



## Exercising Your Right to Rescind

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When refinancing a primary residence, consumers have a "Three-Day Right of Rescission." To rescind something literally means "to take it back" or "to cancel."

In terms of financing your home, the Right of Rescission means you have **three business days, after signing the paperwork, to ensure you feel comfortable with the loan transaction.** If you change your mind within those three days, you're not obligated to the loan.

**The key is that this Right of Rescission applies only to your primary residence.** The rescission period protects you from obligating yourself to any surprises that may arise at closing, such as a different term, rate, or fees, that you were not expecting.

The rescission notice must be presented to you on a separate document that identifies the rescission period, and it must clearly disclose and include the following:

- The consumer's right to rescind the transaction
- How the consumer may exercise his/her right to rescind
- A form for the actual rescission of the contract
- Address of the Lender's place of business
- The retention of a security interest in the borrower's primary dwelling

**The creditor is prohibited from dispersing any loan proceeds until the rescission period has expired.** After the rescission period

is over, the loan proceeds are dispersed and the transaction goes on record.

When buying a property **that's not your primary residence, or when refinancing a second home or investment property**, it's important to remember that the **rescission period is not applicable.** You are obligated to the loan right away, and the loan funds and goes on record the same day you sign the paperwork.

Because there is no rescission period during a purchase or refinancing of an investment property or second home, **it's extremely important that you receive the proper disclosures before you get to the closing table.** At the very least, you should have received a copy of the loan application, the Good Faith Estimate (describing the costs involved), and your authorization to obtain credit.

Any time the information looks different than what you were expecting or is not in line with the agreed-upon terms, you should ask questions. While the Three-Day Right of Rescission is good protection, its limited applicability to a primary residence **highlights the need to deal with professionals you can trust.**



*Got questions about real estate financing?*

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