A WEBINAR

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KEEPING UP-TO-DATE ON THE CHANGING RESIDENTIAL MORTGAGE FINANCING LANDSCAPE - A WEBINAR
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2. Questions may be submitted
   - Via Chat on the right hand side of your screen.
   - Questions will be answered periodically during the presentation

Note: Attendees with dial up connections will see a slower response.
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Keeping Up-to-Date on the Changing Residential Mortgage Financing Landscape

Presenters:
Carl E. Guzman, CPA, President, NMLS #65291

-and-

F. Bradford Batcha, Esq.
Davison, Eastman & Muñoz, P.A.
Carl is the President and founder of Greenback Capital Mortgage Corp., a Mortgage Broker/Banker in New York, New Jersey and Florida, celebrating over 2 decades of assisting borrowers with their financing needs. He is a CPA by training and a Licensed Real Estate Broker in New York and New Jersey specializing in complex mortgage solutions.

Known as a deal making mortgage expert, Carl has guided buyers throughout the buying process and has successfully closed hundreds of millions of dollars in mortgage loans. He has developed, authored, and conducted mortgage seminars throughout numerous universities and educational providers. Voted first place Mortgage banker in the 2013 JS readers choice awards. He has served as a board member of the New York Association of Mortgage Brokers, Chairman of the Association's Education Committee, treasurer for the Teaneck Economic Development Corporation, and as an arbitrator on large real estate cases for the American Arbitration Association.

Carl has appeared on TV and radio and is frequently published and quoted in various news media. Carl has the experience and understanding to assist borrowers in their pursuit of mortgage financing towards a successful real estate closing, and the empathy and ability to engage family members, and their legal and financial advisors in respect to their unique dynamic roles in the mortgage process. His advice has saved borrowers thousands!
F. Bradford Batcha, Esq.

Brad Batcha is a Real Estate partner at Davison, Eastman & Muñoz, P.A. where he focuses his practice on residential real estate matters, working primarily with individual clients buying and selling real property as well as corporate clients, including lenders, builders and relocation companies who engage in a variety of real estate transactions.

Brad has been involved in the real estate law practice since the 1984 when he became a title searcher. Since that time, he has had an opportunity to see the business from the viewpoint of a mortgage loan officer, a real estate agent and since 1994 as an attorney at law, having formed Batcha & Batcha until joining Davison Eastman & Munoz in 2015. Brad’s background in finance and as a mortgage loan officer have been invaluable in guiding clients through the often complicated real estate financing decisions they encounter in purchasing property.

In his professional career, Brad is an active Member of the Monmouth County Bar Association and is the Chair of the Real Estate and Land Development Committee. He is also active in the NJ State Bar Association and currently serves as the Assistant Secretary/Legislative Liaison of the Board of Consultants for the Real Property Trust and Estate Section. Brad is a frequent lecturer on Real Estate Law for the Monmouth County Bar Association, The NJ State Bar Association, and the New Jersey Institute for Continuing Legal Education.

Brad received his undergraduate degree in Finance from Lehigh University in 1991 and his J.D. from Villanova University School of Law in 1994. While at Villanova Brad was elected to the Villanova Law Review where he later served as an Associate Editor of Law Review Articles.
Goals of this webinar

- To address the practical implications and effect of TRID.
- Mortgage products currently available.
- Residential underwriting changes.
- Mortgage banker vs. mortgage broker – transparency.
- Practical deal observations to pay attention to
What is TRID

You will learn about:

• New Timing Requirements
• New Waiting Period
• Fee Tolerance Buckets
What is Trid

• Not getting into pre-Trid as of now its irrelevant. (Truth in Lending integrated disclosures)

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**Loan Application**
Six pieces of information, known as “Pencil”, constitute an Application:
P - Property address
E - Estimated property value
N - Applicant(s) name(s)
C - Social Security Number (for Credit report)
I – Applicant(s) Income
L - Loan Amount

**What’s Different?**
“Any other information” has been eliminated from the definition of an Application

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**Initial Disclosure Form**
Brokers are required to deliver a Loan Estimate (LE) within 3 general business days of receipt of these six pieces of information

**What’s Different?**
The Loan Estimate replaces the Good Faith Estimate and the Truth-in-Lending disclosure.

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**Cash to Close**
The Loan Estimate includes itemized and categorized settlement costs listed alphabetically, and provides an Estimated Cash to Close on Page 1 and Page 2.

**What’s Different?**
The Loan Estimate clearly states the estimated amount of cash the borrower needs for closing on the first and second page.
What is TRID

**Settlement Charges**
Settlement charges are itemized on the Loan Estimate, including all origination charges and title/closing charges.

**What’s Different?**
The origination and settlement charges are itemized as well as many other pieces of information that have been added to the Loan Estimate: including additional borrower disclosures and loan comparison calculations to assist the borrower as they shop for loans.

**Tolerances**
1) Appraisal fees are in the zero tolerance category
2) Fees paid to an unaffiliated third party that a borrower cannot shop for, fall under the 10% *accumulative* tolerance category. *Total fees* in this category cannot exceed the 10% accumulative tolerance without a valid Change of Circumstance.
What is TRID

Timing – Closing
Re-disclosure of the LE is not required for APR changes during the loan process. APR changes are disclosed with the Closing Disclosure that must be received by the borrower(s) at least three specific business days before closing.

What’s Different?
All transactions covered by TRID requires at least a three-day pre-closing waiting period—not just transactions where the APR increases outside the APR tolerance.

Closing Disclosure Preparation
The creditor/LDW is responsible for preparing, delivering and ensuring receipt of the Closing Disclosure at least three specific business days before closing.

What’s Different?
The creditor/LDW completes the Closing Disclosure, as they are responsible for it and all the TIL disclosures contained therein.

Closing Disclosure
The Closing Disclosure contains itemized settlement charges and five columns indicating who paid the charge and when paid.

What’s Different?
The HUD-1 has been eliminated along with the requirement of it being available only 1 day prior to closing. The Closing Disclosure must be received by the borrower(s) at least three specific business days before closing.
What is TRID

Upfront Monies

• No monies may be collected from a borrower, except for a reasonable credit report fee, until the borrower has received the initial LE and signed the Intent to Proceed.

• The Intent to Proceed must be dated on or after the date on the LE.

• Broker cannot collect post dated checks.

• Broker cannot collect credit information for an upfront cost other than the credit report.
What is Trid

Loan Estimate – Timing

• Once the Broker receives the six (6) pieces of information that constitutes an application under TRID (Property Address, Value, Name, SS#, Income, Loan Amount), the Broker is required to provide an initial Loan Estimate (LE) (which replaces the GFE and TIL) to the borrower: Within 3 general business days of application date
• At least 7 general business days prior to consummation/closing
• A revised/re-disclosed LE must be provided to the borrower no later than 3 general business days after receiving information sufficient to establish a valid change in circumstance
• The last revised LE must be provided to the borrower at least 1 general business day prior to the date the Closing Disclosure (CD) is issued.
• The last revised LE must be received by the borrower no later than 4 general business days prior to closing and must be provided at least 1 day prior to issuing the initial CD.
• Once the Closing Disclosure is issued, a Loan Estimate can no longer be re-disclosed/revised.
What is TRID

Timing Requirement Reminders

**Loan Estimate**
- **Initial** – Must be sent within 3 general business days of application date
- **Initial** – Must be received no later than 7 general business days prior to consummation/closing
- **LE Re-discard** – Must be sent no later than 3 general business days after valid change of circumstance
- **LE Re-discard** – Must be received no later than 4 general business days prior to consummation/closing
- **LE** cannot be provided on the same day or after the Closing Disclosure date

**Closing Disclosure**
- **Initial** – Must be received no later than 3 specific business days prior to consummation/closing
- **CD Revision** – Must be received no later than 3 specific business days prior to consummation/closing
- Regardless of the delivery method, consummation may occur any time on the 3rd business day following the borrower’s receipt of the last issued CD (if by mail, borrower is considered to have received the CD 3 specific business days after it is placed in the mail).
What is TRID

Business Day Definitions

**General Business Day:** A day on which the broker/creditor’s offices are open to the public for carrying out substantially all of its business functions. For TRID, this definition applies to the timeline for providing an LE after receiving an application or providing a revised LE after receiving information to establish a valid reason for re-disclosure.

**Specific Business Day:** All calendar days except Sundays and legal public holidays. For TRID, this definition applies to the three specific business day CD waiting period before consummation, and the seven specific business day waiting period before consummation after issuance of the initial LE.
What is TRID

Fees Buckets

Fees are categorized into three (3) Fee Tolerance Buckets:

**Unlimited Tolerance**: Fees that may increase limitlessly;

**0% Tolerance Bucket**: Fees that may not increase, without a valid change of circumstance; and

**10% Tolerance Bucket**: Fees that may not increase above 10% in the aggregate, without a valid change of circumstance.
What is TRID

Unlimited Tolerance
• Prepaid interest;
• Property Insurance Premiums;
• Amounts placed into an escrow, impound, reserve or similar accounts;
• Third party fees, not required by the creditor, even if paid to an affiliate, was NOT disclosed on the Service Providers List (SPL), and is not customary for the area. Examples include when a borrower requests a mobile notary;
• Third party fees for services the borrower was permitted to shop for and the borrower chose a provider NOT on the SPL, even if paid to an affiliate. Examples include when a borrower chooses a title provider after the initial Loan Estimate, that was NOT disclosed on the SPL.
What is TRID

**Zero Tolerance**
- Fees paid to the Broker, such as processing fees, etc.;
- Fees paid to an affiliate of the Broker, such as title fees for an affiliated title company disclosed on the SPL;
- Third party fees, the consumer cannot shop for, such as appraisal fees;
- Transfer taxes; and
- Fees not in the Zero tolerance bucket, yet are NOT disclosed in the SPL (service provider list) as fees the borrower can shop for.
What is TRID

10% Tolerance

10% Tolerance - 10% of the aggregate fee totals for that category:
Recording fees; and
Fees for 3rd party services, such as survey fees that: Are not paid to the Broker or banker
The borrower is allowed to shop for the service and the borrower chose a provider this is listed on the SPL.
What is TRID

Unlimited Tolerance - Fees can increase, if:
They were previously disclosed in good faith using all the information reasonably available.
Note: A revised Loan Estimate is not required at the time of the increase.

Zero Tolerance - Fees can increase, if:
A valid change of circumstance increases a fee;
The valid change of circumstance is recorded on a change of circumstance form;
A revised Loan Estimate is mailed or delivered within 3 General Business Days of the valid change of circumstance occurring; and
The revised Loan Estimate is delivered or mailed at least 1 day before the Closing Disclosure is delivered or mailed
Fees can move out of the 10% tolerance bucket and into the unlimited tolerance bucket when a borrower chooses a service provider that is not on the Service Providers List (SPL), even if the borrower chooses an affiliate of the Broker
What is TRID

• Fees can move out of the 10% tolerance bucket and into the unlimited tolerance bucket when a borrower chooses a service provider that is not on the Service Providers List (SPL), even if the borrower chooses an affiliate of the Broker

• Fees can move out of applicable buckets when the associated service is not performed or no longer required.

Change of Circumstance
• Valid Change of Circumstance
• Loan Estimate Expires: If the borrower does not provide a signed Intent to Proceed, the charges on the initial Loan Estimate expire 10 days after the Broker delivered the initial LE and therefore can be revised and re-disclosed.
• A borrower requested change, such as a change in loan amount, adding or removing a borrower;
• Lock event that increases rate dependent charges, such as discount points;
• New information particular to the borrower or transaction, that was not known when the initial LE was provided, such as receipt of an appraisal indicated a lower property value;
• An act of God, war, disaster or other emergency, such as a flood that impacts the property, requiring an inspection fee.
What is TRID

In-valid:
Information that is known or should have been reasonably known when the initial Loan Estimate was provided is not a valid change of circumstance, such as attorney fees in an area where closing attorneys are not required, but are customary.

• A mistake, technical error, miscalculation, underestimation, etc. is not a valid change of circumstance, such as not disclosing a transfer fee for a property that is located in a state that requires a transfer fee.
Mortgage Products & Underwriting

• Mortgage products currently available – Fannie, Freddie, High bal jumbo, super jumbo, fha, FHA 203k, FHA “back to work,” Fannie home style, VA (100% cash out), USDA, HARP and alternative products for self employed e.g.. Asset depletion, pledged asset, reverse.

• Stated is gone No doc is gone (asset depletion and bank statement programs exist)
Other changes

• How borrowers are qualified and To explore proactive action for borrowers especially self employed.

• Trended credit data- Today, you can see your applicants’ existing balances and determine whether they have paid their bills on time; however, you may not be able to tell if they are consistently carrying debt loads on revolving accounts, such as credit cards, or whether they pay their balances in full every month. Trended credit is a more expanded, granular view of credit information used for evaluating home loan applicants by supplementing the traditional moment-in-time snapshot of their credit balances with a more dynamic 2-year picture of their history of managing accounts. What this means for consumers

Based on an analysis* conducted by Fannie Mae, trended data in Desktop Underwriter’s credit risk assessment can provide more creditworthy borrowers access to mortgage credit. Giving weight to how borrowers pay off credit debt puts more power in their hands to control their credit evaluation. Borrowers can potentially improve their evaluation by the DU credit risk assessment each month by paying off credit card bills in full.

• Mortgage banker vs. mortgage broker – transparency.
Other changes

- Reverse mortgages – Financial ASSESMENT

- Contract not clear on mortgage contingencies – current pitfalls and delays due to qualifying self-employed borrowers. Important to go over income. No more no docs, stated products

Sellers concessions have to be structured with the help of a mortgage loan officer because the nature of how a mortgage is structured may effect sellers concessions.

General tips on structuring sellers concessions:

- Some parties negotiate a lower purchase price instead of a contribution towards closing costs. Do an analyses as to where you get a bigger bang for the buck eg lower purchase price vs. cash at closing

- Some parties increase the purchase price to cover closing costs paid by the seller at closing. Please make sure that a contract is not submitted with multiple cross outs of the initial purchase price and a higher purchase price. Start new and clean, and…. Make sure the appraised value has a chance of supporting the new higher purchase price.

- This may be hard, but always try and submit the final concession terms way in the beginning. If you wait until the end, you may postpone your closing because the final closing numbers may have to be adjusted and worse, appraised value may be affected. Know ahead of time the best way to structure and what you need to know to prevent delays on closings
Other changes

• Title issue go unresolved until 3 days before closing, foreclosures and short sales (order ahead of time)

• Perception of the past and credit issues and forgiveness
Divorce

1. Credit - Even though there may be anger and hurt and arguments, it will be important to stay on the same page and pay all bills on time, if at all possible. Fighting over who pays what may be a legitimate thing to discuss, but until there is a resolution, try as best as possible to maintain your current credit rating and scores by paying on time. Should you decide to purchase a home, this piece of advice will be a lifesaver.

2. Income - Many couples have dual income, and if the earnings are enough to qualify for a mortgage or pay the rent then you have some good options. If one spouse is not currently working, then it may pay to discuss the game plan after divorce e.g. Who will rent who will buy a new home and how can you both work together to accommodate each other especially if children are involved. It may be that Alimony and child support have to be tweaked or that one spouse co-signs, or one stays in the house and pays the existing mortgage. If one spouse is not working it is important to note what lenders are looking for in qualifying income. (Some important income guidelines: Alimony, child support, or maintenance income may be considered effective, if payments are likely to be received consistently for the first three years of the Mortgage · the borrower provides the required documentation, which includes a copy of The final divorce decree.....Recorded is required legal separation agreement, - Court order, or - voluntary payment agreement, and · the borrower can provide acceptable evidence that payments have been received during the last 12 months, such as - cancelled checks - deposit slips - tax returns, or - court records. Notes: · Periods less than 12 months may be acceptable, provided the lender can adequately document the payer’s ability and willingness to make timely Payments. Child support may be “grossed-up” under the same provisions as nontaxable

3. Assets – liquidity is important (not a shocker). You will need money for a down payment to buy a new home and reserves. It’s a bit easier to divide pure liquid assets such as savings and checking accounts and stocks and bonds. When it comes to selling a home you have to consider the current real estate market and the need for cash at the same time. If there is an urgent need to separate and move on, you may be forced to sell and take less than you can get if you were able to wait. It may be more prudent to discuss taking an equity line before listing your home so that you have access to cash without having to force a sale at a below market price.
Foreign Nationals

• In general, obtaining a loan for a foreign national “FN,” Non-Permanent Resident Alien “NPRA,” or Permanent Resident Alien “PRA” is not much different than doing a loan for a U.S. citizen in that financial documentation for Income, credit, and assets is still required. Underwriting may be slightly different.

• The classifications are as follows:

  • **FN**: The borrower has no Green Card and no **VISA or has income from foreign sources.**
  
  • **NPRA**: The borrower lives and works in the U.S. and is here on a **VISA (of which there are many different types and must be unexpired and valid for at least 6 months). Does not have a green card. Must have U.S. Employment contract and social security card.**
  
  • **PRA**: The borrower lives and works in the U.S. and has a Green Card. Usually must have 2 years US income/tax returns.
Co-ops and Condos

- From a mortgage perspective a condo, co-op and a home require an appraisal, but a condo and co-op building in and of itself must be approved for financing by the lender, and is subject to specific guidelines. Owners both pay real estate taxes, but a condo owner pays monthly maintenance as does a co-op owner (may be referred to as dues).
- As in anything, there are buildings that fit into “the box” and those that do not. In “the box” can save you money on the interest rate and closing fees. If possible, seek a building approved by Fannie Mae or Freddie Mac. Their guidelines vary and change all the time.
- There should be no pending litigation regarding safety, soundness of structure, or functional use.
- No single entity, such as a sponsor or investor, should own more than 10% of units, except in certain small unit buildings where a single entity can own two units.
- Fannie and Freddie loan amounts for single unit properties max out at $625,000, so greater loan amounts are classified as Jumbo or super jumbo loans and are either more flexible or tighter on their requirements.
Thank you

- The webinar has ended.
- The program handbook, relevant CLE forms and additional materials for this program can be accessed at:
- Please hang up your telephone now.