

Department of Banking, Insurance, Securities & Health Care Administration

Vermont Banking Division

**REGULATION B-98-1:
Form, Content & Timing of
Residential Real Estate Mortgage Loan Commitment Letters
Jan. 1, 1999**

Section 1. Authority, Scope and Purpose

This regulation is promulgated pursuant to Title 9 V.S.A. ' 103(c), and applies to every Mortgage Loan, as hereinafter defined. The purposes of this regulation are to create the minimum framework within which commitment letters are to be issued in this state and to encourage complete and timely disclosure of information in the furtherance of consumer protection.

Section 2. Definitions

For the purposes of this regulation, the following terms shall be defined as set forth herein:

Borrower means a person or persons to whom credit is extended in a transaction in which a lender takes a security interest against real estate used or to be used by such person or persons as a residence.

Closing means the time a Borrower executes a note, mortgage or becomes contractually obligated on a credit transaction, whichever occurs sooner.

Mortgage Loan means any loan secured by a first lien on owner occupied residential real estate, including first and second homes.

Points means all amounts required to be listed on a HUD-1A Disclosure form lines 801 and 802, as in use on July 1, 1998.

Section 3. Form

The information contained in the commitment letter shall be written in clear, understandable language and easily read type.

Section 4. Content

All lenders shall issue a commitment letter in connection with every Mortgage Loan. Such commitment letter shall include, but not be limited to, the following information,

provided, however, that the following information shall be (i) grouped together in a meaningful way, and/or (ii) bolded or otherwise made easily distinguishable from the remainder of the text:

1. Name of Borrower
2. Date of issuance of the commitment letter
3. Property address and/or any other real property being taken by the lender a security for the loan
4. Loan type (fixed or adjustable interest rate)
5. Commitment expiration date
6. Principal loan amount
7. Loan term
8. Number of points or dollar amount (if applicable)
9. Amounts of monthly payment, including but not limited to the following:
 - a. Principal and interest amount (if known)
 - b. Escrow
 - i. State whether or not escrow will be required by the lender.
 - ii. If escrow is required, list all components of the escrow, including the amounts of such items, if known.
 - c. All other components of the monthly payment including the amounts of such items, if known.
10. Rate program (locked or floating)
 - a. If the interest rate is not locked as of the date of issuance of the commitment letter, the lender shall notify the Borrower as to the maximum interest rate for which he or she qualifies or if no maximum rate is stated, then the lender shall state the conditions upon which the lender may terminate the commitment.
 - b. Rate lock expiration date (if applicable and if different than the commitment expiration date)
11. Interest rate
 - a. The rate (if known) ; and
 - b. If the rate is adjustable, the lender shall state the frequency at which such rate may be adjusted.
12. Prepayment terms

13. Name and phone number of the person whom the Borrower may contact with questions

If a condition to the loan commitment is that the Closing occur more than 24 hour prior to the commitment expiration date, the commitment letter shall include a Closing deadline.

Section 5. Timing of Issuance

All commitment letters, except as provided in subsections 5(A) and 5(B) of this regulation, shall be delivered to the Borrower no less than 24 hours prior to the Closing, provided, however:

A. A lender may deliver a commitment letter less than 24 hours prior to the Closing, only when it has sufficient cause to do so and failure to close the mortgage loan within less than 24 hours after the delivery of the letter, shall create a hardship for the Borrower. This exception shall apply only to the timing of the delivery of said commitment letter, and shall in no way exempt any lender from all other requirements of this regulation; and

B. For every transaction in which a commitment letter is delivered less than 24 hours before the Closing, the lender shall document and keep on file for examination purposes, a written explanation stating the circumstances and reasons for the application of subsection 5A to such transaction.

For the purpose of this Section 5, the word "deliver" (including any form of the word) shall mean the time at which the Borrower has the commitment letter in hand.

Section 6. Effective Date

This regulation is effective January 1, 1999. Lenders shall be in compliance with the provisions of this regulation commencing 90 days from the effective date hereof. The commissioner may waive compliance with this regulation for a lender for additional 30 days, not to exceed 120 days from adoption, for good cause shown.

Section 7. Severability

If any provision of this regulation, or the application of it to any person or circumstance, is determined to be invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions of this regulation which can be given effect without the invalid provision or application, and to that end the provisions of this regulation are severable.