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New York CEMA Loan Common Questions

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.
- In an effort to decrease the mortgage tax resulting from a refinance, the CEMA will allow the homeowner to pay the calculated tax only on the **new money** or additional amount above what was originally borrowed.

Where is the CEMA type loan option available?

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

So, when does a CEMA loan make the most sense for the home owner?

- If the homeowner is planning to refinance his existing first mortgage and has paid previously the New York State mortgage tax.
- CEMA's are NOT an option on loans considered to be Home Equity, HELOC, or Second Mortgages.
- CEMA's are not an option for mortgages being discharged.

As a Mortgage Specialist/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 be a lengthy process depending upon the speed at which the bank attorney and original lender and/or their attorney, are willing to cooperate.
- Longer rate lock and mortgage commitment terms are the norm.
- 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 are well known to be unwilling to participate and others make a decision based on the particular loan.

<u>What expenses can the home owner typically expect?</u>

- Each lender, AND its respective bank attorney, will have CEMA fees. These fees vary and should be determined as early as possible in the loan application process to make it possible to make a good decision whether it makes sense to proceed. 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 and $1100 each. Therefore, the total of these fees can range from $2000 to $4500. This total should be considered as an offset to the mortgage tax savings.

- Please note: If the refinance takes place 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 be deemed unnecessary.

Please note: Quality Title & Abstract Agency has people on staff with New York experience and is always available to field questions or for a consultation. We welcome your interest.