



American Land
Title Association

Protect your property rights

Introduction to Uniform Closing Instructions

November 12, 2020

Protect your property rights

Speakers

Jim Lamphere | Vice President, Title & Escrow | HomeServices of America

Kate Steineman | Vice President, Business Liaison Manager | Wells Fargo Home Mortgage



American Land
Title Association

Protect your property rights

UNIFORM LENDER CLOSING INSTRUCTIONS



American Land
Title Association

Protect your property rights

Uniform Lender Closing Instructions

- Since the introduction of the HUD-1, settlement agents have voiced concerns about the variability and complexity of closing instructions.
- To address those concerns the mortgage and title industry have made several attempts to create standardization
- Prior attempts were abandoned due to an inability to reach agreement on common language to be used by all lenders within uniform closing instructions
- In late 2017 ALTA and MBA partnered to form the MISMO Closing Instructions Development Workgroup
- The Workgroup learned from the prior abandoned efforts and determined that the adoption of a common template format, rather than common language, would be the objective of its effort
- The workgroup had the participation of large national lenders, title and settlement services companies, escrow companies, LOS vendors, and document preparation vendors

HISTORY OF CLOSING INSTRUCTIONS

Why do we need uniform closing instructions?



American Land
Title Association

Protect your property rights

Why are Closing Instructions Important?

- **Closing instructions provide the legal basis for the closing company to handle the closing**
- **Closing instructions address manner in which the lender wants the closing to be conducted on its behalf, including:**
 - Conditions to close
 - State specific instructions
 - Funding conditions
 - Documents required to be collected
 - The manner in which documents are to be executed and notarized
 - Any other items unique to the transaction at hand

Closing Instructions Today

- A survey of settlement agents found individual settlement agents worked with between 2 and 100 different lenders on a weekly basis
- The mean number of different lenders with whom settlement agents work on a weekly basis is 35.4
- The median number of different lenders with whom settlement agents work on a weekly basis is 20
- Closing instructions tend to be lengthy documents with each lender organizing them in their own way
- Every lender currently is using their own instructions with little consistency

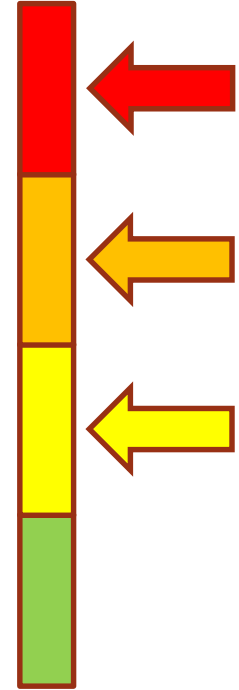
Current State Challenges

- The variation in closing instructions between lenders are wide with varying formats, requirements
- Closing instructions fail to include necessary information
- Some instructions fail to include contact information
- Getting closing instructions at the last minute makes the problem worse
- The result is when working with an unfamiliar lender closing are more confused and stressful than they should be
- Customer service suffers
- Errors become more likely resulting in higher levels of complaints and increase compliance costs

TRID Accentuated the Risk

- Variability became a growing issue post-TRID
 - Added regulatory risk
 - Requirements to refund, remediate, and cure defects
 - Importance of lender instructions and clear communication between lender and settlement agent increased significantly
 - Lenders responsible for borrower CD content and compliance, removing the settlement agents' ability to make changes independently, as they did with the HUD-1
 - Closing Instructions are too often delivered to Settlement Agents a few hours before scheduled closings, and sometimes less than an hour, allowing no time for review and questions

RISK LEVEL



Market Conditions May Accentuate the Risk

- **When rates rise the industry moves away from a refinance market**
- Purchase transactions more frequently identify a settlement agent that may not be familiar with the selected lender's instructions
- When this occurs, closing instructions must fill this information gap by providing lender requirements that are consistently organized and easy to use
- **When rates fall the industry goes into a refi boom**
- Closing volume rises suddenly and significantly
- Third party originations increase and new entrants in the mortgage market become more prominent
- When this occurs, settlement agents are dealing with higher volumes, and their time to thoroughly read closing instructions is reduced

The Consequences

- **Varying instructions contribute to increased mistakes at closing**
- Closing defects are costly to lenders and settlement agents alike
- Lenders have staffs tasked with curing issues at the closing table and post-closing issues (operational cost)
- Fee refunds, remediations, defect cures (direct, monetary loss)
- Potential compliance violations
- Loan salability and buyback issues
- Bad consumer experience

The Solution

- To address these issues the MISMO Closing Instructions DWG created uniform closing instruction templates and a comprehensive implementation guide
- Published on the MISMO website– available for the industry to use
- Once widely adopted, lenders and settlement agents will save money with fewer closing and post-closing defects
- Lower operational overhead designed to fix closing and post-closing issues
- Settlement agents are more efficient
- Fewer fee refunds and remediations
- Fewer compliance violations
- Fewer loan salability and buyback issues
- Better consumer closing experience

Organization of Uniform Closing Instruction Templates

MASTER CLOSING INSTRUCTIONS (cont.)

A. GENERAL REQUIREMENTS FOR ALL SETTLEMENT AGENTS

A.1 Purpose of Closing Instructions

A.2 Communication

A.3 Compliance

A.4 Data Security and Document Destruction

The Closing Instruction have been separated into two templates

Together, the Master Closing Instructions and the Transactional Closing Instructions provide the information needed by any settlement agent to close loans for that lender

The templates organize this information into a consistent format, making it much easier for settlement agents to quickly locate needed information

TRANSACTIONAL CLOSING INSTRUCTIONS

BORROWER CONTACT INFORMATION

Borrower Name(s):

Phone Number:

Email:

Current Address:

VESTING AND SIGNATURE INFORMATION

Borrower Vesting:

Additional Signers:

Use of Power of Attorney (if authorized):

Trust(s) of Entities:

PROPERTY INFORMATION

Subject Property Address(es):

Master Closing Instructions

- The Master Closing Instructions template includes general instructions that apply to all loans for a lender, including:
 - Conflicts of interest
 - Data security
 - Document destruction
 - Signer identity verification requirements
 - Recording requirements
- These general instructions typically do not change frequently, and - at the lender's discretion - may only need to be sent periodically if the settlement agent frequently closes loans for that lender

MASTER CLOSING INSTRUCTIONS (cont.)

A. GENERAL REQUIREMENTS FOR ALL SETTLEMENT AGENTS

A.1 Purpose of Closing Instructions

A.2 Communication

A.3 Compliance

A.4 Data Security and Document Destruction

MASTER CLOSING INSTRUCTIONS (cont.)

A.5 Fraud Prevention

A.6 Conflict of Interest

A.7 Professionalism

A.8 Complaints, Misconduct and Elder Abuse

B. GENERAL CLOSING REQUIREMENTS

B.1 Borrower Closing Disclosure

B.2 Seller Closing Disclosure

B.3 Settlement Statement

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business-to-Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

MASTER CLOSING INSTRUCTIONS (cont.)

B.4 Closing Protection Letter

B.5 Title Insurance and Survey Coverage

B.6 Taxes and Other Recurring Property Charges

B.7 Hazard Insurance

B.8 Notarization and Affirmation

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business-to-Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

MASTER CLOSING INSTRUCTIONS (cont.)

B.9 Verification of Signer Identity

B.10 Signing Loan Documents

B.11 Power of Attorney

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business-to-Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

MASTER CLOSING INSTRUCTIONS (cont.)

B.12 Mobile of Mail Away Signing

B.13 Electronic Closing

B.14 Document Alterations

B.15 Right to Rescind

C. GENERAL POST CLOSING REQUIREMENTS

C.1 Recording

C.2 Disbursement of Settlement Proceeds

C.3 Refunds and Shortages

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business-to-Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

MASTER CLOSING INSTRUCTIONS (cont.)

C.4 Completed Document Return

D. DEFINITIONS

D.1 Definitions and Terms Used Within the Instructions

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business-to-Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

Transactional Closing Instructions

- The Transactional Closing Instructions template includes information and instructions that apply to a single loan, including:
 - Borrower contact information
 - Property information
 - Critical dates
 - Conditions and stipulations
- These instructions are loan-specific and will be delivered by the lender for every loan closing

TRANSACTIONAL CLOSING INSTRUCTIONS

BORROWER CONTACT INFORMATION

Borrower Name(s):

Phone Number:

Email:

Current Address:

VESTING AND SIGNATURE INFORMATION

Borrower Vesting:

Additional Signers:

Use of Power of Attorney (if authorized):

Trust(s) of Entities:

PROPERTY INFORMATION

Subject Property Address(es):

Sales Price:
Seller Information:

TRANSACTIONAL CLOSING INSTRUCTIONS (cont.)

LOAN INFORMATION

Loan Amount:	Loan Purpose:
Loan Type:	Interest Rate/Initial Interest Rate:
Loan Term:	Occupancy Type:
Subject Loan Lien Priority:	Rescindable Transaction:
Other Financing:	
Home Equity Type:	New Construction:

LENDER INFORMATION

Lender Name:

Lender Address:

Lender's Authorized Closing Contact:

Name:

Phone Number:

Email:

Address:

Additional Contact Information:

Lender Loan Number:

Case Number:

MERS MIN (Mortgage Identification Number):

SETTLEMENT AGENT INFORMATION

Settlement Agent Company:

Settlement Agent Address:

Settlement Agent Contact Information:

Name:

MORTGAGE BROKER INFORMATION

Mortgage Broker Name:

Mortgage Broker Address:

Mortgage Broker Contact Information:

Name:

Phone Number:

Email:

Address:

Additional Contact Information:

TITLE AGENT INFORMATION

Title Agent Company:

Title Agent Address:

Title Agent Contact Information:

Name:

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial MISMO Product Distributor License (the "Distributor License") and grants the licensee the right to use this Product in Business to Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

Phone Number:
Email:
Fax:

Phone Number:
Email:
Fax:

TRANSACTIONAL CLOSING INSTRUCTIONS (cont.)

SETTLEMENT AGENT INFORMATION (cont.)

Settlement Agent File Number:

TITLE AGENT INFORMATION (cont.)

Title Agent File Number:

Contact "State Abbreviation" License ID, if applicable:

ALTA Registry Number:

CRITICAL DATES

Date of Closing Instructions:

Disbursement by Settlement Agent Date:

Loan Signing (Consummation) Date:

Rate Lock Expiration Date:

Rescission Expiration Date (Earliest Possible Date):

Loan Commitment Expiration Date:

Lender Funds to Arrive Date:

Loan Document Expiration Date:

Closing (if different from Consummation) Date:

First Payment Date:

TITLE INSURANCE REQUIREMENTS

Closing Protection Letter:

Name of Insured:

Policy Amount:

Lender Policy Type:

Additional Lender Policy Requirements:

CONDITIONS/STIPULATIONS

Conditions/stipulations that must be cleared prior to signing the loan documents:

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial MISMO Product Distributor License (the "Distributor License") and grants the licensee the right to use this Product in Business to Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

TRANSACTIONAL CLOSING INSTRUCTIONS (cont.)

CONDITIONS/STIPULATIONS (cont.)

HOA Fees/Liens:

Payment of Property Taxes and Recurring Property Charges:

Payoff of Unsecured Depts as Condition of Loan Approval:

Insurance Exceptions:

Endorsements:

Survey:

Prepare and/or Provide Borrower Closing Disclosures:

Prepare and/or Provide Seller Closing Disclosures:

Prepare and/or Provide Settlement Statement/HUD-1:

Notify lender of all fees and charges applicable for the transaction:

Obtain lender authorization for any changes or discrepancies:

Notify lender if a mobile signing or mail away signing is requested/authorized:

Cash Back Allowed:

Subordination Required:

Lender Credits:

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business to Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

Approved Seller Credits:

Approved Other Credits:

Listing of Loan Fees:

TRANSACTIONAL CLOSING INSTRUCTIONS (cont.)

CONDITIONS/STIPULATIONS (cont.)

Verify proof of identity for all signers:

Holdback for Repairs of Work Completion:

Obtain and review evidence of hazard insurance:

STATE SPECIFIC INSTRUCTIONS

Include any supplemental instructions specific to the subject property state:

e-CLOSING INSTRUCTIONS AND REMOTE ONLINE NOTARY

Electronic Document Signing:

Electronic Notarization:

Remote/Online Notarization:

Lender Documents:

Non-Lender Documents:

Electronic Delivery of Documents in an eClosing World:

POST SIGNING REQUIREMENTS

Documents required for review by lender to obtain approval/authorization to proceed to disbursement and recording.

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial MISMO Product Distributor License (the "Distributor License") and grants the licensee the right to use this Product in Business to Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

Recording of Documents:

Return of Excess Funds to Lender:

Notify lender before issuing customer refunds after final disbursement:

Post Close Contact Information:

TRANSACTIONAL CLOSING INSTRUCTIONS (cont.)

DOCUMENT RETURN REQUIREMENTS

Completed Document Return:

Delivery of Final Title Policy:

WIRE AMOUNT VALIDATION

Breakdown of Lenders Net Wire:

Breakdown of funds needed to be returned to lender in non-net wire transactions:

Breakdown of funds to be disbursed to the mortgage broker or other third parties:

©2020 The Mortgage Industry Standards Maintenance Organization. All rights reserved.
NOTE: The above copyright notice must be included in all copies of the MISMO Product and in any derivative works based on the MISMO Product that are produced by Distributor.

AUTHORIZED NON-COMMERCIAL DISTRIBUTOR USAGE: This MISMO Product (as defined in [MISMO's 2018 Intellectual Property Rights Policy](#)) is subject to a Non-Commercial [MISMO Product Distributor License](#) (the "Distributor License") and grants the licensee the right to use this Product in Business to Business transactions in accordance with the terms of that license. Accordingly, the licensee may incorporate this Product, in whole or in part, into material that may be shared outside of the licensee if there is no resulting direct financial profit from the shared material.

Transactional Closing Instructions

- The Closing Instructions iGuide provides implementation guidance as to what information lenders should consider for each section in the templates
- Shown here is an example of general guidance for completing sections of the Master Closing Instructions
- The iGuide only provides general guidance, **not model language**

Chapter 4: MISMO Master Closing Instructions Guidelines:

A. General requirements for all settlement agents		
A.1	Purpose of closing instructions	<p>Describe purpose of MISMO Master and Transactional Closing Instructions and their importance</p> <p>If applicable, describe requirements for settlement agent acceptance of the MISMO Master Closing Instructions, such as if signing the instructions is required. Include information on what the settlement agent should do if unwilling to sign or accept any portions of the closing instructions.</p> <p>Include instructions for handling conflicting instructions if they should occur.</p>
A.2	Communication	<p>Describe the lender's expectations for settlement agent communication of changes, required lender authorizations, notification of completed actions, etc.</p> <p>Include additional instructions, as applicable, if the lender has specific requirements on who* is or is not authorized to approve changes or exceptions, such as if the loan officer is not authorized.</p> <p>Include information on what the settlement agent should do if they have questions regarding the content in the MISMO Master Closing Instructions or provide a reference for this information.</p> <p><i>*Note: "Who" refers to the company department/position, not to the specific individuals. Specific Contact information for the company department/position should be provided in the MISMO Transactional Closing Instructions.</i></p>
A.3	Compliance	<p>Describe the lender's expectations for settlement agent compliance with laws, regulations and any other applicable requirements, including the unauthorized practice of law.</p>
A.4	Data security and document	<p>Describe the lender's expectations for information security, protection</p>

Why Now? Why MISMO?

- This effort is like work that was done decades ago to create industry standardization of the loan application – the information will vary from loan to loan, but is always located in the same spot
- Today lender instructions vary from lender to lender and can be 30+ pages long
- Information on page 2 for Lender A may be on page 28 for Lender B
- The settlement agent must constantly search for information, which may not be there at all
- Without any industry commonality
- It is difficult or impossible in a short time to identify what content is included and where to find it
- It is impractical to expect settlement agents to effectively and efficiently use the existing, varied instructions to consistently meet lender and consumer expectations
- The MISMO Uniform Closing Instructions finally brings the same level of consistency to the closing side of the mortgage industry

MISMO Developmental Working Group

- **Templates are finalized and available for use**
 - <https://www.mismo.org/standards-and-resources/residential-specifications/other-residential/closing-instructions>
- **Focus now on data mapping**
 - Mapping against MISMO data reference model
 - Need Title LOS engagement!

What's Next?

- **Adoption of forms by lender community**
 - Big banks
 - Regional lenders
 - Software Providers
- **Talk to your lenders**
 - Are they aware?
 - When are they going to adopt?

QUESTIONS?



American Land
Title Association

Protect your property rights

1800 M Street, NW, Suite 300S, Washington, D.C. 20036-5828

P. 202.296.3671

F. 202.223.5843

WEBINAR ARCHIVE

[ALTA.ORG/WEBINARS](https://alta.org/webinars)



American Land
Title Association

Protect your property rights

1800 M Street, NW, Suite 300S, Washington, D.C. 20036-5828

P. 202.296.3671

F. 202.223.5843