

THE ALTA SETTLEMENT STATEMENT



What It Is, Why It's Used and How to Explain Its Value to Lenders

By: Carrie Cote, Maine Underwriting Counsel

WHAT

In September 2015, the American Land Title Association (ALTA) released four model ALTA Settlement Statements for title insurance and settlement companies to use in order to itemize all the fees and charges involved in a transaction that requires the use of the new CFPB-mandated TRID Closing Disclosure.

The four versions of the ALTA Settlement Statement include:

- » ALTA Settlement Statement Combined
- » ALTA Settlement Statement Seller
- » ALTA Settlement Statement Borrower/Buyer
- » ALTA Settlement Statement Cash

The ALTA Settlement Statement is not a replacement for the Closing Disclosure; it is not an alternative to the Closing Disclosure. It is meant to be a uniform, supplemental document added to the Closing Disclosure that will assist settlement agents when additional itemizations or customary charges cannot be effectively broken down on the Closing Disclosure.

WHY

Many settlement agents view the Closing Disclosure as a regulatory-driven disclosure rather than a transactional document. Essentially, this limited use means that the Closing Disclosure will not be sufficient to accurately show costs that the seller and homebuyer will be responsible for in a real estate transaction.

Therefore, the Settlement Statement is designed to meet the varying needs of the settlement agent, such as:

- » Use as a disbursement sheet
- » Use as the document that can be signed by all parties to the transaction and provided to real estate professionals in order to keep private the non-public personal information now contained in the Closing Disclosure
- » Use as an additional disclosure for recording fees, assessments or any other fees that require further itemization or disclosure as a matter of regional custom

The information contained in this document was prepared by First American Title Insurance Company ("FATICO") for informational purposes only and does not constitute legal advice. FATICO is not a law firm and this information is not intended to be legal advice. Readers should not act upon this without seeking advice from professional advisers.

First American Title Insurance Company makes no express or implied warranty respecting the information presented and assumes no responsibility for errors or omissions. First American, the eagle logo, First American Title, and firstam.com are registered trademarks or trademarks of First American Financial Corporation and/or its affiliates.

AMD: 01/2016

AN INDEPENDENT POLICY-ISSUING AGENT OF FIRST AMERICAN TITLE INSURANCE COMPANY

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. NYSE: FAF

THE ALTA SETTLEMENT STATEMENT

What It Is, Why It's Used and How to Explain Its Value to Lenders



HOW

Although most lenders have welcomed the use of the ALTA Settlement Statement for transactions requiring the new TRID Closing Disclosure, there have been some lenders who are opposing its use. The following points may help address some concerns or misunderstandings:

- » **First and Foremost** - The TRID Rule does not prohibit the use of a supplemental document. In fact, the regulation contemplates the need for such a document.
- » **Secondly** - Real estate professionals have become accustomed to obtaining a signed copy of the HUD-1 Settlement Statement at closing for their records. The ALTA Settlement Statement could be the document both parties sign and is made available for the real estate professional to take with them for their records, rather than the Closing Disclosure, which contains valued non-public personal information.
- » **Finally** - Settlement agents are in the business of supervising the disbursement of funds. The Closing Disclosure is not a disbursement sheet and does not serve the need for a breakdown, in a linear fashion, of the funds received and paid out of the transaction. The Settlement Statement is, therefore, valuable for all parties as an easily understood summary of all the items and amounts paid at closing.

Educating lenders about the use of the ALTA Settlement Statement may occur more often as the inadequacies of the Closing Disclosure are recognized. Remember, the best time to take on this challenge is not in the midst of a transaction with the loan processor, but rather during a calmer time and with the lender personnel equipped to make those decisions.

¹Specifically, the Preamble to Regulation Z's TRID rule on pages 590-591 states in part, "With respect to commenters' questions about use of the Closing Disclosure as a disbursement document, as explained also in the section-by-section analysis of § 1026.19(f)(1)(v), the Closing Disclosure is designed to integrate disclosures provided under TILA and RESPA. To the extent the Closing Disclosure's disclosure requirements differ from other arrangements made pursuant to contract or other law or custom, the final rule does not prohibit creditors and settlement agents from developing their own disbursement instructions and managing any discrepancies as they arise, consistent with the current practice with respect to the RESPA settlement statement."

In addition, 1026.38 (t)(5)(ix) states, "Customary recitals and information. An additional page may be attached to the form for the purpose of including customary recitals and information used locally in real estate settlements."

And finally, the Official Interpretation to 1026.38 (t)(5)(ix) offers that, "Section 1026.38(t)(5)(ix) permits an additional page to be added to the disclosure for customary recitals and information used locally in real estate settlements. Examples of such information include a breakdown of payoff figures, a breakdown of the consumer's total monthly mortgage payments, check disbursements, a statement indicating receipt of funds, applicable special stipulations between buyer and seller, and the date funds are transferred."

Armor Title Company, LLC

Brad LaComb
111 Dr. Michael DeBakey Drive
Lake Charles, LA 70601
O: 337-602-6351 | F: 337-602-6355
brad@armortitle.com



The information contained in this document was prepared by First American Title Insurance Company ("FATICO") for informational purposes only and does not constitute legal advice. FATICO is not a law firm and this information is not intended to be legal advice. Readers should not act upon this without seeking advice from professional advisers.

First American Title Insurance Company makes no express or implied warranty respecting the information presented and assumes no responsibility for errors or omissions. First American, the eagle logo, First American Title, and firstam.com are registered trademarks or trademarks of First American Financial Corporation and/or its affiliates.

AMD: 01/2016

AN INDEPENDENT POLICY-ISSUING AGENT OF FIRST AMERICAN TITLE INSURANCE COMPANY

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. NYSE: FAF