

HomeServicesLending^{LLC}

Introduction to the TILA-RESPA Integrated Disclosure Rule – “TRID”

October 3, 2015

Aaron Mason

NMLS 54707

Mortgage Loan Officer

859-230-4628

AaronMason@homeserviceslending.com

AaronMason.RectorHaydenMortgage.com

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TILA-RESPA Integrated Disclosure Rule (TRID)

October 3, 2015



represents the start date for a **new** way mortgage lenders, Realtors[®], borrowers, and closing agents will be conducting business.

CFPB and “TRID”

The CFPB is introducing:

- New disclosures
- New mandatory waiting periods
- Other important changes to the application-to-close process



The CFPB’s goals:

- Empower customers to make informed decisions
Provide key details about loan terms, estimated costs, and cash needed to close in a single document
- Close with confidence
Remove the pressure of signing without understanding

TRID Rule – What is Changing?

- Disclosures
 - **Loan Estimate (LE)** will replace the GFE and initial TIL
 - **Closing Disclosure (CD)** will replace the HUD-1 and final TIL
- Timeline for on-time delivery of both disclosures
- List of prohibited pre-disclosure Activities
 - ✓ Activities that cannot take place before initial disclosures are sent, such as the collection of the fee to order and pay for the appraisal
- Tolerance levels for changes to disclosed estimate
 - ✓ Which settlement charges can change and to what extent

TRID Rule

The new rules **DO NOT** apply to:

1. Home Equity Lines of Credit (“HELOC”)
2. Reverse Mortgage Loans
3. Mobile Homes Not Secured to Land
4. “All Cash” Transactions
5. Seller-Held Mortgage or Contract

LE Tolerance Levels that are Changing

Zero Tolerance

Charges that cannot increase:

- Charges paid to lender or its affiliates
- Charges paid to a third-party if lender did not permit the borrower to shop (ex. appraisal fee)
- Transfer taxes

10% Tolerance

Charges that can increase by 10% above the amount disclosed in the LE:

- Recording fees
- Charges for third-party services where:
 - Charges are not being paid to lender or its affiliates
 - Borrower selects third-party service provider from lender's list of service providers even though he/she are free to shop for his/her own provider

No Limit

Charges outside the lender's control that may exceed the amount disclosed on the LE by any amount:

- Escrows and prepaids
- Borrower selects a third-party service provider who is not on the lender's list and is lender required service(s).
- Charges paid to third-party or lender affiliates for services not required by the lender.

Loan Estimate (LE)

Certain costs and expenses quoted by the lender may be binding or subject to variances. For example:

- Lender origination fees **0% tolerance**
- Charges paid to affiliates, such as a title company.
Important to get accurate title fees up front **0% tolerance**
- Charges paid to third party if lender did not permit the borrower to shop (ex. appraisal fee) up front **0% tolerance**

Implications to Prequals and Preapprovals

- To issue a LE, there are specific pieces of information we need from the borrower. If we don't have those, we can't move forward.
- **Prequals:** We have no documentation. We can't ask for it, and we haven't received it.
- **Preapproval letters:** Borrower voluntarily provided HSL with documentation supporting his/her financial status. The borrower is not required to provide the documentation.
- **Application: When we receive the following six (6) pieces of information** (in writing or verbally), we must provide a **LE:**
 1. Consumer's Name
 2. Consumer's Monthly Income
 3. Consumer's Social Security Number to obtain a credit report
 4. Subject Property Address
 5. An Estimated Value of Property
 6. Mortgage Loan Amount Requested

CFPB Mandated Changes

Closing Disclosure (CD):

This new form replaces both the **HUD1** and **final TIL** and combines them into ONE document

- Effective for all **applications** taken on or after 10.03.2015.
- **Applications** taken prior to 10.03.2015 would be governed by the old rule and documents.

The image displays five sample pages of the new Closing Disclosure (CD) form. The pages are arranged in two rows: three on top and two on the bottom. The top-left page is the 'Closing Disclosure' cover sheet, featuring a 'Loan Summary' table with columns for 'Loan Type', 'Loan Amount', 'Interest Rate', 'Term', and 'Monthly Payment'. Below this are sections for 'Closing Costs' and 'Loan Terms'. The top-middle page is the 'Closing Costs' section, which includes a table for 'Closing Costs' and 'Escrow Costs'. The top-right page is the 'Loan Terms' section, containing a table for 'Loan Terms' and 'Loan Features'. The bottom-left page is the 'Loan Features' section, which includes a table for 'Loan Features' and 'Loan Features'. The bottom-right page is the 'Loan Features' section, which includes a table for 'Loan Features' and 'Loan Features'. The forms are filled with sample data and include various tables and sections for providing detailed information about the loan and closing costs.

Closing Disclosure (CD)

- The lender must ensure that the borrower receives the CD no later than **three (3) business days** before closing.
- The CD is considered received **three (3) business days** after it is delivered, unless given to the borrower in person.
 - Mail
 - Fax
 - Email*
 - Overnight courier
- If CD is sent electronically from Encompass (“e-disclosure”) the borrower must “accept” it before it counts as “received.”



Closing Disclosure (CD)

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6 Mail/email CD to Borrower	7 3 day delivery period	8	9 CD delivery or handed to buyer	10	11
12 Sunday not business day	13 1st day can close	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

The diagram illustrates the timeline for the Closing Disclosure (CD) process. A green arrow indicates the 3-day delivery period from Monday (6) to Thursday (9). A red arrow indicates the period from Thursday (9) to Saturday (11), where the CD is delivered or handed to the buyer. Another red arrow points from Sunday (12) to Monday (13), noting that Sunday is not a business day and Monday is the first day the transaction can close.

Change to Closing Timeline

How to handle rushes

- To prepare and deliver the CD, clear-to-close should be obtained **not less than seven (7) business days** prior to anticipated close date.
- Review periods are **mandated** to allow time frames for loan disclosure, delivery, and borrower understanding.
- Still manage to date in sales contract. Consummation is the date the borrower signs for a purchase.

Closing Process: Settlement Agent / Escrow Agent / Attorney

- Settlement agent/escrow agent/attorney should submit final closing figures **ten (10) business days** prior to consummation
 - Including seller figures
 - Including adjustments
- Changes made or required after issuance of the CD may or may not require a restart of the **three (3) business day** borrower review period.

Changes Resulting in NEW 3-Day Review Period

Changes requiring restart of 3-day review period that are loan-related such as:

- If Annual Percentage Rate (APR) becomes inaccurate when APR varies by more than 0.125%
 - Change in interest rate
 - Change in closing attorney fees
 - Change in recording fees
 - Other attorney-driven charges:
 - Documentation prep fees
 - Courier fees
 - Interest per diem charges
 - Any modification or changes to loan fees and/or loan amount
- Change in loan product
 - Fixed to adjustable
 - Interest only to non interest only
- If a prepayment penalty is added to loan feature.

Changes with NO Impact to 3-Day Review Period

No three (3) day review period for:

- Adjustments for issues arising out of walk-throughs, so long as the purchase price is not modified
- Oil tank/utility adjustments
- Obligations required of Seller and discussed after delivery of CD (i.e., liens, unpaid taxes, etc.)

Closing / Consummation Date

- Still manage to date in sales contract. Consummation is the date the borrower signs for a purchase.
- Exceptions to mandatory 3-day review period are only permitted for **bona fide** financial emergencies.

Bona Fide Financial Emergency

- Must be requested and penned by the borrower in writing.
- Request must detail nature of financial emergency.
- Financial emergencies are very limited in scope by the new regulation:
 - Property facing imminent foreclosure
 - Not bona fide financial emergencies: moving van is on the way; or sellers/buyers not being available because of travel, vacations, business trips, etc.

Customer's Review



- The customer has the right, if requested, to review all revisions made to the CD the day prior to closing.
- If not requested, changes can be reviewed at the closing table.

Seller's Closing Disclosure

- Settlement agent/attorney maintains the responsibility of delivering the CD to sellers.
- Sellers do not sign CD.

**We will be happy to
answer your questions.**

Thank you for attending!

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106009 Expires 11/30/15