

Understanding Compliance Disclosures



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A Comprehensive Guide by The Housing Assistant



Introduction

Mortgage disclosures are critical to ensuring transparency between lenders and borrowers. They are required by federal law to protect consumers and promote fair lending. Mortgage operations staff must understand key disclosures, timing rules, and consequences of non-compliance.

Required Federal Disclosures

Disclosure	Purpose
Loan Estimate (LE)	Provides estimated costs, APR, and loan terms. Must be issued within 3 business days after application.
Closing Disclosure (CD)	Provides final loan costs. Must be received at least 3 business days before closing.
Equal Credit Opportunity Act (ECOA) Notice	Informs borrowers of their right to fair lending practices.
Fair Lending/ECOA Notice of Action Taken	Discloses whether a loan is approved, denied, or incomplete within 30 days of application.
Homeownership Counseling Disclosure	Informs borrowers of counseling availability (required for high-cost, HOEPA, and first-time buyer loans).

Timing Rules for Disclosures

- LE: Must be delivered within 3 business days of application.
- CD: Must be delivered at least 3 business days before closing.
- ECOA Adverse Action: Must be issued within 30 days of loan application if denied.
- Home Counseling Disclosure: Must be delivered early in the application process.

Consequences of Missing Disclosures

- Fines, penalties, or buybacks by investors.
- Loss of license or regulatory sanctions.

- Borrower right to rescind or sue under federal law.
- Repurchase demands or rejected loans during QC audits.

Best Practices for Compliance Disclosures

- ✓ Deliver LE and CD within strict timing requirements.
- ✓ Use automated tracking systems to monitor disclosure delivery.
- ✓ Retain electronic evidence of all delivered disclosures.
- ✓ Train staff regularly on TRID and ECOA compliance updates.

THA Tip:

- ◆ Never delay disclosure delivery — timing violations are some of the easiest mistakes for regulators to find!