



CHANGES TO RESIDENTIAL MORTGAGE LAWS

By: Gregory A. Shantz

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In the last few years, terms such as “adjustable rate mortgages” (or “ARMs”) and “jumbo loans” have become part of regular household conversation. Almost everyone knows a person or family who has struggled with mortgage debt that they cannot afford. Many of these individuals claim that they were unaware of all key terms of their mortgage at settlement, only to learn the full ramifications of what they had agreed to after they had purchased their home. By then, it is often too late to escape this debt.

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In response to complaints by borrowers, the United States Congress found that reform was needed to ensure that consumers are provided with the proper information on the nature and costs of real estate settlements and are protected from unnecessarily high settlement charges. Congress has taken several steps to attempt to protect purchasers of residential properties.

The Real Estate Settlement Procedures Act (“RESPA”) was originally adopted by Congress in 1974 as a consumer protection statute primarily designed to reduce settlement costs incurred by consumers and to eliminate kickbacks. Congress now has amended RESPA with the goal of helping consumers shop for loans and to better understand the loan process. Beginning on January 1, 2010, RESPA requires that new Good Faith Estimate and Housing and Urban Development documents be used at residential settlements. As part of this new documentation, lenders and mortgage brokers must provide additional information, including the terms of the loan, the interest rate, whether the interest rate is fixed or adjustable, any prepayment penalties or balloon payments, and total closing costs to consumers.

RESPA also prohibits the seller of a property from requiring the purchaser to use a designated title insurance company. The Department of Housing and Urban Development (“HUD”) has reported that there has been alleged widespread abuse of the use of discounts for the use of affiliated mortgage companies and title companies where the purchaser of property does not receive an actual financial benefit. While the seller is free to offer a discount to a purchaser for use of a particular title company, enforcement officials at HUD have stressed that these discounts must be optional and must represent a true discount on the purchase price. The costs cannot simply be built back into the total purchase price.

In addition, RESPA strengthens requirements regarding affiliated business arrangements. An affiliated business arrangement exists if a person in a position to refer a settlement service business, or an associate of such person, has a relationship with, or an ownership interest in, a settlement service provider.

Congress has also found that consumers are also placed in a difficult position if certain information is provided by the lender immediately before or close to settlement. Therefore, the Housing and Economic Recovery Act (“HERA”), which took effect May 1, 2009, is designed to provide a fair and transparent level of regulation in the real estate industry. If a consumer is mortgaging even a portion of the purchase price of a property, these new regulations will impact, and can even dictate, the settlement date. HERA prevents a lender from collecting up-front fees prior to settlement until initial disclosures are received by the potential borrower, with the exception of a fee for obtaining a credit report. In addition, a consumer must be provided with a copy of the appraisal for the property at least three business days prior to closing. A home buyer must also receive new Truth In Lending disclosures in the event there is an increase in the annual percentage rate of the mortgage by .125% or more.

These regulatory changes affect nearly every purchase of residential property. Should you have any questions regarding how these laws may affect you, either as a buyer or seller of residential real estate, please contact Roland & Schlegel for a consultation with one of our experienced real estate attorneys.



Spotlight On: Shareholder Edwin L. Stock

This month, our spotlight is on Roland & Schlegel Shareholder Edwin Stock. Ed concentrates his practice in litigation, securities litigation, health care and various aspects of municipal law.

Ed graduated from Dickinson College and received his law degree, cum laude, from Duquesne University, where he was a member of the Law Review. He was admitted to the Pennsylvania Bar in 1985 and is also admitted to practice in several U.S. District Courts and the U.S. Court of Appeals for the Third Circuit. Ed is a member of the Berks County and Pennsylvania Bar Associations and the Pennsylvania Association for Justice.



Ed is very active in the community. He currently is in his second year of his term as Chairman of the Board of Reading Area Community College. He is a member of the Executive Council of the Hawk Mountain Council, Boy Scouts of America. Ed also has taught Business Law and Health Care Law at Alvernia College and St. Joseph's University. Ed has served as President of the Board of Directors of Big Brothers/Big Sisters and as Chairman of the Pennsylvania Accessibility Review Board.

In 2008, Ed had the privilege of serving as President of the Berks County Bar Association and is currently serving as Past President. Previously, he served the Berks County Bar Association in the positions of Treasurer, Vice President and President Elect. Ed also serves on the Board of Trustees of the Berks County Bar Foundation, the charitable fund-raising arm of the Berks County Bar Association. Ed speaks both locally and state wide on various legal topics, including real estate assessment law.

Ed is married. His wife, Camille, is the Director of Development for the John Paul II Center for Special Learning, a special needs school operated by the Diocese of Allentown. Ed and Camille have one daughter and two sons.

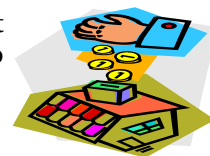
In his limited spare time, Ed enjoys golfing, and he continues to play organized soccer on the Governor Mifflin Soccer Club Over 40 Men's Team in both the spring and fall seasons. Come to a game and cheer Ed on!

Considering Home Improvements?

PA's New Home Improvement Consumer Protection Act Seeks to Eliminate Opportunities for Fraud in the Performance of Home Improvements and Renovations

By: Dante C. Cutrona

On October 17, 2008, Governor Rendell signed into law the Home Improvement Consumer Protection Act (the "Act"). The Act took effect on July 1, 2009 and seeks to provide greater consumer protection for residential homeowners.



The Act attempts to accomplish this goal by enforcing a new registration requirement for all contractors that perform home improvements. It requires that all home improvements be set out ahead of time in a written, signed contract between the contractor and homeowner and allowing for the enforcement of civil and criminal penalties for engaging in fraudulent activity with regard to home improvement work.

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Roland & Schlegel News

Roland & Schlegel attorneys are busy in the community, as well as with their law practices. We want to share with you some of the things we are doing.



Appointments/Articles/Speeches

November 6, 2009. Shareholder Robert Kreitz presented at Alvernia College, Bernadine Hall, on Elder Law.

November 18, 2009. Shareholder Whitney Rahman spoke to Albright's Society for Human Resource Management Student Chapter on human resources law and careers.

December 2009. Shareholder John Roland has been re-elected as a member of the Board of Directors of The Highlands At Wyomissing for a term to run through 2011.

Community Activities



December 2009. The firm participated in the Children's Gift Giving Program sponsored by the YMCA of Reading and Berks County.

December 13, 2009. Shareholder John Muir, acting in his capacity as Chairman of the corporate Board of the YMCA of Reading and Berks County, participated in the groundbreaking ceremony for the Mohnton YMCA. The Mohnton YMCA will be completed by late summer of 2010.

December 17, 2009. Shareholder Edwin Stock presided over the graduation ceremonies for the Licensed Practical Nursing Program at Reading Area Community College.

Community Leadership

Associate Attorney Greg Shantz was recently accepted into the Leadership Berks Program. Leadership Berks is a year long program to develop, support and connect community leaders in Berks County. The Program provides intensive training in board governance and community issues to assist participants in assuming volunteer community leadership positions after successful completion of the Program.



Looking Ahead

January 12, 2010. Shareholder Whitney Rahman will present a seminar to Chapter 179, the Berks County affiliate of the Society for Human Resource Management, on "Handling Claims Before the PHRC and EEOC."



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While the statewide deadline for all contractors to register with the Attorney General's Office under the Act has passed, the regulations as to the contracts that are required to be entered into between homeowners and contractors are ongoing.

Any individual or company engaged in the business of home improvements could be deemed a "contractor" for purposes of the Act. If you are a "contractor" under the Act, then not only must you register with the Pennsylvania Attorney General's Office, you must also ensure that all of your contracts entered into with homeowners for home improvements meet the following requirements, to name a few:

- (1) The contract is in writing and contains your Pennsylvania Attorney General Registration Number;
- (2) The contract is signed by the homeowner and the contractor;
- (3) The contract contains the entire agreement between the parties, including all copies of required notices;
- (4) The contract contains the date of the transaction;
- (5) The contract contains the name, address and telephone number of the contractor (be forewarned, a post office address will not suffice);
- (6) The contract contains the approximate starting date and completion date of the home improvement work;
- (7) The contract contains a description of the work to be performed, the materials to be used, and specifications that cannot be changed without a written change order signed by both parties;
- (8) The contract contains the total price for the home improvements to be performed;
- (9) The contract includes the amount of any down payment, plus any amount advanced for special order materials;
- (10) The contract lists all names, addresses and telephone numbers of all subcontractors (known as of the contract date) that will work on the project;
- (11) The contract contains a toll-free number for the Pennsylvania Bureau of Consumer Protection; and
- (12) The contract includes a notice of a right of rescission allowing the individual signing the contract to rescind the contract without penalty within three business days of the date of signing.

As you can tell, the new contract requirements are far more comprehensive than what was previously required. When looking to enter into a contract for home improvement work, from remodeling a kitchen to adding an enclosed porch, it is important that your contract for home improvements meets these requirements. This applies whether you are a contractor - so as to avoid the possibility of criminal penalties for fraud or failure to comply with the law - or a homeowner - to ensure that your property and your rights are properly protected.

Home improvements - or any modification or construction to a residence - represent a substantial undertaking for all parties involved and have the potential to involve substantial financial resources, planning, and efforts on all sides. It is imperative to ensure that your rights are protected and compliant with Pennsylvania law. In the event that you would like to have any contract reviewed for legal compliance, please feel free to contact our office.

Disclaimer: *The information provided in this newsletter is intended for general informational purposes only. This information is not, and should not be relied upon or regarded as, legal advice. Should you need legal advice in this area or any other area of practice handled by our firm, please contact us at 610-372-5588.*