

# LEGALLY SPEAKING

Mauro, Savo, Camerino, Grant & Schalk  
77 North Bridge Street  
Somerville, New Jersey 08876  
(908) 526-0707 (phone) 908 725-8483 (fax)  
www.maurosavolaw.com

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## Big Changes to Real Estate Procedures

Those who have bought, sold or refinanced homes in the recent past will probably recall having to sign a three-page closing statement which listed all of the closing costs and adjustments and, if a mortgage was being obtained, having to sign a document entitled Truth in Lending Statement (TIL) which disclosed the true cost of the loan. Thanks to the efforts of the Consumer Finance Protection Bureau, the TIL no longer exists, the closing statement has been significantly revised, and the closing requirements have been significantly altered. These changes are mandatory for residential sales or refinances requiring institutional financing which occur on or after August 1, 2015.

The skilled and experienced real estate attorneys and professionals at Mauro Savo, Camerino, Grant & Schalk are fully versed in these new forms and procedures. Therefore, our clients, and prospective clients who are looking to buy, sell or refinance their homes, can feel confident that the representation we will provide them will be in full compliance with these updated requirements.

One of the new changes is the new Closing Disclosure (which replaces the previous closing statement) to be provided to the borrower at least three business days prior to closing. Each time figures change, a new Closing Disclosure will need to be sent. As a result, borrowers may receive any number of these prior to closing. This will certainly result in a major adjustments from the current practice. A potential problem is that there are often last minute changes in closing figures, seller or purchaser credits, escrows and payoffs which may not be known three days prior to closing. These issues are to date unresolved and it is hoped that the CFPB will relax the rules in certain circumstances. Our real estate attorneys are following closely developments in this area.

Another significant change is the elimination of the single closing statement. Now there will be two separate closing statements, one for the



mortgage transaction and one for the sale transaction. The reasoning for this change is because the CFPB felt the buyer's mortgage transaction contains certain confidential information that should not be made available to either the seller or the real estate brokers.

In addition, closing statements will be required to list all the professionals involved in the transaction, their contact information and license number. This is to make it easier for either of the parties to the transaction to be able to file a complaint against that particular professional if they should desire.

Other changes, somewhat ludicrous in nature, are that the total of the various columns is at the top rather than the bottom. The CFPB felt this makes the document more understandable. Also, the various disbursements are now required to be in alphabetical order. The CFPB apparently felt that otherwise you would never be able to find how much was being paid for, as an example, recording fees.

The rationale for the changes was the unethical treatment oftentimes afforded to borrowers. Lenders or mortgage brokers raised certain fees at the last minute. Undisclosed charges suddenly appeared on the day of closing. Very significant

penalties will now be imposed for any such improper practice. In addition, there will be a total prohibition against any increase of certain fees on the Closing Disclosure. Others may increase by no more than ten percent.

Whether your proposed next real estate transaction is a purchase, sale or refinance, you can feel confident that when you are represented by one of our real estate attorneys, they will be fully educated on the new real estate closing procedures and you will be afforded prompt, courteous and knowledgeable service.

-By John F. Bracaglia, Jr., Esq.  
[bracaglia@maurosavolaw.com](mailto:bracaglia@maurosavolaw.com)

