

Know Before You Owe



TILA-RESPA Integrated Disclosure (TRID) Rule

Background of CFPB



- The Consumer Financial Protection Bureau (CFPB) was established in 2010 under the Dodd-Frank Act
- Directed to publish a rule that combines certain disclosures under TILA and RESPA
 - TILA-RESPA Integrated Disclosure (TRID) Rule
- Know Before You Owe (KBYO)
- New requirements are effective August 1, 2015 (new proposed date is October 1, 2015 – not final yet)

KBYO – Covered Transactions



- What Transactions are Covered by KBYO?
 - Applies to most closed-end consumer credit transactions secured by real property
 - ✦ New – Includes vacant land loans and construction only loans
 - Covered real estate loans held in a Living Trust

KBYO – Exempt Transactions



- What Transactions are Not Covered by KBYO?
 - HELOCs
 - Reverse Mortgages
 - Mobile Homes not permanently attached to land
 - Business loans – i.e. loans held as investment
- Existing Reg Z and Reg X disclosure rules still apply.

Non-Creditor Transactions



- Non-Creditor Transactions
 - Loans made by a person or entity not considered a creditor
 - Cash Transactions

The Loan Estimate



- Loan Estimate
 - Replaces early Truth in Lending (TIL) and Good Faith Estimate (GFE)
 - Provide borrowers with good faith estimate of costs and terms of the transaction
 - Intended to encourage easier shopping and comparison of credit transactions

The Loan Estimate



FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA _____
LOAN ID # 123456789
RATE LOCK NO YES, until 4/16/2013 at 5:00 p.m. EDT

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO

Providing the Loan Estimate



- Definition of Application
 - The six items currently under Regulation X
 - ✦ Name
 - ✦ Income
 - ✦ Social Security Number to obtain credit report
 - ✦ The Property Address
 - ✦ Estimate Value of the property
 - ✦ Mortgage Loan Amount sought
 - Removed ‘catch all’ item
 - ✦ “Any other information deemed necessary by the Lender”
 - But can collect additional information before collecting all six items.

Delivery of The Loan Estimate



- Lender must deliver or place the Loan Estimate in the mail within 3 business days after receipt of the application
- Consumer is considered to have received the disclosure 3 business days after they are sent or placed in the mail
- Loan Estimate must be delivered at least 7 days before consummation

Written List of Providers



- Must provide a written list identifying at least one available provider for each settlement service for which the consumer is permitted to shop
- Must include sufficient information to allow the consumer to contact the provider on the list
- Must state that consumer may choose a different provider for that service
- Separate document from Loan Estimate
- Shopping means can go 'off list'
- The written list is a referral under RESPA

Tolerances



- Zero Tolerance Category
 - Fees paid to the Lender
 - ✦ Origination Fees, Discount Fees
 - Third-party services for which the consumer cannot shop
 - ✦ NEW!! Zero Tolerance Category now includes Appraisal, Credit Report, Flood Determination – previously in the 10% Tolerance category
 - Transfer Taxes

Tolerance (Cont'd)



- 10% Tolerance Category
 - Services for which the consumer can shop, but selects a provider on the written list of providers
 - ✦ IE: Title Company
 - Recording Fees

Tolerances (Cont'd)



- Unlimited Tolerance Category
 - Prepaid Interest
 - Property Insurance premiums
 - Amounts placed into escrow accounts
 - Charges paid to 3rd party service provider not required by lender
 - ✦ NEW!! Owner's Title Policy
 - Services required by Lender if shopping is permitted and borrower chooses provider not on list

Title Insurance Quotes



- Lender's Policy
 - The amount of the premium for the lender's title insurance coverage must be disclosed without any adjustment to the premium that might be made for the simultaneous purchase of an owner's title insurance policy.
 - ✦ This is contradictory to what happens in the real world for Purchase transactions!
 - The Lender's Policy falls into the 10% Tolerance or Unlimited Tolerance category depending on whether the borrower 'shops' from the Service Provider List.

Title Insurance Quotes (Cont'd)



- Owner's Policy

- The CFPB considers this to be an 'Optional' cost. I.E. The borrower is not required to obtain an Owner's Policy to obtain financing.
 - ✦ This may be confusing to the borrower and must be explained that it is in their best interest to obtain an Owner's Policy for their own protection.
- The Owner's Policy falls into the 'Unlimited' or 'No' Tolerance category.
- The Owner's Policy is discounted and shown in the 'Other' section. (See calculation on next screen)

Title Insurance Quotes (Cont'd)



- When the owner's title insurance premium includes a simultaneous issuance premium, the premium is calculated by taking the full owner's title insurance premium, adding the simultaneous issuance premium for the lender's coverage (if any), and then deducting the full premium for lender's coverage.
 - ✦ Full Owner's Premium + Simultaneous Lender's Premium – Full Lender's Premium = Discounted Owner's Premium
- The discount is applied to the Owner's Policy – not the Lender's Policy – when disclosed to the borrower.

Title Insurance Quotes (Cont'd)



- Example:

○ Full Owner's Premium	\$1,900.00
○ Simultaneous Premium	+ 200.00
○ Full Lender's Premium	- <u>1,500.00</u>
○ Total	\$600.00

- Amounts Disclosed to Borrower

○ Lender's Premium -	\$1,500.00
○ Owner's Premium -	\$ 600.00

Title Insurance Quotes (Cont'd)



- For Purchase transactions in states where the seller is paying for the Owner's policy (i.e. Wisconsin), an adjustment will need to be made on the Closing Disclosure.
- In the previous example, a credit to the borrower for \$1,300 and a debit to the seller of \$1,300 would be shown on the disclosure to ensure the correct amounts are charged to each party and the cash to close is accurate.
- It will be important that the offer to purchase accurately states who is responsible for payment of the Owner's Policy.

Real Estate Commissions



- Real Estate Commissions will appear in the 'Other' section of the disclosures.

The Closing Disclosure



- Closing Disclosure
 - Replaces HUD-1 Settlement Statement and Final Truth in Lending (TIL)
- Lender is responsible for
 - Timing
 - Completeness
 - Accuracy

The Closing Disclosure



Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
Anytown, ST 12345
Sale Price \$180,000

Transaction Information

Borrower Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
Seller Steve Cole and Amy Doe
321 Somewhere Drive
Anytown, ST 12345
Lender Ficus Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type Conventional FHA
 VA _____
Loan ID # 123456789
MIC # 000654321

Loan Terms

Can this amount increase after closing?

Loan Amount

\$162,000

NO

Interest Rate

3.875%

NO

Monthly Principal & Interest

\$761.78

NO

The Closing Disclosure



- Closing Disclosure must be received by the borrower to allow for review no later than 3 business days before closing.
- Re-disclosure of the Closing Disclosure is required **AND** a new 3-day review period if:
 - The APR becomes inaccurate (Increases .125% for Fixed Rate or .25% for ARM)
 - The Loan Product changes (i.e. Fixed Rate to an ARM or Interest Only)
 - A Prepayment Penalty is added

The Closing Disclosure



- The new rule allows for ordinary changes that do not alter the basic terms of the deal.
- The following examples may need to be redisclosed but do not require a new 3-day review:
 - Unexpected discoveries on a walk-through even if they require seller credits to the buyer.
 - Most changes to payments made at closing including the amount of the real estate commission, taxes and utilities proration and amount paid into escrow.
 - Typos found at the closing table.

The Closing Disclosure



- Lender is ultimately responsible for providing the Closing Disclosure
- Once the Closing Disclosure is issued, the Loan Estimate cannot be redisclosed
- The Closing Disclosure cannot be delivered prior to or on the same day as the Loan Estimate. It can be delivered one day after the most recent LE.

Delivery Methods



- **Mail or Email**
 - Rule is the same for both methods.
 - When the disclosure is mailed/emailed, there is a 3-day waiting period for delivery
 - Once it is 'delivered', then there is a 3-day review period

Delivery Methods



- Below is an example of Closing Disclosure sent out electronically (does not include email) or personally placed in the hands of the borrower.

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
2	3	4 CD Received by Borrower	5	6	7 First Eligible Signing Date	8

Delivery Methods



- The Lender sends the Closing Disclosure by mail or email. Borrower is considered to have received the 3 days later.

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
2	3	4 CD Put in Mail or emailed by Lender	5	6	7 Borrower receives CD	8
9	10	11 First Eligible Signing Date	12	13	14	15

Delivery Methods



- **Early Receipt:** The Lender may rely on evidence that the consumer received the emailed disclosures earlier. For example, if the Lender emails the disclosures at 1 p.m. on Tuesday, the consumer emails the Lender with an acknowledgement of receipt of the disclosures at 5 p.m. on the same day, the Lender could demonstrate that the disclosures were received on the same day.

Delivery Methods



Sun	Mon	Tues	Wed	Thurs	Fri	Sat
2	3	4 CD Emailed to borrower	5 Lender received acknowledgement of receipt of CD from Borrower	6	7	8 First Eligible Signing Date
9	10	11	12	13	14	15

Old or New?



- Which Disclosures are Used?
 - Transactions covered by KBYO with an application date of August 1, 2015 or later
 - ✦ New – Loan Estimate and Closing Disclosure
 - Transactions covered by KBYO with an application date prior to August 1, 2015
 - ✦ Old – GFE, TIL and HUD-1
 - Transactions not covered by KBYO but still under TIL/RESPA
 - ✦ Old – GFE, TIL and HUD-1
 - Non-Creditor Transactions
 - ✦ HUD-1 or form as required by state law
 - ✦ No GFE or TIL is required.

What does this mean for Lenders and their Partners?



- Adjust procedures to abide by KBYO
- HUGE impact on timing and scheduling a closing
- Communication and training for Staff, Realtors and Title Partners

QUESTIONS?

