

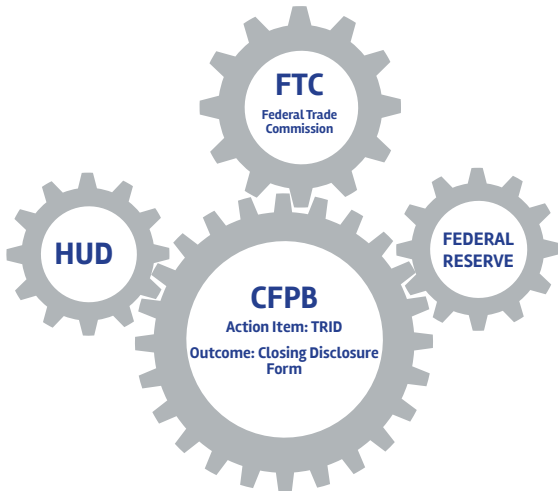
TIL-RESPA INTEGRATED DISCLOSURE OVERVIEW

WHAT IS THE CLOSING DISCLOSURE FORM ALL ABOUT?

TIL-RESPA Integrated Disclosure, commonly referred to as “TRID”, is the new buzz word in the real estate industry. It refers to the upcoming form and rule change starting August 1, 2015 where the Truth in Lending (TIL) form and the HUD-1 Settlement Statement (RESPA) will be combined and integrated into a new form called the Closing Disclosure Form. The purpose of the Closing Disclosure Form is to provide the borrower with a clear and understandable final snapshot of the loan and the costs associated with the loan.

When? The change will be effective August 1, 2015.

WHERE DID THIS INITIATIVE COME FROM?



Congress decided to have one independent agency focus on consumer protection versus many, which is why the Consumer Financial Protection Bureau (CFPB) was created. The CFPB was tasked with creating an integrated disclosure form and the end product is the Closing Disclosure Form.

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

Closing Disclosure

Closing Information		Transaction Information		Loan Information	
Date Issued	9/10/2012	Borrower	John A. and Mary B. 123 Anywhere Street Anytown, ST 12345	Loan Term	30 years
Closing Date	9/14/2012	Seller	Steve C. and Amy D. 321 Somewhere Drive Anytown, ST 12345	Purpose	Purchase
Disbursement Date	9/14/2012	File #	12-3456	Product	Fixed Rate
Agent	Epsilon Title Co.	Lender	Ficus Bank	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"/>	
Sale Price	\$180,000			Loan ID #	123456789
				MC #	000654321

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments Below for Your Total Monthly Payment</small>	\$761.78	NO
Prepayment Penalty	NO	
Balloon Payment	NO	

Does the loan have these features?	
Prepayment Penalty	NO
Balloon Payment	NO

TELL ME ABOUT THIS NEW FORM...

- Replaces current HUD-1 and final TIL
- Five pages
- Provided by lender or settlement/escrow agent
- Delivered three business days before consummation

The Closing Disclosure Form combines the TIL (Truth in Lending) form and the combined HUD-1/GFE Settlement Statement. Therefore, on a financed transaction, both of these forms will go away.

The Closing Disclosure Form is a Buyer/Borrower document. It is not a form that the Seller receives as it contains loan information on it that should not be disclosed to the Seller. At this time, we do not know what form will be given to the Seller, however, industry partners (lending and settlement) are trying to figure out what this form will look like. It will likely resemble the current settlement statements.

Even with the Closing Disclosure Form, the Buyer/Borrower and Seller will be asked to sign settlement statements or a similar document to signify the full accounting of the transaction and to authorize the receipt and disbursement of funds by the settlement company.

TIL-RESPA INTEGRATED DISCLOSURE OVERVIEW

WHAT ARE THE MAJOR IMPACTS TO MY JOB?

The growing general consensus is that a real estate deal under the new rules will take 45–60 days on average to close, and for tricky deals or deals that require additional loan underwriting, those real estate transactions could



Allow
45-60
days to
close.

easily take 90 days to complete from the time of a mutually executed contract.

Another obstacle is the new 3-day rule. The 3-day rule makes the lender responsible for ensuring that the borrower receives the Closing Disclosure Form no later than three

business days before consummation (or the closing date). The purpose of the 3-day rule is for a borrower to have enough time to review the loan details and costs associated with the loan prior to consummation and to avoid any last minute surprises at the closing table that might negatively impact the borrower.

Because of the 3-day rule, real estate brokers should schedule the closing date on their contracts for at least 30 days more than they are accustomed to scheduling, although 60 days may be advisable especially for deals done in the first few months of implementation, (e.g. August first through the end of 2015), as lenders and settlement agents work out the unintended consequences and “bugs” that the new rules present.

Another issue that real estate brokers will bump into is the submittal of borrower paid invoices, such as home warranty and improvement location certificate invoices. Real estate brokers should begin practicing and insert

into their workflow the submission of all invoices for borrower paid items to the settlement company 10 days before closing. After receiving all borrower paid invoices the settlement company must prepare and send to the lender its side of the transaction so the lender has enough time to complete the Closing Disclosure Form. Once completed, the lender must deliver to the borrower six days before consummation in order to comply with the 3-day rule. Those brokers that are used to submitting last minute borrower invoices may find their closings delayed because of the 3-day rule and the need for re-disclosure.

3 day rule

Lastly, when scheduling back-to-back closings or back-to-back-to-back closings, real estate brokers must take into account the additional timelines for disclosure and structure their contracts to be flexible in the case of delays. The first transaction in a back-to-back closing could trigger a ripple effect that will delay subsequent closings and the last thing anyone would want is for a subsequent deal to fall out of contract. As a practical matter, moving trucks should not be scheduled for the day of closing since the chances of the timing not coming together as planned might be high.



Changes require a new 3 business day waiting period if:

1. APR changes beyond allowable limits;
2. Loan product changes;
3. Pre-payment penalty is added.

QUESTIONS? Email contact@assuredtitleagency.com and we'll get right back to you!