

## **Explanation of 2015 FloridaRealtors/Florida Bar Contract Changes**

### **These revisions were made to accommodate upcoming 2015 Consumer Financial Protection Bureau (CFPB) requirements**

All contract changes are being made to **both** the Residential Contract For Sale And Purchase and its "AS IS" companion, unless noted otherwise. These new forms should be used for any transaction in which Buyer will be submitting an application for a loan on or after October 3, 2015 the date the new rules go into effect.

#### **I. CONTRACT Revisions**

The forms are renumbered as FloridaRealtors/Florida Bar-4 and FloridaRealtors/Florida Bar-ASIS-4, and have been given a new 9/ 2015 revision date.

#### **Paragraph 5. EXTENSION OF CLOSING DATE:**

The extension of Closing is expanded for a period up to 10 days, due to the fact that the new CFPB regulations mandate that the Closing Disclosure (formerly the Settlement Statement), must be delivered a certain number of days prior to the borrower becoming obligated to the loan. Therefore, in the event CFPB requirements regarding delivery of Closing Disclosure are not met, the Closing Date will be extended for the number of days necessary to meet the delivery requirements not to exceed 10 days. (Previously, this paragraph provided for up to a 7 day extension for TILA purposes. The TILA regulations have been combined into the new Closing Disclosure, so it is not necessary to reference TILA anymore.)

#### **Paragraph 8. FINANCING:**

**8(a)** This provision no longer specifies that Buyer may obtain a loan. (However, there is no prohibition preventing this.) New language is added to clarify that a cash buyer who finances a transaction won't get an extension to close if CFPB Closing Disclosure delivery requirements are not met.

**8(b)** The default for Loan Commitment Date (time for buyer to obtain a loan commitment) is changed to 45 days after Effective Date, from 30 days, based on information that the financing process will take longer once the new rules become effective.

**8(b)(ii)** Language is added here to clarify an extension under Paragraph 5 will not change Closing Date, when calculating 7 days prior to Closing Date. This prevents a deposit which becomes nonrefundable at one point, from becoming refundable later if there is an extension of Closing Date due to CFPB delivery requirements.

#### **Paragraph 9. CLOSING COSTS; TITLE INSURANCE, SURVEY, etc.:**

**9(c)** Title Insurance:

**9(c)** Delivery of title evidence: The default time frame is modified **for delivery of evidence of title for transactions involving mortgages**. In the event the blank is not filled in describing when evidence of title is to be delivered, the default is changed to 15 days prior to Closing Date if Paragraph 8(b), (c), or (d) is checked, rather than 5 days. This is due primarily to the fact that lenders need this information earlier in the closing process than was previously the custom. If Paragraph 8(a) is checked and Buyer is to pay cash, the default of 5 days remains unchanged. "Title Evidence Deadline" is now the defined term for time for delivery of the title commitment.

**9(c)** Description of title insurance premium rates: New language states that premium charges for the Owner's and Lender's title insurance policies will be calculated in accordance with Florida law but may be reported differently on closing documents. This is due to new CFPB requirements. (In short, the cost of a title insurance premiums for the owner's and lender's policies are not changing, but will be allocated differently on the Closing Disclosure, for transactions involving financing where the borrower's loan application is made after the new rules are in effect.)

**9(d) SURVEY:** The outside time for Buyer to have the property surveyed will be Title Evidence Deadline, specified in Paragraph 9(c). Previously, the Contract provided Buyer had 5 days prior to Closing by which to obtain the survey. If the blank is not filled in as to when title evidence is to be delivered in Paragraph 9(c), and Paragraph 8(b), (c) or (d) was checked (**transaction involves a mortgage**), the default timeframe for Buyer to obtain a survey will be 15 days prior to Closing. If 8(a) is checked and the blank in Paragraph 9(c) for Title Evidence Deadline is not filled in, the default will remain 5 days prior to Closing.

**Paragraph 12. PROPERTY INSPECTION AND REPAIR:** (**Does not apply to "AS IS" Contract**)

**12(a) Inspection Period:** There is now a blank to fill in how many days after Effective Date Buyer has to conduct inspections on the property. A default of 15 days after Effective Date is provided, in the event the blank is not filled in. This matches Paragraph 12 of the "AS IS" Contract. It is believed this will work better than the language previously contained in the Contract (the earlier of 15 days after Effective Date or 5 days prior to Closing), considering that the blank provides flexibility for either cash or financed transactions.

**Paragraph 18: STANDARDS:**

**Standard G. FORCE MAJEURE:**

Language was removed from this Standard which specified that any cause not reasonably within the control of the parties would serve as a basis to extend the Contract. The deleted language is broad and has been removed to avoid unintended consequences of delaying closings, beyond the extension of Closing Date in Paragraph 5 if the lender is not able to fund.

**Paragraph 19: ADDENDA:**

This table which lists the Riders has been reformatted. Rider I which was previously marked RESERVED has been eliminated because it doesn't exist. The names of Riders P, T, U and AA have been abbreviated. The blank lines for Other addenda have been removed as they can be referenced in Paragraph 20 Additional Terms.

**II. COMPREHENSIVE RIDER TO THE RESIDENTIAL CONTRACT  
FOR SALE AND PURCHASE Revisions:**

The entire Comprehensive Rider has been given a new form number CR-4 with the new 9/2015 revision date.

**Rider F. APPRAISAL CONTINGENCY:**

A default date of at least 10 days prior to Closing is added to the Appraisal Contingency Rider to insure that the appraisal will be completed prior to the creation of the Closing Disclosure.

**Rider H. HOMEOWNERS'/FLOOD INSURANCE:**

One of the defaults, in this contingency that insurance (homeowner's and flood) does not exceed an amount inserted in the Contract is changed. Now the rider specifies that the contingency will need to be satisfied the earlier of 30 days after Effective or 10 days prior to Closing. The latter date previously specified 5 days prior to Closing. The purpose the earlier 10 day time frame again is for this information to be available for timely preparation of the Closing Disclosure.

Other Issues:

**Rider C. SELLER FINANCING:**

This rider is modified to include interest only loans for the one property exclusion provided under Dodd-Frank. There is a blank to insert the term of the interest only loan and a default of 60 months, if the term is not filled in.

Additionally, the balloon mortgage language is revised. The requirement that the balloon be due at least 5 years from Closing is being removed as it now appears this is not a limitation.