



Changes to Mortgage Loan Closing Process

**2015 Iowa Land- Title
Conference**

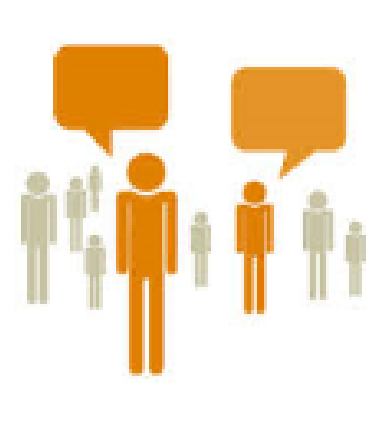
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Background

- Historically – RESPA & TILA Disclosures
- Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) signed into law July 2010
- DFA established Consumer Financial Protection Bureau (CFPB) and charged it with rule-writing authority
- Know Before You Owe
 - Consumer Research
 - Not enough time to review documents
 - Too much paper
 - Complex/confusing forms
 - Repeated information presented in different formats





Background

- CFPB issued final TILA-RESPA Integrated Disclosure (TRID) rule November 2013, which:
- Combines the early TIL and GFE into a new Loan Estimate;
- Consolidates the final TIL and HUD Settlement Statement into a new Closing Disclosure
- Revises disclosure timing rules
- Establishes new tolerance levels for disclosed costs



Effective Date

- **August 1, 2015**
- Applications received on or after 8.1.2015
- Cannot use new disclosures earlier than 8.1.2015
- As a result, both old and new forms will be used for a period of time





More Covered Transactions

- Closed-end consumer credit transactions secured by **real property**
 - Collateral interest in a “dwelling” is not required
- Covered transactions include consumer-purpose:
 - Home purchase, refinance and home equity
 - Loans secured by bare land (lot loans)
 - Loans secured by more than 25 acres
 - Construction-only loans
 - Temporary, closed-end consumer loans
 - Loans extended to family or estate trusts





Delivery of Loan Estimate (LE)

- Lender must deliver or place the LE in the mail:
 - No later than the 3rd business day after receiving an “application”; and,
 - At least 7 business day before consummation
- Definition of “application” is “bare-bones”
 - Consumer’s name & SSN
 - Consumer’s income
 - Property address & estimated value
 - Mortgage loan amount sought





The Loan Estimate



- Must be provided “in good faith”
- Considered “binding” upon Lender if consumer accepts loan offer within 10 business days
 - Some estimated costs cannot increase at all from LE to actual costs charged at closing
 - Some costs can increase in the aggregate up to 10% over what was disclosed on LE
- Can be re-issued if “changed circumstance” occurs



Revised Loan Estimates

- Lenders can issued revised Loan Estimates **within 3 business days** of:
 - A change affecting settlement charges
 - A change affecting a borrower's eligibility
 - Revisions requested by the borrower
 - Locking in an interest rate
 - Expiration of the Loan Estimate
 - Delayed settlement on a construction loan
- Only the fee related to the change can be revised!



Limitations for Cost Increases

0% Tolerance

- All fees paid to Lender & Mortgage Broker
- All Fees paid to AFFILIATE of Lender or Broker
- Unaffiliated Third Party Fees that are NOT shoppable
- Transfer Taxes

5.1.15

10% Aggregate Increase

- Shoppable Unaffiliated Third-Party Fees
- Recording Fees
- Services for which consumer may but does not shop for

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Variations Permitted

- Prepaid Interest
- Property Insurance
- Escrow Deposits
- Third-Party providers not on Shopping List
- Third-Party services not required by Lender

9



Opportunity or Lost Revenue?

If a Lender requires use of a certain provider, the fee is subject to the 0% tolerance.

This may lead more lenders to permit consumers to shop for settlement services so the fee moves to the 10% tolerance category.

Opportunity for new consumer customers??

or

Lost revenue of Lender-selected orders???



Questions





The Closing Process

- The Closing Disclosure (CD) replaces the final TIL and HUD Settlement Statement
- **Lender is responsible for completion & delivery of CD to the borrower!**
 - Lender may contract with Settlement Agent to provide the CD but remains ultimately liable for compliance with the rule.





The Closing Process

- The consumer borrower must **RECEIVE** the CD no later than 3 business days prior to consummation
 - Business day = Mon. thru Sat. (do not count Federal legal holidays)
 - Consumer cannot receive the CD the same day as a revised LE
 - Add 3-day “mailbox rule” if CD is delivered ***other than*** in person
 - Includes electronic delivery unless you have proof of receipt
 - Consummation = the time that a consumer becomes contractually obligated on a credit transaction
 - May or may not be the same day as buyer-seller settlement



Closing Disclosure Delivery

Closing DATE	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Hand Deliver CD to Borrower	Preceding Thurs.	Preceding Fri.	Preceding Sat.	Preceding Mon.	Preceding Tues.	Preceding Wed.
Delivery Other than in Person*	Preceding Mon.	Preceding Tues.	Preceding Wed.	Preceding Thurs.	Preceding Fri.	Preceding Sat.

- If the Lender has evidence of actual receipt, the 3-day mailbox rule delivery period can be shorted.
- Note: If a federal holiday falls in the 3-day period, add a day for disclosure delivery.



The Seller's Disclosure

Seller's Copy of Closing Disclosure

- Responsible Party - Settlement agent; not the Lender
- Disclosure Delivery – at or before consummation
- Format – 2 options:
 - Combined Disclosure H-25(A)
 - Separate Seller's Disclosure H-25(I)
 - Shown on next slide
- Copy must be provided to Borrower's Lender





This form is found at: <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/#disclosures>

Closing Disclosure

Closing Information

Date Issued
Closing Date
Disbursement Date
Settlement Agent
File #
Property
Sale Price

Transaction Information

Borrower

Seller

Summaries of Transactions

SELLER'S TRANSACTION	
Due to Seller at Closing	
01	Sale Price of Property
02	Sale Price of Any Personal Property Included in Sale
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09	City/Town Taxes to
10	County Taxes to
11	Assessments to
12	
13	
14	
15	
16	
Due from Seller at Closing	
01	Excess Deposit
02	Closing Costs Paid at Closing (1)
03	Existing Loan(s) Assumed or Taken Subject to
04	Payoff of First Mortgage Loan
05	Payoff of Second Mortgage Loan
06	
07	
08	Seller Credits
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14	City/Town Taxes to
15	County Taxes to
16	Assessments to
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing	
Total Due from Seller at Closing	
Cash <input type="checkbox"/> From <input type="checkbox"/> To Seller	

Contact Information

REAL ESTATE BROKER (B)	
Name	
Address	
License ID	
Contact	
Contact License ID	
Email	
Phone	
REAL ESTATE BROKER (S)	
Name	
Address	
License ID	
Contact	
Contact License ID	
Email	
Phone	
SETTLEMENT AGENT	
Name	
Address	
License ID	
Contact	
Contact License ID	
Email	
Phone	

? Questions? If you have questions about the loan terms or costs on this form, use the contact information above. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Closing Cost Details

Loan Costs	Seller Paid	
	At Closing	Before Closing
A. Origination Charges		
01	% of Loan Amount (Points)	
02		
03		
04		
05		
06		
07		
08		
B. Services Borrower Did Not Shop For		
01		
02		
03		
04		
05		
06		
07		
08		
C. Services Borrower Did Shop For		
01		
02		
03		
04		
05		
06		
07		
08		
Other Costs		
E. Taxes and Other Government Fees		
01	Recording Fees	Deed: Mortgage:
02		
F. Prepays		
01	Homeowner's Insurance Premium (mo)	
02	Mortgage Insurance Premium (mo)	
03	Prepaid Interest (per day from to)	
04	Property Taxes (mo)	
05		
G. Initial Escrow Payment at Closing		
01	Homeowner's Insurance	per month for mo.
02	Mortgage Insurance	per month for mo.
03	Property Taxes	per month for mo.
04		
05		
06		
07		
H. Other		
01		
02		
03		
04		
05		
06		
07		
08		
09		
10		
11		
12		
13		
J. TOTAL CLOSING COSTS		



Impact of New Timing Rules

We all need to have realistic expectations:

- Final walk-throughs need to happen earlier
- Buyers & sellers need to understand last minute negotiations may delay closing
- Process of gathering closing numbers needs to begin earlier
- Lender has to be consulted when setting closing date
- 30 day purchase agreement to settlements may be a thing of the past



The Closing Process

What if you don't know the final numbers?

- Compete the CD with best information available
- Rule requires due diligence
- Contact providers
- Use calculation tools

What if the CD changes after it is provided but before closing?

- Provide a corrected CD to impacted parties if any “term” of the transaction is found to be inaccurate
- Term = fee or loan term



The Closing Process

- New 3-day waiting period for revised Closing Disclosure triggered if:
 - APR becomes inaccurate
 - Generally increase of APR by .125% or more
 - Loan product changes
 - Prepayment penalty is added





Closing Disclosure Changes

Post-Consummation CD Changes

- Revised Closing Disclosure required if:
 - Change occurs during 30-calendar days after consummation **and**,
 - Results in change to amount paid by borrower or seller
- Must be delivered no later than 30 calendar days after receiving notice of change
- Lender provide to borrower
- Settlement agent provide to seller





Closing Disclosure Changes

Refunds related to “Good Faith” Analysis

- AKA Tolerance Cures
- Not a violation if within 60 calendar days after consummation:
 - Corrected disclosure is provided to consumer
 - Refund of “excess charges” is provided





Your Questions





Role of the Settlement Agent

Today:

- Carry out written instructions of parties to contract
- Obtain title work
- Cure title matters
- Gather costs to prepare HUD
- Prepare final HUD
- Obtain signatures of all parties
- Disburse funds
- Record documents

After August 1





Role of the Settlement Agent

- **What we know with certainty:**
 - Lender is responsible for providing CD to the Buyer
 - Settlement agent provides CD to the Seller
 - The process of preparing the CD has to happen much earlier in the closing process!
- Nearly everything else will be determined by agreement between the Lender, Settlement Agent and parties to the transaction!





Set Realistic Expectations





Set Realistic Expectations

- Ensure all parties understand new disclosure timelines
- Communicate “critical dates” in writing
- Follow up with all parties
- Last minute changes could mean delays
- Don’t play the “blame game”





Questions to Ask Lenders

- Timely communication is key to success
 - How will information be communicated to settlement providers?
 - Who will be Lender's key contact person if a change occurs?
 - Who will create the Closing Disclosure? (Lender? Settlement Agent?)
 - Who will set the closing date? (Lender? Realtor? Settlement Agent?)
 - What if realtor provides conflicting information?
 - Who should my final bill be submitted to?
 - How far in advance of closing will you need my final bill (or estimated final invoice)?
 - How will last minute changes to CD be handled? By whom?
 - Who is responsible for making disbursements?



The Settlement Partner's Role

Keys to Successful & Timely Mortgage Loan Closings

con·sist·en·cy

/kənˈsɪstənsē/ 

noun

1. conformity in the application of something, typically that which is necessary for the sale of logic, accuracy or fairness

com·mu·ni·ca·tion

/kəˌmyʊnəˈkɑːʃ(ə)n/

noun

1. The imparting or exchanging of information or news

col·lab·o·ra·tion

/kəˌlæbəˈrɑːʃ(ə)n/

noun

1. the action of working with someone to create something



Thank you!