



Attention: Mortgage Brokers

Federal Truth-in-Lending Regulations Effective Thursday, 7/30/09

Aurora Financial is implementing the following changes to comply with Federal Truth-in-Lending Regulations effective for applications received on or after Thursday, 7/30/09. At M&I, this applies to closed-end purchase and refinance transactions for borrowers' dwellings (primary residences and second / vacation homes). This does not apply to Aurora Financial Home Equity Lines of Credit (HELOCs).

In general, these new regulations impact three items:

- No up-front fees (except for credit report) are allowed until the day after Aurora Financial early TIL is received by the borrower
- A seven (7) business day waiting period prior to closing is required after the early TIL is delivered to the borrower
- Re-disclosure and additional waiting periods are required if the APR increases greater than 0.125%

What are the revisions to TILA which are effective 7/30/09?

1. No fees may be assessed/collected from the applicant (except for a credit report) prior to receipt of an Aurora Financial Bank FSB early Truth-in-Lending Disclosure (also referred to as preliminary or initial TIL). Please note the broker's own disclosures do not meet this requirement.

Aurora Financial will deliver the disclosure via U.S. Mail within three (3) business days (general definition – defined below) of receiving the loan application. In addition, we must wait three (3) business days (precise definition – defined below) before we can consider that the disclosure has been received by the borrower. Fees may be imposed the next day. Refer to the calendar at the end of this document for examples.

2. Loans may not close prior to expiration of the required seven (7) business day waiting period (precise definition) which begins upon the delivery (placed in the mail) of the early Truth-in-Lending Disclosure (TIL) to the applicant. The application may close on the seventh (7th) business day (precise definition). Refer to the calendar at the end of this document for examples.

3. The final APR may not exceed 0.125% of the disclosed APR on the early Truth-in-Lending disclosure (TIL). If the APR increases greater than 0.125%, a re-disclosure is required prior to closing. This begins a new three (3) business day mailing period (precise definition) plus a three (3) business day waiting period (precise definition) or six (6) business days total. Aurora Financial will deliver the re-disclosure via U.S. Mail. Refer to the calendar at the end of this document for examples.

Define General and Precise Business Days.

The "General Definition of Business Days" includes days when Aurora Financial is open to the public for carrying on substantially all of its business functions. This period does not include Saturdays, Sundays and some holidays for Aurora Financial.

The "Precise Definition of Business Days" includes all calendar days except Sundays and legal public holidays. (This matches the Rescission Calendar.)

The legal public holidays include:

- New Year's Day [Jan 1st every year]
- Martin Luther King Day [3rd Monday in Jan]
- Inauguration Day [every 4th year]
- Presidents Day (observed) [3rd Monday in Feb]
- Memorial Day (observed) [last Monday in May]
- Independence Day [July 4th every year]
- Labor Day [1st Monday in Sept]
- Columbus Day (observed) [2nd Monday in Oct]
- Veterans' Day [Nov 11th every year]
- Thanksgiving Day [4th Thursday in Nov]
- Christmas Day [Dec 25th every year]

Explain what "No fees may be assessed/collected" means.

No payment in any form (including post dated checks or credit card reservations) may be imposed upon or received from the borrower before they receive the early TIL from Aurora Financial. The borrower may be invoiced/billed (fee assessed / collected) for the appraisal, application fee and other non-CB fees beginning the day after they have receive the early TIL from Aurora Financial. If the broker orders and pays for an appraisal prior to the borrower's receipt of the early TIL from Aurora Financial the borrower cannot be required to pay for the appraisal if the loan does not close. This must be the expense of the person ordering the appraisal. Aurora Financial will show the appraisal fee on the HUD as a third party POC charge.

Can the broker charge any fees prior to the borrower receiving Aurora Financial's early TIL? The Broker may only charge a bona fide and reasonable credit report fee prior to the borrower's receipt of Aurora Financial's early TIL.

At what point in the process is the early TIL generated by Aurora Financial? Early TIL's are printed and mailed no later than three (3) business days (general definition) after the application was received at Aurora Financial. These disclosures are sent via U.S. Mail to the borrowers. Brokers should be sure to release the DU to Aurora Financial to help avoid delays in completing the application, so Aurora Financial may deliver the disclosures to the borrowers.

How will Aurora Financial ensure an appraisal fee wasn't imposed too soon if Aurora Financial is the first creditor of the loan?

Aurora Financial will compare the appraisal invoice date to the date the borrower is expected to have received the early TIL.

Does the date on the appraisal invoice matter if the borrower pays the fee with loan proceeds?

No, as long as no payment in any form (including post dated checks) is collected prior to the receipt of Aurora Financial's early TIL.

How will Aurora Financial verify it is not the first creditor in the event an appraisal fee was assessed/collected prior to our early TIL?

Aurora Financial will accept proof the loan was with another creditor, which may include any one of the following:

- Copy of decline notice from prior creditor
- Copy of approval from prior creditor and a signed letter of explanation (LOX) from the borrower stating they withdrew the loan
- Copy of early TIL from prior creditor and a signed LOX from the borrower stating they withdrew the loan
- Statement from appraiser that the appraisal was completed for another creditor and the appraiser changed the appraisal to either Aurora Financial or the broker's name

How do we insure the early TIL is as accurate as possible to avoid delaying the closing because of re-disclosure requirements?

The early TIL is dependent on the broker submitting accurate finance charge fees on the Good Faith Estimate (GFE). Also, the broker must provide an available interest rate on the Aurora Financial Loan Application Submission Sheet. Aurora Financial's will capture the broker's GFE fees and interest rate to accurately prepare the early TIL. Please note, Aurora Financial's rate lock procedures still apply.

Will Aurora Financial use the date the broker's RESPA disclosures were sent, or the date Aurora Financial's disclosures are sent?

We must use the date Aurora Financial's disclosures were sent. The disclosure obligation applies to the creditor (such as Aurora Financial), not the mortgage broker.

When does the early TIL go out?

The early Truth-in-Lending Disclosure (TIL) is required to be delivered to the applicant within three (3) business days (general definition) of receipt of the loan application.

When is a re-disclosure required?

When the final APR increases greater than 0.125% from the disclosed APR on the early TIL, a re-disclosure is required. However, if the APR is out of tolerance, the account executive and loan specialist will work closely with the broker to try to bring the APR within tolerance if possible. If re-disclosure is required, this begins a new six (6) business day waiting period (precise definition) which consists of a three (3) business day mailing period plus a three (3) business day waiting period.

Can the broker use their TIL re-disclosure, or is it required to be Aurora Financial's re-disclosure?

The disclosure obligation applies to the creditor (such as Aurora Financial), not to the broker. Therefore, we must use Aurora Financial's re-disclosure.

What happens when closing agents use their own HUD-1, not Aurora Financial's?

Aurora Financial requires our HUD-1, or exact figures from our HUD-1, to be used for the settlement and disbursement. A new Alert document will accompany the closing documents notifying the settlement agent that Aurora Financial's HUD-1 is in compliance and is not to be changed.

Are there new Loan Application Submission Sheets required by Aurora Financial?

As of July 30, 2009, brokers will continue to use the existing Aurora Financial Loan Application Submission Sheets and provide an accurate GFE at the time they submit applications on behalf of their borrowers.

What if the APR has decreased from the early TIL?

This benefits the borrowers, therefore, there is no need to re-disclose in this case.

For more information, please contact your Aurora Financial Account Executive or call Broker Support at 1-877-734-7704. Thank you.



Disclaimers: The above information highlights several ways in which the new requirements of the Truth-in-Lending Act (TILA) and implementation of the Mortgage Disclosure Improvement Act (MDIA) will impact how Aurora Financial processes this loan application.

The information listed is not intended to serve as legal advice or as a substitute for legal counsel. If you have a question about the TILA / MDIA regulations, you should contact your attorney.

Terms and program restrictions apply and subject to change without notice. All loans subject to creditor approval. Not inclusive of all lender requirements. For mortgage professionals only. Not for consumer distribution. If you prefer to not receive these flyers via fax and/or e-mail, please send your request to 1-866-595-4010 (fax), support@aurorafs.com or Aurora Financial, Attn: Broker Support, 8150 Leesburg Pike, Suite 410, Vienna, VA., 22182. Include "Opt Out" in the subject line and your request in the body of the email or letter.

Example of Application without Re-disclosure Requirement

Key: **Early TIL Period** **7-Day Waiting Period** **Re-disclosure Waiting Periods, if required**

September 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 Application received today.	2 Day 1 of 3 Delivery Period (General Definition)	3 Day 2 of 3 Delivery Period	4 Day 3 of 3 Delivery Period Early TIL sent with 3-day Package on or before today.	5 Day 1 of 3 Mailing Period (Precise Definition) Day 1 of 7 Waiting Period (Precise Definition)
6	7 LABOR DAY	8 Day 2 of 3 Mailing Period Day 2 of 7 Waiting Period	9 Day 3 of 3 Mailing Period Day 3 of 7 Waiting Period	10 May collect non-CB fees starting today. Day 4 of 7 Waiting Period	11 Day 5 of 7 Waiting Period	12 Day 6 of 7 Waiting Period
13	14 Day 7 of 7 Waiting Period Loan may close today.	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	<p>“General Definition of Business Days” Includes days when Aurora Financial is open to the public for carrying on substantially all of its business functions. This period does not include Saturdays, Sundays and some holidays</p> <p>“Precise Definition of Business Days” Includes all calendar days except Sundays and legal public holidays. Go to http://www.opm.gov/operating_status_schedules/fedhol/2009.asp for a list of legal public holidays. (This matches the Rescission Calendar.)</p>		

Example 1 of 2 – 7/28/09 – These calendars are for illustration purposes of the revised TIL requirements and are not inclusive of all requirements to close a loan. Restrictions apply and are subject to change without notice.

Example of Application with Re-disclosure Requirement

Key: **Early TIL Period** **7-Day Waiting Period** **Re-disclosure Waiting Periods, if required**

November 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 Application received today.	5 Day 1 of 3 Delivery Period (General Definition)	6 Day 2 of 3 Delivery Period	7
8	9 Day 3 of 3 Delivery Period Early TIL sent with 3-day Package on or before today.	10 Day 1 of 7 Waiting Period (Precise Definition) Day 1 of 3 Mailing Period (Precise Definition)	11 VETERANS' DAY	12 Day 2 of 7 Waiting Period Day 2 of 3 Mailing Period	13 Day 3 of 7 Waiting Period Day 3 of 3 Mailing Period	14 May collect non-CB fees starting today. Day 4 of 7 Waiting Period
15	16 Day 5 of 7 Waiting Period	17 Day 6 of 7 Waiting Period	18 Day 7 of 7 Waiting Period Loan may close today if early TIL and all other requirements are met.	19 Application is still being processed.	20 Fees & rate are final; APR increased greater than 0.125%. Re-disclosure required & mailed today.	21 Day 1 of 3 (Mailing Period) (Precise Definition)
22	23 Day 2 of 3 (Mailing Period)	24 Day 3 of 3 (Mailing Period)	25 Day 1 of 3 (Waiting Period) (Precise Definition)	26 THANKSGIVING DAY	27 Day 2 of 3 (Waiting Period)	28 Day 3 of 3 (Waiting Period) Loan may close today.
29	30	<p>“General Definition of Business Days” Includes days when Aurora Mortgage is open to the public for carrying on substantially all of its business functions. This period does not include Saturdays, Sundays and some holidays</p> <p>“Precise Definition of Business Days” Includes all calendar days except Sundays and legal public holidays. Go to http://www.opm.gov/operating_status_schedules/fedhol/2009.asp for a list of legal public holidays. (This matches the Rescission Calendar.)</p>				