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## Introduction to the CEMA loan

### What is a CEMA?

- CEMA is short for Consolidation, Extension & Modification Agreement.
- A CEMA loan is an agreement between the existing Lender and the New Lender to combine two or more loans into a new consolidated loan. No cancellation will be filed on the existing mortgage. The homeowners credit report will reflect the new CEMA mortgage and will report the existing mortgage as transferred.
- To avoid paying Mortgage Tax on a refinance, a CEMA will allow the homeowner to pay the tax only on the new money or additional amount above what was originally borrowed.

### Where can I do a CEMA type loan?

- CEMA type loans can only be done in New York State.
- CEMA applications generally make financial sense in the Southern part of New York State where Mortgage tax rates and Property values are higher.

### When does a CEMA loan make sense for the home owner?

- If the homeowner is looking to refinance his existing first mortgage and has paid previously, the New York State Mortgage tax.
- CEMA's can NOT be done on Home Equity, HELOC or Second Mortgages.
- CEMA's can NOT be done on discharged mortgages.

### As a Mortgage Specialist or Lender, what do I need to know about the CEMA process to close the deal?

- This process must begin immediately at the beginning of the loan process, as it can take a long time, depending on the speed at which the bank attorney and original lender and/or their attorney, are able to cooperate.
- Longer rate lock and mortgage commitment terms are suggested.
- The payoff lender must provide the original Note and Mortgage along with other collateral documents at funding. Document retrieval may take several weeks before the documents can be located. In the event that they can NOT be located a Lost Note affidavit may be an acceptable substitution for the new lender.
- Not all Lenders will accept a CEMA loan, application. Some, won't accept applications with specific payoff lenders.

### What expenses can the home owner typically expect?

- Each lender AND their respective bank attorney, charge fees. These fees vary differently and should be determined as early as possible in the loan application process as they can be significant. Specifically, if the payoff lender and the new lender are not the same (2 banks + 2 attorneys = 4 fees). Typically, these fees range between \$450 to \$1,100, each. Therefore, the total of these fees can range from \$2,000 to \$4,500. This total should be considered as an offset to the mortgage tax savings.
- If the refinance has been less than 10 years from the previous one or, they have owned the property (without any deed changes) for less than 10 years, the home owner qualifies for the refinance title insurance rate.
- There will be additional recording fees for the CEMA document, 255 affidavit (evidence of the mortgage tax paid), New Money or Gap Mortgage and Assignment. If the payoff lender and new lender are the same, recording an assignment may not be necessary.