



ANNOUNCEMENT#09-22 July 27, 2009

To: All Michigan Mutual Brokers

Re: Mortgage Disclosure Improvement Act (MDIA)

Summary of MDIA

The Federal Reserve Board published a final amendment to Regulation Z to implement the requirement of the Mortgage Disclosure Improvement Act (MDIA). This amendment was passed by Congress in July 2008 as they enacted the Housing and Economic Recovery Act (HERA). This new regulation sets out to improve borrower disclosures and to allow the borrower time to review their documentation prior to setting their real estate transactions.

Effective Date and Applicability

MDIA significantly changes how mortgage originators disclose loan terms, collect fees and even establish closing dates. This regulation becomes effective with all new mortgage applications taken on or after July 30, 2009 and/or received by Michigan Mutual on this date. MDIA specifically changes when application fees can be collected, establishes a waiting period for closing dates, and requires redisclosures and a subsequent waiting period in certain instances. MDIA is applicable for all closed-end transactions, regardless of loan purpose or lien position, involving a borrower's principal or secondary dwelling(s). Investment properties are excluded from MDIA requirements.

Initial Disclosure and Fees Collected

The initial Truth-in-Lending (TIL) disclosure must now be provided to the borrower for all closed-end transactions, regardless of the loan purpose or lien position. MDIA did not change the requirement mortgage originators have of disclosing mortgage applications within three days of the borrower's application. However, the regulation does change when an originator can collect upfront fees.

MDIA only allows for a reasonable credit report fee to be collected at the time of borrower application. As required by MDIA, the originator or any other party cannot accept any other upfront fees before the borrower has **RECEIVED** the initial TIL. These upfront fees include but not limited to: application fees, processing fees, appraisal fees, or lock fees.

MDIA establishes the following schedule can be used to determine when it is permissible to accept fees:

- Disclosures mailed to borrowers ---- on the 4th business day after mailing
- Disclosures e-mailed to borrowers ---- on the day actual receipt is confirmed
- Disclosures are provided in person ---- on the day of receipt

For fee collection purposes, business days exclude Sunday and Federal holidays.

Michigan Mutual will provide your customer with a redisclosure of an initial TIL in the name of Michigan Mutual upon receipt of your loan submission, based on the information you provided in your Good Faith Estimate.

Each TIL disclosure provided to the borrower must include new language, in conspicuous type size and format, the statement: **“YOU ARE NOT REQUIRED TO COMPLETE THIS AGREEMENT MERELY BECAUSE YOU HAVE RECEIVED THESE DISCLOSURES OR SIGNED A LOAN APPLICATION.”**

Establishing Closing Dates (Minimum Wait Period) under MDIA

Traditionally, a closing date is established by the borrower and seller when the sales contract is finalized. While this practice can continue, MDIA guidelines do impose restrictions on when the transaction that involves financing can close. MDIA does not allow a loan transaction to close until seven business days after the initial disclosures were sent from Michigan Mutual. As an originator, you will need to work closely with Michigan Mutual and your customer to ensure closing dates take this new requirement into consideration.

Additionally, after the initial disclosures are provided to the customer, if there are any changes that cause the Annual Percentage Rate (APR) to increase by more than .125%, MDIA now requires the borrower be provided a new set of disclosures documents and be given an opportunity to review them. For a required redisclosure, closings can not occur until three business days after the borrower has received Michigan Mutual revised disclosure documents. If these revised disclosure documents are mailed by Michigan Mutual, 3 additional business days are required to allow for mail delivery.

Minimizing Redisclosure and Closing Delays

Michigan Mutual wants to work with you to minimize the potential delays MDIA brings. Because MDIA requires new disclosures for an increase of more than .125% in APR, mortgage originators will be challenged when changes to fees or interest rates to the applicant are being considered. Given the new requirement to establish closing dates based on disclosure timing, it is very important that fees are established early on in the application and accurately disclosed to the applicant. Any increase to disclose APRs of more than .125% will trigger the need for redisclosure under MDIA, which also includes an additional waiting period as explained above.

In escrow states, Michigan Mutual will require HUD-1's from the escrow agent prior to documents being sent out for signature. Once Michigan Mutual approves the HUD-1 Settlement Statement, changes at the closing table will not longer be permitted.

Timeline

Following is an example of a loan application with the final TIL within .125% of the initial TIL

August 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					30	1
2	3 Broker takes application and mails disclosure	4	5	6	7 Broker can accept upfront fees	8
9	10	11 MMI receives application from Broker	12	13 MMI mails initial disclosure to borrower	14	15
16	17	18	19	20	21	22
23	24 Earliest date to close based on MMI's initial disclosure	25	26	27	28	29
30	31					

Following is an example of a loan application with the final TIL exceeds the initial TIL by .125% and requires redisclosure

August 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				30	31	1
2	3 Broker takes application and mails disclosure	4	5	6	7 Broker can accept upfront fees	8
9	10	11 MMI receives application from Broker	12	13 MMI mails initial disclosure to borrower	14	15
16	17 Broker locks rate increasing interest rate	18	19 MMI rediscloses TIL due to APR change provided MMI recd borrower acknowledgement	20	21	22
23	24 Earliest date allowed to close based on redisclose	25	26 Earliest date allowed to close based on redisclose if mailed redisclosures	27	28	29
30	31					

Waivers of Wait Period

While the MDIA does allow for a waiver of the wait period for bona fide financial emergency, the circumstances that would justify the risk created by a waiver are extremely rare. Michigan Mutual will not purchase or close any loan where a borrower has waived the seven or three day wait period.

How to Reduce MDIA Closing Delays

Work with your loan officers, processors, Realtors, and settlement agents to obtain current fees, and explain to them the new requirements related to MDIA. This will allow you to provide borrower accurate fees at the time of initial disclose and will greatly minimize the likelihood of having to redisclose and delay closing dates. Working with real estate agents that are familiar with the new MDIA requirement will allow them to set realistic expectations for both the borrower and seller in the transaction.

Ensure you only collect the credit report fee when you accept an application. Any additional upfront fees you need to collect can not be accepted by you or any third party vendors (including appraisers) until the borrower has received their initial disclosure. MDIA prohibition of fee collection included the collection of credit card information prior to the borrower's receipt of the initial disclosures.

MDIA is one of many new changes we face together in an industry. We are hopeful the information we are providing will help you to understand this new regulatory requirement, and allow you to educate your staff, real estate partners, and settlement agents you routinely work with. Michigan Mutual looks forward to working with you as our industry adjusts to these new requirements.

Please contact your account executive should you have any questions.