



## Mortgage Disclosure Improvement Act Effective July 30, 2009

As most of you know already, the Mortgage Disclosure Improvement Act (MDIA) is effective for mortgage loan applications received on or after July 30, 2009. These new regulations were created in order to ensure borrowers have enough time to consider their financing options before moving forward with a loan. Our purpose here is to let you know what changes Washington Federal Savings ("WFS") will be making to our policies and procedures to accommodate those affects as they relate to originating brokered mortgage loans.

**Loan Applications Affected:** These new provisions apply to new loan applications received by the Broker for dwelling secured consumer purpose mortgage loans on or after July 30, 2009 for all purchase, refinance, second-home, custom construction and lot loan requests. It does not apply to HELOCs.

**Initial Fee Restrictions:** MDIA requires that the collection of fees from a mortgage applicant be limited to a reasonable credit report fee prior to the issuance and receipt of initial disclosures. This means that the broker cannot collect ANY upfront costs (loan application fee, appraisal fee, etc.) from the borrower, other than for the credit report, until the borrower has *received* their initial disclosures. If the initial disclosures were mailed, faxed or e-mailed, WFS will deem them received on the 3<sup>rd</sup> business day<sup>1</sup>. For special requirements regarding the collection of the WFS lock deposit, please refer to "WFS Lock-in Procedures" below.

**Early Disclosures:** As always, the Broker is required to provide initial disclosures to the applicant within 3 days of the date of loan application. In accordance with MDIA, WFS will now provide our own initial disclosures, including a Truth-in-Lending Statement and Good Faith Estimate, directly to the loan applicant by mail within 3 days of receiving the loan application package from the Broker. Copies of the disclosures will be provided to the Broker for information purposes.

**Re-Disclosures Required:** If the Annual Percentage Rate (APR) is out of tolerance according to the Truth in Lending Act (TILA), MDIA requires re-disclosure and a 3 business day review period from date of receipt until this requirement has been met before loan documents can be signed. WFS policy will require re-disclosure if the APR is increased or decreased by more than .125% and will not agree to prepare loan documents until the review period has been completed.

**WFS Lock-in Procedures:** Due to the initial fee restrictions imposed by MDIA, if a broker chooses to lock-in their client under the 90 Day lock-in "with float down" option, which requires the broker collect a .50% deposit, the borrower is required to receive WFS early disclosures *before* the Broker can collect the WFS lock deposit. This means, in order to lock under this option, the broker will be required to provide a copy of the loan application, TIL and GFE with the lock request, so that WFS can provide the early disclosures by mail to the applicant. The broker will then be required to submit the lock deposit from the applicant no earlier than 3 business days from the date WFS mailed the disclosures (or when the applicant has received.), but no later than 7 business days from the lock confirmation date in order to for the lock to be valid. If the deposit is collected by the broker earlier or provided to WFS later than required, WFS will automatically deem the lock invalid.

**7 Day Waiting Period:** MDIA requires a seven business day waiting period from the day initial disclosures were delivered or mailed before the loan can be consummated (signed and funded.) This waiting period will begin when WFS mails the initial disclosures at time of receiving the submission package from the Broker (and not when the Broker delivered their initial disclosures.) This waiting period is required once and does not start over if re-disclosures are required.

**Waiver of 7 and 3 Day Waiting Periods:** Both the 7 and 3 day waiting periods can be shortened or waived if the extension of credit is necessary to meet a bona fide personal financial emergency. In order to request a waiver, a pre-printed or typed form cannot be used. The consumer must prepare a dated hand-written statement, signed and dated by each borrower, detailing the specific emergency and specifying the request for waiver of the waiting period. This request must be submitted to WFS for approval. Please note that waiving of the waiting periods would be very rare indeed.

### To recap the factors that may impact the closing date of a loan:

- Closing cannot occur until 7 business days after the initial disclosures are provided to the borrowers by WFS.
- Other than for the credit report, no upfront fees can be collected from the applicant by the broker until the borrower has received their initial disclosures.
- Broker cannot collect the WFS lock-in deposit required by the WFS 90 Day lock option until 3 business days after WFS has mailed early disclosures to the borrower.
- The APR must be accurate within .125% (up or down) or re-disclosures will be required until that requirement has been met.
- If re-disclosures are required, WFS will not prepare loan documents until 3 business days after the borrowers received the re-disclosures.

<sup>1</sup> If the mailed, faxed or emailed disclosures are returned to the Broker signed and dated by the borrower prior to the 3 business day mailing period, the disclosures will be deemed received on that day.



# Sample Timeline

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
						1
2	3	4 Loan Application completed by Broker.	5 Initial Disclosures are completed and mailed by Broker.	6 Initial Disclosures Mailing Day 1	7 Initial Disclosures Mailing Day 2	8 Initial Disclosures Mailing Day 3 and deemed received.
9	10	11	12	13 Loan Application Package submitted to WFS.	14 Initial Disclosures mailed to Borrower by WFS.	15 Day 1 of waiting period to close.  WFS Initial Disclosures Mailing Day 1.
16	17 Day 2 of waiting period to close.  WFS Initial Disclosures Mailing Day 2.	18 Day 3 of waiting period to close.  WFS Initial Disclosures Mailing Day 3. Deemed received. Broker can now collect fees such as a lock deposit in behalf of WFS.	19 Day 4 of waiting period to close.	20 Day 5 of waiting period to close.  Loan Underwritten and approved by WFS.	21 Day 6 of waiting period to close.  A change in loan terms is requested and is approved.  WFS mails re-disclosures.	22 7 day waiting period to close completed.  Broker gets re-disclosures signed and dated by Borrower.
23	24 Re-Disclosures review period Day 1	25 Re-Disclosures review period Day 2	26 Re-Disclosures review period completed Day 3; Earliest day loan documents can be requested by Broker.	27	28	29
30	31					

**Sample Timeline:** Please review our “Sample Timeline” provided above to give you an example of the potential time required to take a brokered loan from application to funding. Please note that WFS underwriting and document turn-times can lengthen or shorten this process, as well as the accuracy or inaccuracy of your disclosures.

- “Business days” for review and waiting periods are defined as Monday-Saturday, except for legal holidays.
- The initial APR disclosed cannot be off by more than .125% (up or down) or re-disclosure will be required and a 3 business day waiting period from receipt will be required before loan documents can be requested. It’s very important that the loan terms requested and fees disclosed to WFS by Broker are accurate in order to limit the need for re-disclosures and a delay in closing.
- It is the Broker’s responsibility to consider mail time, delivery, and waiting periods when requesting a lock-in program/period. Lock-in expiration dates will not be extended due to Broker’s inaccurate disclosure of fees or inappropriate consideration of time-frames for waiting periods, etc.
- If a 90 day lock “with float down” option is requested, the broker cannot collect the .50% lock deposit for WFS until 3 business days after WFS has mailed early disclosures to the Borrower, in order to comply with “MDIA” early fee restrictions. The broker will have 7 business days to provide the lock deposit to WFS, but if the broker collects the deposit from the borrower(s) too early or provides the deposit to WFS too late, WFS will automatically deem the lock invalid.
- Please note that if re-disclosure is required AFTER borrowers have signed their loan documents due to the APR being out of tolerance, the borrowers must be given a 3 business day review period after they receive the re-disclosures before the loan can fund. And if it is a rescindable transaction, as in the case of an owner occupied refinance, the borrowers are required to sign a new Notice of Right to Cancel (and a final TIL), but only after the 3 business day waiting period of receiving the re-disclosures has transpired. And then funding could not occur until the 3 day rescission period has expired.

