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Mortgage Educators
and Compliance

***TRID – TILA RESPA
Integrated Disclosures
Presented by David Luna***



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Thank you

I'd like to thank the many sources of information the Attorney's, Creditors, Title, Credit providers and the CFPB for the information contained in this presentation.



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How is our business going to change?

That depends on who you are and the loans you do:

For our conversation today let's keep it: Retail Loan Officer
and some Wholesale staff.

And the Loan Type – Forward, Reverse, HELOC etc.

Loan Estimate

- We've known about these forms for years, now we are a few months away.
- The CFPB gave industry almost 2 yrs. to comply with the final changes, the final date for TRID is Oct 3, 2015.
- Friday the "Old forms", Saturday the "New" forms.

Loan Estimate

- The CFPB Sept. 2014 wrote a short 90+ page guide to help.
- This guide answers many questions that we'll cover today.
- http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf

TILA-RESPA INTEGRATED DISCLOSURE

Guide to the Loan Estimate
and Closing Disclosure forms

Legal History

- The Dodd-Frank Wall Street Reform and Consumer Protection Act **directed the CFPB to publish rules and forms that combine certain disclosures** which consumers receive in connection **with applying for and closing on a mortgage loan under TILA (Reg. Z) and RESPA (Reg. X).**

Why the changes?

- **The CFPB is amending RESPA Regulation X and TILA Reg. Z to establish new disclosure requirements and forms in Reg. Z for most closed-end consumer credit transactions secured by real property.**

Model Forms

- There are dozens of Model Forms which can be found at:
- http://www.consumerfinance.gov/eregulations/1026-H/2014-25503_20150801#1026-H-1
- What this means is that with the flexibility we have there should not be further changes for 5 years.

“Application”

Today there are 6 different definitions of an application:
RESPA, TILA, HMDA, ECOA, FCRA, and NMLS

- HMDA’s definition of Application will still be different after 10/3 meaning LAR’s info won’t match.

Application definition Oct 3rd will only be six (6) items:

- Name, Income, SS# to pull credit, Address, Estimated Property Value, Loan Amount.

Questions

- What rate, term or program will you have on your LE?
- How many LE's can you prepare?
- How will you track which one the borrower wanted?
- Can you put a logo on the LE?
- What does this do to Pre-Quals. and Pre-Approvals?
- What do you do today to indicate an intent to proceed?

Be careful...

- **Electronic applications on websites** need to be changed if asterisks prevent potential borrowers from submitting an application with the “six” pieces because the software wants more information.
- If you have the “six” items you must provide the Loan Estimate (LE).
- You can ask for more information but this cannot hold up the LE.

Ask, can't require

We may ask for the sale price and address of the property, but may not require the consumer provide the purchase and sale agreement to support the information the consumer provides orally before the creditor provides the Loan Estimate.

Ask, can't require

We may ask for names, account numbers, and balances of the consumer's checking and savings accounts, **but may not require the consumer to provide bank statements or similar documentation to support the information the consumer provides orally before the creditor provides the Loan Estimate.**

Only fee before an LE is for Credit

- **No fees may be imposed** on the consumer before the consumer has received the LE and indicated to the creditor an *intent to proceed*:
 - **Exception for** bona fide and reasonable fee for obtaining the consumer's **credit report**.



Worksheet

- In the future will we still need worksheets?
- Will we need the old GFE (fee worksheet) that we use today to explain the current GFE, to explain the new Loan Estimate (LE)?
- In my opinion NO, However...

LOAN ANALYSIS WORKSHEET								
LOAN ANALYSIS								
INTEREST RATE	5.00%			MONTHLY PAYMENT			\$106.07	
YEARS OF LOAN	10			TOTAL PAYMENT			\$12,727.86	
LOAN AMOUNT	\$10,000.00			TOTAL INTEREST			\$2,727.86	
PAYMENTS DUE	End of Period							
YEARS								
RATE	3	5	10	12	15	20	25	30
2.00%	\$286.43	\$175.28	\$92.01	\$78.17	\$64.35	\$50.59	\$42.39	\$36.96
2.25%	\$287.52	\$176.37	\$93.14	\$79.31	\$65.51	\$51.78	\$43.61	\$38.22
2.50%	\$288.61	\$177.47	\$94.27	\$80.45	\$66.68	\$52.99	\$44.86	\$39.51
2.75%	\$289.71	\$178.58	\$95.41	\$81.61	\$67.86	\$54.22	\$46.13	\$40.82
3.00%	\$290.81	\$179.69	\$96.56	\$82.78	\$69.06	\$55.46	\$47.42	\$42.16
3.25%	\$291.92	\$180.80	\$97.72	\$83.96	\$70.27	\$56.72	\$48.73	\$43.52
3.50%	\$293.02	\$181.92	\$98.89	\$85.15	\$71.49	\$58.00	\$50.06	\$44.90
3.75%	\$294.13	\$183.04	\$100.06	\$86.34	\$72.72	\$59.29	\$51.41	\$46.31

If a consumer is provided with a written estimate of terms or costs **before** receiving the LE:

It must have the statement: **“Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan.”**

The estimate **may not** be made with headings, content, and format substantially similar to the LE form.

- **The creditor may not require a consumer to submit documents verifying information related to the application before providing the LE.**
- An “alternative” format for the LE may be provided on loans where the transaction does **not** include a seller (Refi).

Loan Estimates and revised LEs

- How will the LE be delivered it can be delivered electronically, you will continue to use Doc Magic for initial Les and eSigning.
- Just like today, due to a Change of Circumstance (COC) a new GFE is prepared.
- Going forward if there is a COC a Revised LE is also prepared.

Creditors are bound by the LE

Revisions are only permitted in limited circumstances:

Changed circumstances that occur: (1) after the LE is provided that cause settlement charges to increase **more than tolerances**; or (2) after the LE is provided that affect the consumer's **eligibility** for the loan or **the value** of the collateral.

Changed Circumstances

- **Consumer-requested** revisions to the loan terms or charges.
- **Changes in the points or lender credits** disclosed on the LE as a result of a subsequent rate lock.
- **Consumer indicates an intent to proceed more than 10 days** after the LE was provided.



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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 123 Anywhere Street
 Anytown, ST 12345
EST. PROP. VALUE \$180,000

LOAN TERM 30 years
PURPOSE Refinance
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

1026.37
Appendix
H-24 (D)



Loan Terms		Can this amount increase after closing?
Loan Amount	\$150,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$737.91	NO
		Does the loan have these features?
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments



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Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Estimated Taxes, Insurance & Assessments
Amount can increase over time

\$206
a month

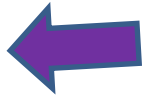
This estimate includes

- Property Taxes
- Homeowner's Insurance
- Other:

See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

In escrow?

YES
YES



Costs at Closing

Estimated Closing Costs

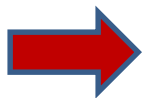
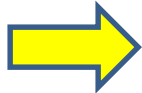
\$8,054

Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. *See page 2 for details.*

Estimated Cash to Close

\$16,054

Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*



Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097

There are less prefilled line items. Just call the fee the same throughout the transaction.

B. Services You Cannot Shop For	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

There are between 12 to 14 blank lines you can use for fees.

Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	

F. Prepaids	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211

H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---	----------------

C. Services You Can Shop For	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender’s Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261

D. TOTAL LOAN COSTS (A + B + C)	\$5,672
--	----------------

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
---	----------------

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$8,054
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$16,054

Fees are in alphabetical order with amounts listed. Totals at the top.

Breakdowns not just totals are on page 2. As well as Cash to Close amounts



You must be right on.

What charges are subject to **zero** tolerance?

- Fees paid to the creditor, or an affiliate;
- Fees paid to an **unaffiliated third party** if the creditor did not permit the consumer to shop or
- Transfer taxes

A large, 3D-rendered red graphic of the text "0%" is positioned in the bottom left corner of the slide. The numbers and the percentage symbol are thick and have a slight shadow beneath them, giving them a three-dimensional appearance.

10% Tolerance

What charges are subject to a **10% tolerance**?

–**Recording fees**

–Charges for third-party services where the charge is not paid to the creditor or an affiliate; and

–The consumer is permitted to shop for a third-party service, and **the consumer selects a third-party service provider on the creditor's written list**

A large, 3D-rendered red graphic of the text "10%" is positioned in the bottom-left corner of the slide. The numbers are thick and have a slight shadow, giving them a three-dimensional appearance.

No Tolerance required

What charges may change **without regard to tolerance** limitation?

- **Prepaid interest, homeowners insurance premiums, escrow impounds or reserves.**
- Services required by the creditor if the creditor permits the consumer to shop and the consumer selects a third-party **service provider not on the creditor's written list** of service providers.
- Charges paid to third-party service providers for **services not required by the creditor.**

Page 3 includes:

- **Contact Information**
- Comparisons table
- Other Considerations table
- If desired, a Signature section (optional) for the consumer to sign to acknowledge receipt



Additional Information About This Loan

LENDER Ficus Bank
NMLS/___ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/___ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890



MORTGAGE BROKER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

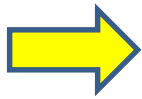
M | E | C

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Comparisons

Use these measures to compare this loan with other loans.

In 5 Years



\$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs.
\$15,773 Principal you will have paid off.

Annual Percentage Rate (APR)

4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.



Additional Information About This Loan

LENDER Ficus Bank
NMLS/___ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/___ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

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Comparisons

Use these measures to compare this loan with other loans.

In 5 Years

\$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs.
\$15,773 Principal you will have paid off.

Annual Percentage Rate (APR)

4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.

Total Interest Percentage (TIP)

69.45% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Consumers
asked for
this third
interest
rate
disclosure.



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A signature by the applicant does not constitute an intent to proceed.

Other Considerations

- Appraisal** We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
- Assumption** If you sell or transfer this property to another person, we
 - will allow, under certain conditions, this person to assume this loan on the original terms.
 - will not allow assumption of this loan on the original terms.
- Homeowner’s Insurance** This loan requires homeowner’s insurance on the property, which you may obtain from a company of your choice that we find acceptable.
- Late Payment** If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
- Refinance** Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
- Servicing** We intend
 - to service your loan. If so, you will make your payments to us.
 - to transfer servicing of your loan.

There are optional consumer signature(s) lines on the new form.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

Less forms more info on the LE

Combines:

- **GFE** and **TIL** forms,
- **Appraisal Notice (ECOA)**, **Servicing Disclosure**,
- Total Interest Percentage (**TIP**) and
- Itemization of closing costs (no need for a fee worksheet)

- As we have presented this form to tens of thousands of MLOs the overwhelmingly response is that they like the new form.
- What are your thoughts on the new forms?

Answers to Questions

- **You cannot** get money, hold a check **or hold a Credit Card for other fees** until the borrower receives an LE and has given you an Intent to Proceed.
- A “Confirm Receipt” of the LE is NOT an “intent to proceed”.
- Fees are now disclosed Alphabetically and must be consistent throughout the transaction.
- No new LE needed if adding a borrower.

Answers to Questions

- Once the loan is “**Locked**” an **new LE is sent out within 3 business days.**
- The CFPB is looking at borrowers having choices or being allowed to shop.
- To that end the CFPB has put together a Service Provider List (SPL) form.



Additional Details for Services You Can Shop For

To get you started with shopping, this list identifies some providers for the services you can shop for (see Section C on page 2 of your Loan Estimate).

CFPB Example of Written List of Providers Model Form H-27 (A).

The borrowers must be allowed to shop

Service Provider List			
You can select these providers or shop for your own providers.			
Service	Estimate	Provider We Identified	Contact Information

The Closing Disclosure

- We need to correct a myth as to when this document goes out, is received and how it can be delivered.
- The methods of delivery and does the borrower need to acknowledge receipt of the Closing Disclosure (CD).



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1026.38

Appendix H-25
(B).

Received 3 days
before

“Consummation”

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 <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
	Does the loan have these features?	
Prepayment Penalty	YES	• As high as \$3,240 if you pay off the loan during the first 2 years
Balloon Payment		NO

Projected Payments	Years 1-7	Years 8-30
Payment Calculation		



The CD

The Closing Disclosure

- Creditors will probably prepare.
- **Page 1** Mirrors the LE
- CD must be **received** not given 3 business days before
“Consummation”
- Depending on delivery method:
“Mailbox rule”, signing for a Fed Ex or UPS package or Electronic delivery through Doc Magic.

The Closing Disclosure

- **Consummation** defined under Reg. Z “the time that a consumer becomes contractually obligated on a credit transaction”. (State law definition)
- Many are siding on “when the note is signed”.
- If “**incorrect**” re-disclose and wait 3 business days.
- Incorrect – means – 1) APR wrong, 2) Loan product changed, or 3) Prepayment penalty added.

Closing Disclosure Q and A

- If I'm pretty sure nothing will change and the loan is still in Underwriting and I send out a CD?
- Can we issue revised CD's?
- Does a revised CD automatically restart the 3 business day clock?
- How late before consummation can the revised CD be prepared, 2 days before, 1 day before the day of, 10 minutes after the borrower shows up to sign?
- Can a CD correct a Loan Estimate (LE)?

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges	\$1,802.00				
01 0.25 % of Loan Amount (Points)	\$405.00				
02 Application Fee	\$300.00				
03 Underwriting Fee	\$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	\$236.55				
01 Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02 Credit Report Fee to Information Inc.		\$29.80			
03 Flood Determination Fee to Info Co.	\$20.00				
04 Flood Monitoring Fee to Info Co.	\$31.75				
05 Tax Monitoring Fee to Info Co.	\$75.00				
06 Tax Status Research Fee to Info Co.	\$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	\$2,655.50				
01 Pest Inspection Fee to Pests Co.	\$120.50				
02 Survey Fee to Surveys Co.	\$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04 Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06 Title – Title Search to Epsilon Title Co.	\$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	\$4,694.05				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			



YSP or SRP are not shown on the Loan Estimate. No POC, it is now “At Closing” or “Before Closing”.

Closing Disclosure pages 2-5

2

- Costs – Loan and Other Costs

3

- Cash to Close and Summaries – Calculations & Summaries of Transactions

4

- Additional Loan Info – Disclosures, Escrow, AP and AIR tables (if applicable)

5

- Other Info – Loan Calculations, Other Disclosures, Contact Info, Confirm Receipt

Closing Disclosure

- The **Seller Closing Disclosure** is different than today. It has NONE of the borrower's information and does NOT need to be signed.
- **The future is all about disclosure to consumers, borrowers or sellers.**

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Question: Does Everything Change October 3, 2015?



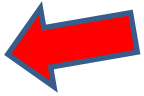
The Answer: No !!!

Stays the Same

- Settlement Cost Booklet
- Or -
- **Your Home Loan Toolkit
(more on the next slide)**
- Reverses, HELOCs,
Second Mortgages will
still use the old forms

- 0% Interest, Subordinate
loans for DPA, Energy
Efficiency or Foreclosure
avoidance loans will still use
the old forms
- Electronic delivery is fine if
approved by borrower.

MAR 31 2015



CFPB Announces New 'Know Before You Owe' Mortgage Shopping Toolkit

"Your Home Loan Toolkit" Will Help Consumers Be Informed Mortgage Shoppers

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today released a new toolkit that guides consumers through the process of shopping for a mortgage and buying a house. Developed as part of the CFPB's "Know Before You Owe" mortgage initiative, the toolkit will help consumers take full advantage of the new Loan Estimate and Closing Disclosure forms that lenders are required to begin providing in August.

Your home loan toolkit
A step-by-step guide



The Answer: No !!!

What Changes

- Construction, Lot and Temporary Financing use the new forms
- It combines several disclosures into 2.
- Application definition changed.

- Can collect more during the 3 days but can't hold up the LE.
- Borrower's signature on the bottom is **OPTIONAL**.

Final Thoughts

- This is not going to be a big change over what we are doing today.
- Records retention are now longer Compliance 3 yrs., Final Docs 5 yrs. Including Seller CD's not prepared by GMFS.
- Staff needs to be trained by Sept. 2015 at the latest so we have more time to get prepared.



Questions / Thank You

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