



TRID – A LOOK AT WHAT'S AHEAD

September 2015

TRID – WHAT'S AHEAD



- TRID Rules are effective with any loans originated on or after October 3, 2015
- Any loan applications dated prior to October 3, 2015 will fall under the 2010 disclosure guidelines
- Current GFE and TIL forms are being integrated to one form titled the Loan Estimate
- Current HUD-1 and final TIL are being combined to one form titled the Closing Disclosure

DISCLOSURES



A Loan Estimate will be required to be delivered to a customer once 6 pieces of information are received:

- Consumer's Name
- Consumer's Income
- Consumer's SS#
- Property Address
- Estimate of the Value of the Property
- Mortgage Loan Amount Requested

An LE must be delivered to a customer no later than the 3rd general business day (a general business day is defined by a day on which the creditor's offices are open to the public for carrying out substantially all of its business functions – aka "open for business day"). REMN does not include Saturdays as a general business day.

A creditor may not require a consumer to submit documents *verifying* information related to the application *before* providing the Loan Estimate

DISCLOSURES



3 general business days apply to requirements of:

- Delivery of the Initial Loan Estimate (LE) – Day #1 is day after receipt of application
- Delivery of a revised LE for Change of Circumstance – Day #1 is day after valid change
- Delivery of the LE due to rate lock – Day #1 is day after valid change

Specific business days means all calendar days except Sundays and legal public holidays:

- 7 specific business days apply to the earliest available closing date after delivery of the LE – Day #1 is date LE is delivered
- 3 specific business days apply to the requirement of the Borrower's receipt of the Closing Disclosure (CD) prior to consummation – Day #1 is day after receipt of CD



Examples:

1. General Business Days - On Wednesday, a Broker receives 6 pieces of information from a Borrower which means that an application has been submitted and a Loan Estimate must be disclosed within 3 general business days. The Broker must deliver the LE by Monday (Day 1 is Thursday, the day after application, Day 2 is Friday and Day 3 is Monday). Please note that if the disclosures are delivered via regular mail an additional 3 days must be counted for receipt of the LE. Any fees, other than the actual cost of a credit report, cannot be charged until the Broker is in receipt of the signed Intent to Proceed from the Borrower(s)
2. Specific Business Days - On Wednesday, the Lender is ready to issue the Closing Disclosure. The Borrower has 3 specific Business Days to review the CD after receipt. If the Borrower has consented to receiving e-disclosures and the CD is delivered on Wednesday, Day 1 is Thursday, Day 2 is Friday and Day 3 is Saturday. The first day this loan is available to close would then be Monday. If the CD were delivered via USPS, the first available day for closing would be Friday the following week

It will be extremely important to obtain E-Consent from Borrowers to avoid delays in the loan process from start to finish.

TRID DISCLOSURES



New LE and CD forms will be more customer friendly

- Will use regular language
- Alphabetized fees by category
- Fees categorized by items customers can shop for and items customers cannot shop for
- Numbering is sequential (1 through 10, etc.)
- Easier to read font

Loan Estimate and Closing Disclosure will be very similar so the consumer can easily compare the 2 disclosures

References to HUD Line numbers will be removed from the disclosures

TRID DISCLOSURES



- Lender Paid Compensation is NOT on the Loan Estimate
- Any Lender Paid Compensation will be reflected on the Closing Disclosure in the "Paid by Others" column
- Lenders will be responsible to prepare the Closing Disclosure as compared to the current industry standard of the Settlement Agent preparing the HUD-1
- Fee Tolerance changes:
 - Third Party fees that the broker/lender select are moving to ZERO tolerance
 - Third Party fees selected by the borrower are moved to 10 percent tolerance if selected from the Settlement Service Provider list
- New item on the LE - Total Interest Percentage (TIP) is the total amount of interest a borrower will pay over the life of the loan reflected as a percentage of the loan amount

TRID



- A consumer is not required to confirm receipt of the Loan Estimate but a signed Intent to Proceed will be required along with documented method of delivery for same.
- The only fee that may be charged prior to delivery of the LE and receipt of the Intent to Proceed is the actual cost of a credit report.
- Under TRID, a fee is imposed on a consumer if a creditor requires the consumer to provide a method of payment (including payment directly to a third party such as an AMC), even if the payment is not made at that time.
- Once the Intent to Proceed is received a creditor may then request payment information (credit card, check, etc. for an appraisal fee, application fee, etc.). It is no longer acceptable to *request* information for payment of fees until the signed Intent to Proceed is received - even if that information is not used until receipt of the Intent to Proceed.

TRID DISCLOSURES



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- Providing the consumer with a Closing Cost Worksheet is acceptable with certain stipulations:
 - The form may not use headings, content and format similar to the LE or CD
 - The worksheet must clearly and conspicuously include the following disclaimer in 12 point font – “Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan.”
- General Rule regarding the Loan Estimate: Creditors are bound by the Loan Estimate, and may not issue revisions because they later discover technical errors, miscalculations, or underestimations of charges
- Revised Loan Estimates may be permitted only in certain specific circumstances aka Change of Circumstance. Brokers will be required to send REM N Wholesale a Change of Circumstance form (located on our website under Forms)



LE Tolerance Limitations

Zero Tolerance: The creditor may never charge more than the estimated amount unless there is a valid Change of Circumstance

- Fees paid to the creditor, mortgage broker, or an affiliate of either;
- Fees paid to an unaffiliated party if the creditor did not permit the consumer to shop; or
- Transfer taxes

10% Cumulative Tolerance:

- Recording fees
- Charges for third-party services where the charge is not paid to the creditor or the creditor's affiliate; and/or
- Consumer is permitted by the creditor to shop, but selects a third-party provider on the creditor's written list of service providers or does not shop

No Tolerance:

- Prepaid interest; property insurance premiums; amounts placed into an escrow, impound, reserve or similar account;
- Services required by the creditor if the creditor permits the consumer to shop and the consumer selects a third-party provider not on the creditor's list of service providers; and
- Charges paid to third-party providers for services not required by the creditor (may be paid to affiliates of the creditor)

SETTLEMENT SERVICE PROVIDER LIST



- The Settlement Service Provider List that Brokers provide to consumers is now required to contain more detailed information including an estimate of individual fees performed by each service provider along with direct contact with physical address, e-mail address, and phone number. If the consumer chooses a service provider on the list, these fees are included in the 10% cumulative tolerance. If they choose their own provider the charges are removed from the 10% tolerance.

Service Provider List		You can select these providers or shop for your own providers.	
Service	Estimate	Provider We Identified	Contact Information
Pest Inspection Fee	\$135	Pest Co.	Jane Polk 123 Avenue A Anytown, ST 12345 janep@pestco.com 111-222-3333
Survey Fee	\$65	Surveyor LLC	Bill Barnes 456 Avenue B Anytown, ST 12341 billb@surveyorllc.com 111-333-4444
Title – Insurance Binder	\$700	Gamma Title Co.	Joanna Campbell 789 Avenue C Anytown, ST 12333 joannac@gammatitle.com 222-444-5555
Title – Lender's Title Policy	\$535		
Title – Settlement Agent Fee	\$502		
Title – Title Search	\$1,261		
Title – Lender's Title Insurance	\$1,100	Delta Title Inc.	Frank Fields 321 Avenue D Anytown, ST 12321 frankf@deltatitle.com 222-444-6666
Title – Other Title Services	\$1,000		
Title – Settlement Agent Fee	\$350		

The Closing Disclosure

A Lender is generally responsible for ensuring that the borrower receives the Closing Disclosure no later than 3 specific business days before consummation. Consummation is defined under Reg Z as the time that a consumer becomes contractually obligated (Note is signed) on a credit transaction.

- **This new timing requirement will impact the scheduling of all closings**
- An additional 3 specific business days will apply when:
 - The disclosed APR becomes inaccurate: increase of .125% for fixed rate and ARM
 - The loan Product changes. Product is now defined (Fixed, ARM, etc.)
 - A pre-payment penalty is added (REM N Wholesale does not currently offer a pre-payment penalty)

Obtaining the Borrower's consent for e-disclosures will be imperative for delivery of the CD

CLOSING DISCLOSURE



- The Settlement Agent must provide the seller with the Closing Disclosure
- Unlike the Loan Estimate, dollar amounts are not rounded on the CD
- Percentages are rounded to 3 places (ex. 3.875%)
- Adjustable Interest Rate (AIR) and Adjustable Payment (AP) Tables do not show on CD form if they do not apply to the loan
- Not permitted to use N/A
- More important and usable information appears first on the form
- The CD is designed to provide information to help consumers understand all of the costs of the transaction and the total cash needed to close



- REMN Wholesale has developed a tool - LEG (Loan Estimate Generator) which all approved business partners will have access to. This enhancement will allow you to upload the FNMA 3.2, then enter your fees, and LEG will produce the Loan Estimate for you. Look for announcements for the dates and times of training on LEG!
- In accordance with new regulations, REMN Wholesale must send all re-disclosures and the Closing Disclosure directly to the Borrower(s). E-disclosure will be the preferred method so REMN will be asking all Borrowers to sign E-Consent to receive disclosures electronically. Training and job aids for you, the Broker, to assist your customers with this process will be out shortly. **Please note, any "title-only" parties involved in a transaction must also sign E-Consent so they may receive the CD prior to closing as well as the mortgage Borrower(s)**

- Along with the new Loan Estimate, required documents at time of loan submission will include, but are not limited to, the following:
 - Settlement Service Provider List
 - Intent to Proceed, signed by all Borrowers
 - Sales Contract, if loan is a purchase
 - Credit Report
 - 1003
 - Broker Compensation Certificate (newly revised)
 - Itemization of Fees used to create the LE
 - Broker Submission Sheet

Please note, if there are additional versions of the LE prior to loan submission, REMN Wholesale will require all versions to be included with the original submission along with the proper Change of Circumstance associated with the re-disclosure

ISSUING THE CLOSING DISCLOSURE



REMN will be working to provide the Borrower(s) with the Closing Disclosure as soon as possible in order to alleviate delays and also comply with the CD waiting requirements. In order to expedite the closing process, we will be relying on our business partners to provide the required documentation as soon as possible in order to prepare a CD. Some items will be the responsibility of the Broker to submit and others will be obtained by REMN. While this list is still subject to change, these items should include the following:

- Anticipated closing date
- The rate is locked and good through funding date
- The Final Approval has been completed (REMN to provide once all conditions are received)
- The Settlement agent name and email are known and entered into our LOS
- Realtor(s) (listing and selling) name and contact information is known or n/a
- The Property Taxes have been confirmed and from a valid source
- Hazard Insurance premium has been confirmed and from a valid source
- Credit report fees and appraisal fees are final
- Disaster insurance premiums are confirmed (flood, hurricane) and from a valid source
- Credits (Lender and/or Seller) have been identified and entered into our LOS
- Mortgage Insurance amounts in LOS match MI cert (REMN to obtain)
- Inspection fees are supported by invoices
- All pay-offs have been identified and are reflected in our LOS
- Acceptable Compliance Ease report run by REMN (a final report will be run upon receipt of settlement agent fees)
- No outstanding Change of Circumstance that would require re-disclosure of the LE
- The most recent LE was not issued that day.



For further study on the new TILA - RESPA Disclosure Rule check out the following:

- The CFPB has been conducting a series of webinars concerning the new rule. Recorded versions and PDF's for these sessions can be found at:

<https://consumercomplianceoutlook.org/outlook-live/>

- Ellie Mae also has a series of webinars concerning Integrated Disclosures. You can view previously recorded sessions at:

<http://www.elliemae.com/resources/webinars>

On the CFPB website, you can view blank LE's and CD's as well as completed samples of both.

<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>

The new TRID rules become effective October 3, 2015 and REM N Wholesale is here to partner with you as the industry adjusts to this change!

Please do not hesitate to contact your Account Executive or Regional Sales Manager with questions regarding TRID and REM N Wholesale workflow changes.