

Digging through the DIRT on TRID

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The Basics

- What?
 - Changes to the Loan and Settlement Disclosure forms and processes for most closed-end loans
- When?
 - Effective for any loan application received for most closed-end loans on or after August 1, 2015 (CFPB has moved the date to October 3, 2015)
- Why?
 - Dodd-Frank Act of 2010 mandates the combination of the Truth in Lending Act loan disclosures with the RESPA Good Faith Estimate and HUD-1 Settlement Statement

The Basics

- How?
 - The CFPB created two new forms
 - The Loan Estimate
 - The Closing Disclosure
- Who?
 - Who will issue the forms?
 - The Loan Estimate – Issued by the Lender or Mortgage Broker
 - The Closing Disclosure – Issued by the Lender or Settlement/Escrow Agent (if Lender delegates the responsibility)

The Forms

- The TILA-RESPA Integrated Disclosure Rule (“TRID Rule”) consolidates four existing disclosures required under TILA and RESPA into two forms:
 - The Loan Estimate
 - Combines the old Initial Truth in Lending Disclosure and the RESPA Good Faith Estimate
 - Triggered by receipt of a Completed Loan Application
 - The Closing Disclosure
 - Combines the old Final Truth in Lending Disclosure and RESPA HUD-1 Settlement Statement

Loans Subject to TRID Rule:

- Closed-end loans on real property
- Loans formerly subject to TILA but not subject to RESPA
 - Construction-only loans
 - Loans secured by vacant land or by 25+ acres
- Loans extended to certain trusts for tax or estate planning purposes

The TRID Rule Does Not Apply To:

- Reverse mortgages
- Home-equity lines of credit (HELOCs)
- Loans on mobile homes which are not attached to land
- Loans made by a person who makes five or fewer mortgages in a year
- Certain no-interest loans secured by subordinate liens

***** You will continue to use the existing TIL and RESPA forms for these transaction types *****

The Loan Estimate

- Pre-Disclosure Restrictions
 - No fees may be imposed on a borrower in connection with the application before the borrower has received the Loan Estimate and indicated to the Lender an intent to proceed with the transaction
 - ONLY exception is for a bona fide and reasonable fee for obtaining the borrower's credit report
 - If a borrower is provided with a written estimate of terms or costs before receiving the Loan Estimate, the form must contain certain terms and be in a format not substantially similar to the Loan Estimate
 - May not require a borrower to submit documents verifying information related to the application before providing the Loan Estimate

The Loan Estimate

- Differences and Similarities between the old forms and the new Loan Estimate
 - Mostly the same information, presented in a different format
 - Information most helpful to borrower on page 1
 - Added more useful information required by the Dodd-Frank Act and sought by borrowers, such as estimated cash to close
 - Costs can be itemized, but each category is subtotaled
 - Removed information which borrower testing had indicated did not improve borrower understanding
 - The annual percentage rate is disclosed on the third page
 - Signature of borrower to confirm receipt is permitted

The Loan Estimate: Three Day Rule

- The Loan Estimate must be delivered or placed in the mail to the borrower no later than the third **business day** after the Lender or Mortgage Broker receives the borrower's **complete loan application** for a mortgage loan.
 - For purposes of the Loan Estimate, a **business day** is a day on which the lender's offices are open to the public for carrying out substantially all of its business functions.
 - A **complete loan application** consists of six items which must be provided by the borrower to the lender or mortgage broker

The Loan Estimate:

Completed Loan Application

- What constitutes a completed loan application?
 - Borrowers' Name
 - Borrowers' Income
 - Borrowers' Social Security Numbers
 - Property Address
 - Estimated Value of the Property
 - Mortgage Loan Amount

The Loan Estimate

- Page One
 - General information
 - Loan terms
 - Projected payments
 - Closing Costs

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE Conventional FHA VA _____
LOAN ID #
RATE LOCK NO YES, until
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

PROPERTY
EST. PROR. VALUE

Loan Terms

Can this amount increase after closing?

Loan Amount

Interest Rate

Monthly Principal & Interest
See Projected Payments below for your Estimated Total Monthly Payment

Prepayment Penalty

Balloon Payment

Does the loan have these features?

Projected Payments

Payment Calculation

Principal & Interest

Mortgage Insurance

Estimated Escrow
Amount can increase over time

Estimated Total
Monthly Payment

Estimated Taxes, Insurance
& Assessments
Amount can increase over time

This estimate includes Property Taxes Homeowner's Insurance Other:
In escrow?
See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

Costs at Closing

Estimated Closing Costs

Includes _____ in Loan Costs + _____ in Other Costs –
in Lender Credits. See page 2 for details.

Estimated Cash to Close

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

The Loan Estimate

- Page Two
 - Loan costs
 - Origination
 - Services Borrower may not shop for
 - Services Borrower may shop for
 - Other costs
 - Transfer Taxes, Recording Fees, etc.
 - Prepaids
 - Initial Escrow Payment
 - Calculation of Cash to Close
 - Form changes for different loan types
 - Adjustable Payment (AP)
 - Adjustable Interest Rate (AIR)
 - Use one or both, depending on loan terms

Closing Cost Details

Loan Costs	Other Costs
A. Origination Charges % of Loan Amount (Points)	E. Taxes and Other Government Fees Recording Fees and Other Taxes Transfer Taxes
	F. Prepaids Homeowner's Insurance Premium (months) Mortgage Insurance Premium (months) Prepaid Interest (per day for days @) Property Taxes (months)
B. Services You Cannot Shop For	G. Initial Escrow Payment at Closing Homeowner's Insurance per month for mo. Mortgage Insurance per month for mo. Property Taxes per month for mo.
	H. Other
C. Services You Can Shop For	I. TOTAL OTHER COSTS (E + F + G + H)
	J. TOTAL CLOSING COSTS D + I Lender Credits
	Calculating Cash to Close Total Closing Costs (J) Closing Costs Financed (Paid from your Loan Amount) Down Payment/Funds from Borrower Deposit Funds for Borrower Seller Credits Adjustments and Other Credits Estimated Cash to Close
D. TOTAL LOAN COSTS (A + B + C)	Adjustable Payment (AP) Table
	Interest Only Payments? Optional Payments? Step Payments? Seasonal Payments? Monthly Principal and Interest Payments First Change/Amount Subsequent Changes Maximum Payment
	Adjustable Interest Rate (AIR) Table Index + Margin Initial Interest Rate Minimum/Maximum Interest Rate Change Frequency First Change Subsequent Changes Limits on Interest Rate Changes First Change Subsequent Changes

The Loan Estimate

Page Two - Tolerances

- Certain charges are not subject to a tolerance limitation
- Some charges subject to a 10% cumulative tolerance
- Other charges subject to zero tolerance

The Loan Estimate

“Changed Circumstances”

- Revised Loan Estimates permitted only in certain specific changed circumstances.

*** A Lender may NOT provide a revised Loan Estimate after a Closing Disclosure has been provided to the Borrower ***

The Loan Estimate

Exceeding limitations

- If the amounts paid by the consumer at closing exceed the amounts disclosed on the Loan Estimate beyond the applicable tolerance threshold, the creditor must refund the excess to the consumer no later than 60 calendar days after consummation.

The Loan Estimate

- Page Three
 - Lender and Mortgage Broker Contact Information
 - Comparisons
 - Other Considerations
 - Form will change depending on type of transaction
 - A signature may or may not be requested
 - *** **BEST PRACTICE is to require a signature on all Loan Estimates** ***

Additional Information About This Loan

LENDER
NMLS/____ LICENSE ID
LOAN OFFICER
NMLS/____ LICENSE ID
EMAIL
PHONE

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

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

- 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.
- Late Payment** If your payment is more than ___ days late, we will charge a late fee of _____
- Loan Acceptance** You do not have to accept this loan because you have received this form or signed a loan application.
- 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.

The Closing Disclosure

- Differences and Similarities between the old forms and the new Closing Disclosure
 - Mostly the same information, presented in a different format
 - Page 1 mirrors the Loan Estimate's Page 1
 - Costs itemized
 - Added information to show changes to costs and how cash to close was calculated
 - “Fed Box” disclosures and more contact information
 - Signature of borrower to confirm receipt is permitted
 - Items paid outside of closing are now shown

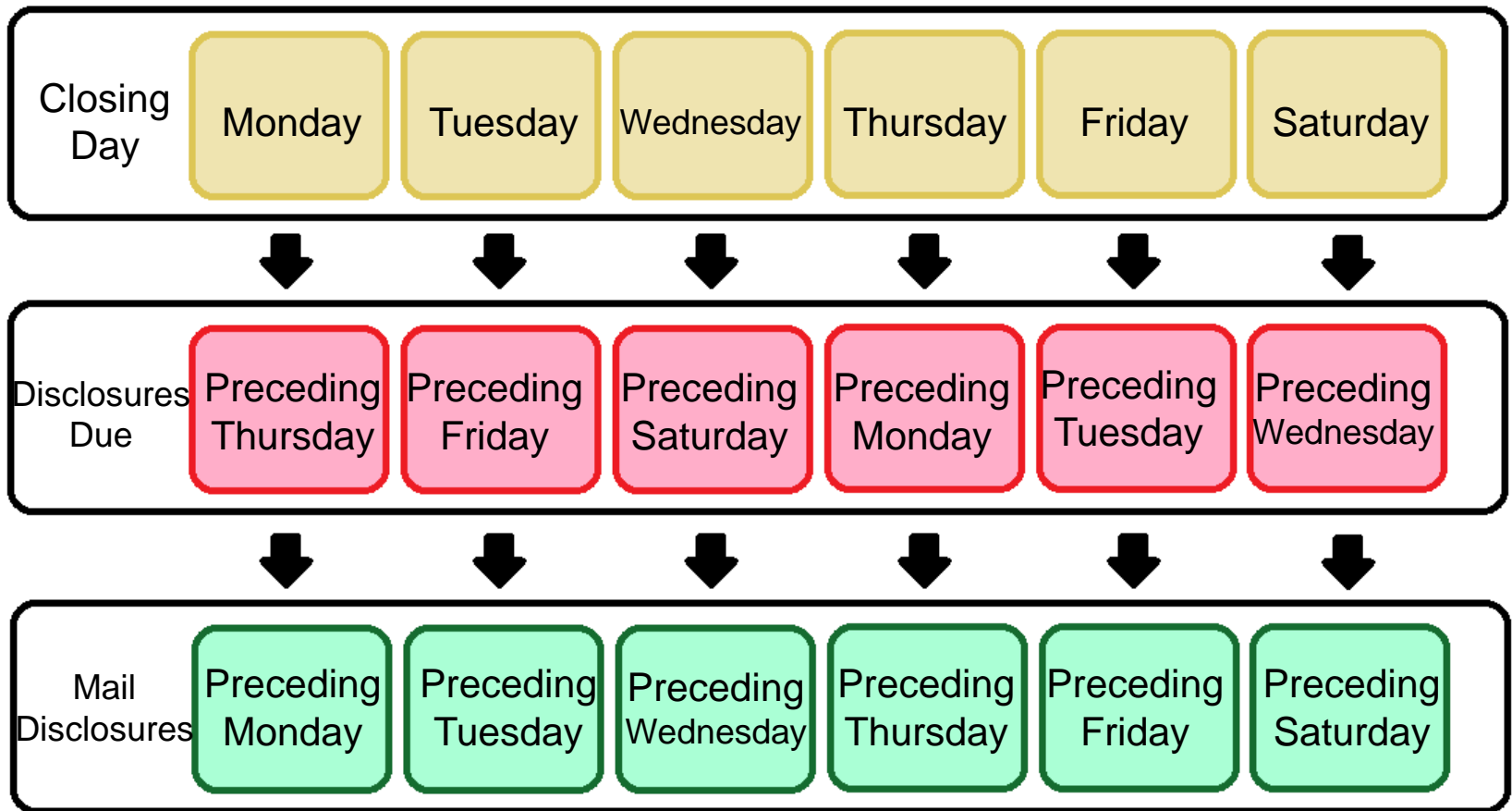
The Closing Disclosure: Three Day Rule

- The lender is required to ensure that the borrower receives the **Closing Disclosure** no later than **three business days** before **consummation** of the loan.
 - For purposes of the Closing Disclosure, a **business day** means all calendar days except Sundays and legal public holidays.
 - **Consummation** means the time when the borrower becomes contractually obligated to the lender on the loan.

The Closing Disclosure: Three Day Rule

- What the three-day rule really means for the Closing Disclosure:
 - Disclosures may be delivered on the “Disclosures Due” date by hand delivery by the Lender/Settlement Agent, or by a courier with a signed receipt
 - Disclosures may also be delivered electronically on the “Disclosures Due” date, in compliance with E-Sign requirements
 - If mailing the disclosure to the borrower, use a six-day mailing rule to ensure receipt by the borrower on or before the correct day

The Closing Disclosure: Three Day Rule



The Closing Disclosure

- Page One
 - Mirrors Page One of the Loan Estimate
 - Closing Information
 - Transaction Information
 - Loan Information
 - Loan Terms
 - Projected Payments
 - Costs at Closing

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	Borrower	Loan Term
Closing Date		Purpose
Disbursement Date		Product
Settlement Agent	Seller	Loan Type <input type="checkbox"/> Conventional <input type="checkbox"/> FHA
File #		<input type="checkbox"/> VA <input type="checkbox"/> _____
Property	Lender	Loan ID #
		MIC #
Sale Price		
Loan Terms		Can this amount increase after closing?
Loan Amount		
Interest Rate		
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>		
		Does the loan have these features?
Prepayment Penalty		
Balloon Payment		
Projected Payments		
Payment Calculation		
Principal & Interest		
Mortgage Insurance		
Estimated Escrow <i>Amount can increase over time</i>		
Estimated Total Monthly Payment		
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>		This estimate Includes <input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>
		In escrow?
Costs at Closing		
Closing Costs	Includes _____ in Loan Costs + _____ in Lender Credits. <i>See page 2 for details.</i>	_____ in Other Costs –
Cash to Close	Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>	

The Closing Disclosure

- Page Two
 - Closing Cost Details
 - Mirrors Information on Page Two of the Loan Estimate
 - Similar to Page Two of the existing HUD-1 form

 - Loan Costs
 - Other Costs

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	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					
09					
10					
C. Services Borrower Did Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)					
Loan Costs Subtotals (A + B + C)					
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					
08 Aggregate Adjustment					
H. Other					
01					
02					
03					
04					
05					
06					
07					
08					
I. TOTAL OTHER COSTS (Borrower-Paid)					
Other Costs Subtotals (E + F + G + H)					
J. TOTAL CLOSING COSTS (Borrower-Paid)					
Closing Costs Subtotals (D + I)					
Lender Credits					

The Closing Disclosure

- Page Three
 - Calculating Cash to Close
 - Compares figures in final Loan Estimate and the Closing Disclosure
 - Summary of Transactions
 - Borrower's Transaction
 - Seller's Transaction

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
Cash to Close			

Summaries of Transactions

Use this table to see a summary of your transaction.

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

The Closing Disclosure

- Page Four
 - Loan Disclosures
 - Assumption
 - Demand Feature
 - Late Payment
 - Negative Amortization
 - Partial Payments
 - Security Interest
 - Escrow Account
 - Form changes for different loan types
 - Adjustable Payment (AP)
 - Adjustable Interest Rate (AIR)
 - Use one or both, depending on loan terms

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

- 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.

Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

Late Payment

If your payment is more than ____ days late, your lender will charge a late fee of _____

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

- are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- do not have a negative amortization feature.

Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest

You are granting a security interest in _____

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Adjustable Payment (AP) Table

Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	

Escrow Account

For now, your loan

- will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow

Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your escrowed property costs:
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs:
Initial Escrow Payment		You may have other property costs.
Monthly Escrow Payment		A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment		The amount included in your total monthly payment.

will not have an escrow account because you declined it your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow

Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Adjustable Interest Rate (AIR) Table

Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

The Closing Disclosure

- Page Five
 - Loan Calculations
 - Other Disclosures
 - Contact Information
 - Confirm Receipt
 - Form may differ depending on transaction

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.

Finance Charge. The dollar amount the loan will cost you.

Amount Financed. The loan amount available after paying your upfront finance charge.

Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.

Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Disclosures

Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- state law does not protect you from liability for the unpaid balance.

Loan Acceptance

You do not have to accept this loan because you have received this form or signed a loan application.

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.

Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.



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

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name					
Address					
NMLS ID					
___ License ID					
Contact					
Contact NMLS ID					
Contact ___ License ID					
Email					
Phone					

The Closing Disclosure

Revisions and Corrections

- General Rule
- Three categories of changes
- Consumer has right to inspect revised Closing Disclosure during the business day before consummation

Penalties

- Substantial penalties can be levied against Lenders who do not comply with the rule
 - Up to \$5,000 per day for any violation of a law, rule or final order or condition imposed in writing by the CFPB;
 - Up to \$25,000 per day for any person that recklessly engages in a violation of a Federal borrower financial law; and
 - Up to \$1,000,000 per day for any person who knowingly violates a Federal borrower financial law

Resources

- Where can you go to get the new forms and other information on the new TRID Rule?
 - New timing requirements for disclosures (1026.19(e) and (f))
 - New tolerance levels for disclosed estimates (1026.19(e) and (f))
 - New pre-disclosure requirements (1026.19(e)(2))
 - Loan Estimate form (1026.37 and Appendix H-24)
 - Closing Disclosure form (1026.38 and Appendix H-25)
- <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>

Questions?



Thank you for attending!

**If you have any questions,
please contact:**

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