



# THE ESCROW “REPORTER”

## PENALTIES

Another change that we need to be aware of after August 1, 2015, are the ramifications of not following the CFPB rules. CFPB has made it clear that ignorance will not be an acceptable excuse, and the expectation is that, we, as vendors of the lenders, must be familiar with the new Rule and its requirements. Failure to do so could result in some pretty hefty penalties. As you know, to date, settlement agents have only had to concern themselves with the RESPA Regulations, and our penalties for GFE/HUD-1 violations were none.

**It is important to remember that there are different liabilities under RESPA versus TILA.**

- Penalties for GFE/HUD-1 Violations under RESPA = NONE
- Penalties for Disclosure Violations under TILA= \$4,000 per violation PLUS actual damages and attorneys' fees PLUS civil liability for Creditors

Under the new rule, settlement agents will need to be familiar and aware of the TILA regulations as well, and we will no longer be exempt from the TILA Rule. On top of that, CFPB penalties are divided into 3 tiers, and are substantially higher than the TILA penalties. Even though the lender is responsible for the Closing Disclosure, I'm sure you can imagine what the ramifications will be if we don't follow the rules and the lender gets penalized. Specifically, loss of business, loss of reputation and penalties for WFG. Furthermore, just so you know, the CFPB penalty tiers are as follows:

1. Tier 1: **Any violation** - up to \$5,000 per day during which the violation or failure to pay continues
2. Tier 2: **Reckless Violation** - up to \$25,000 per day during which the violation continues
3. Tier 3: **Knowing Violations** - up to \$1,000,000 per day during which the violation continues

**What do you think you need to know by August 1, 2015? Have you been reading the materials that have been made available to you?**

### TIPS AND TOOLS YOU CAN USE

Operate in a way that adheres to all applicable rules and regulations.

Practice the highest standards of ethical conduct regardless of what competitors may be doing.

Violating Federal and State regulations = stiff fines, penalties and reputation damage.