

Compliance Focus Areas – Virginia

Application Disclosures

Choice of Settlement Agent Notice:

- Must be dated within three days of 1003 for retail/correspondent loans.
- Must be dated within three days of submission to UW for broker loans.

Notification to Virginia First Mortgage Loan Applicants:

- Verify disclosure date is on or before the signature date of the 1003.
- Not applicable for investment properties.

Marital Rights

- Virginia is **not** a community property state.
- Non-borrowing spouses are not required to sign the Mortgage, CD and Right of Rescission (if applicable), unless they intend to be on title.

Predatory Lending

Virginia does not have a high-cost test.

Closing Practices

Virginia is a wet settlement state. Funds must be disbursed to the settlement agent at, or before loan closing.

Auto Subordination

Virginia statutes authorize a mortgagor to refinance the full balance of a loan secured by a first mortgage or deed of trust without the permission of the holder of a junior lien if:

- I. The principal amount secured by the junior lien does not exceed \$150,000, and
- II. The principal amount secured by the refinance mortgage does not exceed the unpaid outstanding principal balance of the first mortgage or deed of trust plus \$5,000.
- III. The interest rate is stated in the refinance mortgage at the time it is recorded and does not exceed the interest rate set forth in the prior mortgage.

In addition, the following language in all capital letters must be completed and placed on the front page of the mortgage: THIS IS A REFINANCE OF A (DEED OF TRUST, MORTGAGE OR OTHER SECURITY INTEREST) RECORDED IN THE CLERK'S OFFICE, CIRCUIT COURT OF (NAME OF COUNTY OR CITY), VIRGINIA, IN DEED BOOK _____, PAGE _____, IN THE ORIGINAL PRINCIPAL AMOUNT OF _____, AND WITH THE OUTSTANDING PRINCIPAL BALANCE WHICH IS _____.