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***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 and Credit providers and the CFPB for the information contained in this presentation.

There is information coming from a great many sources like this one provide by MGIC.



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How is our business going to change?

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

Wholesaler, Third Party Originator, Correspondent, Mini-C

Retail Loan Officer - Bank, Credit Union, Mortgage Banker

Loan Type – Forward, Reverse, Second



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Loan Estimate

- We've known about these forms for years, now we are about 4 months away.
- The CFPB gave industry 21 months to comply with the final changes, there will be no extensions.
- Friday July 31st "old forms", Saturday Aug. 1st New Forms.
- **The LE must be delivered or placed in the mail not later than the 7th business day before loan consummation.**



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Loan Estimate

- The CFPB Sept. 2014 wrote a short 90+ page guide to help.
- 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 direct 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).



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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.



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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

“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 8/1 meaning LAR’s info won’t match.

Application definition Aug 1 will only be six (6) items:

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

Be careful...

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



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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

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.

Worksheet

- The creditor may not require a consumer to submit documents verifying information related to the application before providing the LE.
- If a mortgage broker receives the consumer's application, either the creditor or the mortgage broker may provide the consumer with the LE. (§ 1026.19(e)(1)).
- An “alternative” format for the LE may be provided on loans where the transaction does **not** include a seller.



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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.



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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

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 <i>Amount can increase over time</i>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other:	In escrow? YES
		See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.	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.

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 \$240,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 5 Year Interest Only, 5/3 Adjustable 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	\$211,000	NO
Interest Rate	4%	YES • Adjusts every 3 years starting in year 6 • Can go as high as 12% in year 15 • See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	YES • Adjusts every 3 years starting in year 6 • Can go as high as \$2,068 in year 15 • Includes only interest and no principal until year 6 • See AP Table on page 2 for details
Does the loan have these features?		
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments	Payment Calculation			
	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$812	\$1,137–\$1,468	\$1,137–\$1,713	\$1,028–\$2,068

Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$533 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other; <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	In escrow? NO NO
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Costs at Closing	
Estimated Closing Costs	\$8,791 Includes \$5,851 in Loan Costs + \$2,940 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$27,791 Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

More details, more is filled out on LE.



Fewer details, more white space

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
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	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 <i>Amount can increase over time</i>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other; <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	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.



Closing Cost Details

Loan Costs

A. Origination Charges	\$1,950
.5% of Loan Amount (Points)	\$750
Application Fee	\$250
Origination Fee	\$450
Underwriting Fee	\$500

B. Services You Cannot Shop For	\$635
Appraisal Fee	\$425
Credit Report Fee	\$30
Flood Determination Fee	\$25
Flood Monitoring Fee	\$45
Tax Monitoring Fee	\$65
Tax Status Research Fee	\$45

Other Costs

E. Taxes and Other Government Fees	\$80
Recording Fees and Other Taxes	\$80
Transfer Taxes	

F. Prepays	\$1,585
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (1 months)	\$82
Prepaid Interest (\$17.71 per day for 15 days @ 4.25%)	\$266
Property Taxes (6 months)	\$632

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	\$0
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I. TOTAL OTHER COSTS (E + F + G + H)	\$2,078
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There are less prefilled line items. Just call the fee the same throughout the transaction.

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

C. Services You Can Shop For	\$936
Pest Inspection Fee	\$85
Title - Insurance Binder	\$50
Title - Lender's Title Policy	\$251
Title - Settlement Agent Fee	\$350
Title - Title Search	\$200

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,078
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J. TOTAL CLOSING COSTS	\$5,099
D + I	\$5,599
Lender Credits	- \$500

Calculating Cash to Close	
Loan Amount	\$150,000
Total Closing Costs (J)	- \$5,099
Estimated Total Payoffs and Payments	- \$120,000
Estimated Cash to Close <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	\$24,901

Estimated Closing Costs Financed (Paid from your Loan Amount)	\$5,099
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D. TOTAL LOAN COSTS (A + B + C)	\$3,521
--	----------------

Amounts are listed.

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



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Additional Information About This Loan

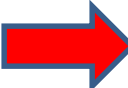
LENDER Ficus Bank
NMLS/___ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/___ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

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

Consumers asked for a third interest disclosure

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years		\$51,932 Total you will have paid in principal, interest, mortgage insurance, and loan costs.
		\$13,788 Principal you will have paid off.
Annual Percentage Rate (APR)	4.537%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.28%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

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.



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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 <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> 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.
Loan Acceptance	You do not have to accept this loan because you have received this form or signed a loan application.
Liability after Foreclosure	Taking this loan could end any state law protection you may currently have against liability for unpaid debt if your lender forecloses on your home. If you lose this protection, you may have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
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 <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

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

Less forms more info on the LE

Combines:

- GFE and TIL forms
- Appraisal Notice (ECOA), Servicing Disclosure,
- It includes payments over 5 yrs.,
- Total Interest Percentage (TIP) and
- Itemization of closing costs

As we have presented this form to thousands of MLOs the overwhelmingly response is that they like the new form.

Zero Tolerance



- Fees to or credits from Lender/Broker
- 3rd party services paid to affiliates
- Charges for services where borrower isn't allowed to shop
- Transfer Taxes

10% Tolerance



- Still based on aggregate amount
- Unaffiliated 3rd Party if shopping allowed
- Recording Fees

No Tolerance



- Prepaid Interest,
- Impound Amounts
- Property Ins. Premiums
- Consumer picked provider NOT on Service Provider List

Answers to Questions

- You cannot get money, hold a check or hold a Credit Card 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.
- 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 has said: Do not “pad” or “lowball” the fees on the LE make it as accurate as possible.
- The CFPB is looking at borrowers having choices or being allowed to shop.



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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		Transaction Information		Loan Information	
Date Issued	4/15/2013	Borrower	Michael Jones and Mary Stone	Loan Term	30 years
Closing Date	4/15/2013		123 Anywhere Street	Purpose	Purchase
Disbursement Date	4/15/2013		Anytown, ST 12345	Product	Fixed Rate
Settlement Agent	Epsilon Title Co.	Seller	Steve Cole and Amy Doe		
File #	12-3456		321 Somewhere Drive	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA
Property	456 Somewhere Ave		Anytown, ST 12345		<input type="checkbox"/> VA <input type="checkbox"/> _____
	Anytown, ST 12345	Lender	Ficus Bank	Loan ID #	123456789
Sale Price	\$180,000			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		
Payment Calculation	Years 1-7	Years 8-30



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”**
- We’ll define consummation in a moment but the point is 3 business days. Depending on delivery method: “Mailbox rule”, Electronic delivery or signing for a Fed Ex package.

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-disclosure and wait 3 business days.
- Incorrect – means – APR wrong, loan product changed, or prepayment penalty added.



Closing Cost Details		Borrower-Paid		Seller Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
Loan Costs						
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				
B. Services Borrower Did Not Shop For		\$236.55				
04	Appraisal Fee to John Smith Appraisers Inc.		\$29.00			\$405.00
05	Credit Report Fee to Information Inc.					
06	Flood Determination Fee to Info Co.	\$20.00				
07	Flood Monitoring Fee to Info Co.	\$11.25				
08	Tax Monitoring Fee to Info Co.	\$75.00				
09	Tax Status Research Fee to Info Co.	\$80.00				
C. Services Borrower Did Shop For		\$2,658.50				
10	Pest Inspection Fee to Pests Co.	\$120.50				
11	Survey Fee to Surveys Co.	\$85.00				
12	Title - Insurance Binder to Epsilon Title Co.	\$650.00				
13	Title - Lender's Title Insurance to Epsilon Title Co.	\$500.00				
14	Title - Settlement Agent Fee to Epsilon Title Co.	\$500.00				
15	Title - Title Search to Epsilon Title Co.	\$800.00				
D. TOTAL LOAN COSTS (Borrower-Paid)		\$4,694.05				
Loan Costs Subtotal (A + B + C)		\$4,694.25	\$29.80			
Other Costs						
E. Taxes and Other Government Fees		\$85.00				
16	Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
17	Transfer Tax to Any State			\$950.00		
F. Prepaids		\$2,126.80				
18	Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,209.00				
19	Mortgage Insurance Premium (mo.)	\$279.04				
20	Prepaid Interest (\$17.46 per day from 4/15/13 to 3/1/13)	\$631.80				
21	Property Taxes (6 mo.) to Any County USA					
G. Initial Escrow Payment at Closing		\$412.25				
22	Homeowner's Insurance \$100.83 per month for 2 mo.	\$201.66				
23	Mortgage Insurance per month for mo.					
24	Property Taxes \$105.59 per month for 2 mo.	\$210.60				
H. Other		\$2,400.00				
25	HGA Capital Contribution to HGA Ace Inc.	\$500.00				
26	HGA Processing Fee to HGA Ace Inc.	\$150.00				
27	Home Inspection Fee to Engineers Inc.	\$750.00				
28	Home Warranty Fee to XYZ Warranty Inc.			\$450.00	\$750.00	
29	Real Estate Commission to Alpha Real Estate Broker			\$5,700.00		
30	Real Estate Commission to Omega Real Estate Broker			\$5,700.00		
31	Title - Owner's Title Insurance (optional) to Epsilon Title Co.	\$1,000.00				
I. TOTAL OTHER COSTS (Borrower-Paid)		\$5,018.05				
Other Costs Subtotal (E + F + G + H)		\$5,018.05				
J. TOTAL CLOSING COSTS (Borrower-Paid)		\$9,712.10				
Closing Costs Subtotal (D + I)		\$9,682.30	\$29.80	\$12,800.00	\$750.00	\$405.00
Lender Credits						

When the LO Comp is paid by the creditor or “Lender Paid”. It is disclosed in the “Paid by Others” column.

This is not 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



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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 and the consumers, borrowers or sellers.
- Corrections with CDs – but not for APR, Loan Program or PPP.

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Question: Does Everything Change August 1, 2015?



The Answer: No !!!

Stays the Same

- Settlement Cost Booklet stays the same
- 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.

The Answer: No !!!

What Changes

- Construction, Lot and Temporary Financing use the new forms
- It combines 4 disclosures into 2.
- Application definition changed. Now ONLY 6 items.

- This needed to change as there were 6 definitions of an “Application” – RESPA, TILA, HMDA, ECOA, FCRA, NMLS
- Can collect more during the 3 days but can’t hold up the LE.
- Borrower’s signature on the bottom is OPTIONAL.



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Final Thoughts

- Revised LE's are required 3 business days after rate is locked.
- Remember to include the lock expiration TIMEZONE.
- It is the Corporate Office or the Property's Time Zone?
- Records retention are now longer Compliance 3 yrs., Final Docs 5 yrs.
- Staff needs to be trained by July 2015 at the latest.

www.consumerfinance.gov/regulatory-implementation/tila-respa

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Questions / Thank You

