

# TILA-RESPA INTEGRATED DISCLOSURES RULE REQUIREMENTS (TRID) THE CLOSING DISCLOSURE

MORTGAGE BANKERS ASSOCIATION OF THE GENESEE REGION  
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Presenter: Bonnie S. Nachamie



# The Closing Disclosure – CD

## Introduction

- ▶ The **Closing Disclosure (“CD”)** is the new form that amends, enhances and replaces the Final TIL and HUD-1
- ▶ The Rule provides that any loan originated on or after August 1, 2015 (for which a Loan Estimate (LE) was issued) will require a CD be issued at least **three (3) business days** prior to **consummation**.
- ▶ Does not apply to HELOCS, reverse mortgages, mobile homes and loans by persons making 5 or fewer in a year

# The Closing Disclosure– CD Design

- ▶ The CD has been designed to:
  - 1. Provide consumers with information regarding their loan with emphasis on helping consumers understand all of the **costs** of the transaction and the **total cash needed to close**.
  - 2. Most important and usable information appears first.
  - 3. CD provides both new and existing disclosure information

# The Closing Disclosure– CD Delivery

- ▶ The **Creditor** is responsible for ensuring that the CD is received by the consumer at least three business days before consummation. If the CD is not delivered to the consumer in person, it is considered to be received three business days after it is delivered or placed in the mail
- ▶ This timing requirement is new and will certainly impact scheduling closings!

# The Closing Disclosure –CD Re-disclosure

- ▶ If there are changes in the CD before consummation, a new three day waiting period is required IF:

- ▶ **1. APR changes**

  - Increase of .125% for fixed rate

  - Increase of .125% for ARM with initial fixed term and adjustments made in equal intervals thereafter

  - Increase of .25% for 'irregular transactions'

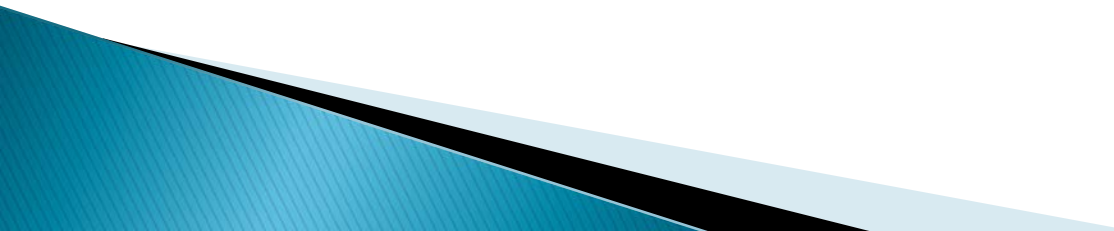
- 2. Product Changes**

- 3. Pre-payment penalty added**

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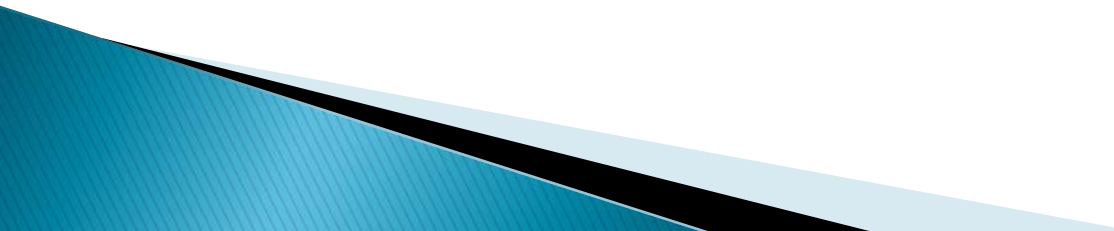
# The Closing Disclosure -CD

## Pre-Consummation corrections

- ▶ For changes to the CD which do not trigger a new 3 day waiting period, the Creditor must insure that the consumer receives the revised CD **at or before** consummation
  - ▶ The consumer has the right to review CD the business day before consummation.
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# Closing Disclosure –Page 1

## General Information

- ▶ 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
  - ▶ Loan Terms
  - ▶ Projected Payments
  - ▶ Costs at Closing
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# Closing Disclosure – Page 2

## Closing Cost Detail

Loan Cost and Other Costs sections are same as LE

NEW: A,B,C format with section naming

NEW: Line #s and numerical sections not used

NEW: Uniform, alphabetical fee naming

NEW: Columns (Borrower paid, seller paid, paid by others / Paid at or paid before closing)



# Closing Disclosure -Page 2 Continued

- ▶ Loan Costs:  $A + B + C = D$
- ▶ Other Costs:  $E + F + G + H = I$
- ▶ Total Closing Costs:  $D + I = J$
  
- ▶  $A =$  Origination Charges:
  - Points, application, origination, etc. compensation, etc. ZERO TOLERANCE
  - Lender paid compensation

# Closing Disclosure – Page 2

## Continued

**B = Services Borrower did not shop for**  
Appraisal Fee, Credit report, Flood Determination, Tax Service, Upfront MI:  
**ZERO TOLERANCE**

**C = Services you can shop for**  
Pest inspection , survey, title fees ( must be named  
“Title -”)  
**10% TOLERANCE, UNLESS PAID TO CREDITOR OR**  
**AFFILIATE – THEN ZERO TOLERANCE**

**D = Total loan Costs (borrower paid)**



# Closing Disclosure –Page 2 Continued

- ▶ E = Taxes and Other Government Fees
- ▶ Items predefined
- ▶ Fees left blank may not have N/A
- ▶ Recording Fees – 10% tolerance
- ▶ Transfer taxes – 0 tolerance

F = Prepays

First 4 items predefined

Do not use N/A

G = Initial Escrow

First 3 items predefined/ Do not use N/A

# Closing Disclosure – Page 2 Continued

- ▶ H = Other
- ▶ Owner's Title ("Title –Owner's Title Insurance)
- ▶ I = Total Other Costs ( E through H)
- ▶ J = Total Closing Costs  
Include lender credits and tolerance cures

# Closing Disclosure –Page 3

## Cash to Close

- ▶ For comparison to LE to disclose changes that have occurred
- ▶ Replaces page 3 HUD-1 comparison
- ▶ Dynamic component: Only those sections that have changes will have further detail included
- ▶ If a cure for a tolerance violations is required, it is disclosed as a Lender Credit and the credit itself is disclosed on Page 2
- ▶ (if using form for refinance transactions, this table is on bottom of page)

# Closing Disclosure –Page 3 Continued

- ▶ Summaries of Transactions:

Similar to Page 1 of HUD-1

Both borrower and seller transactions including adjustments, payoffs etc.

There is a borrower/refi only version of page 3 where Section K (Payoffs and payments) table is included before Cash to Close table

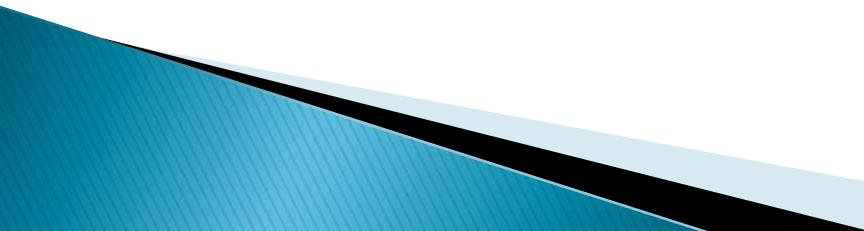
# Closing Disclosure – Page 4

## Information About the Loan

- ▶ 1. Assumption ( Final TIL)
- ▶ 2. Demand Feature (Final TIL)
- ▶ 3. Late Payment (Final TIL)
- ▶ 4. Negative Amortization (**NEW**)
- ▶ 5. Partial Payments (**NEW**)
- ▶ 6. Security Interest in Property (Final TIL)
- ▶ 7. Escrow Account (**NEW**)
  - a) Shows escrowed and non-escrowed property costs
  - b) If no escrow account, estimate of Year 1 costs and escrow waiver fee
  - c) Disclaimer regarding future escrow payments and changes

# Closing Disclosure –Page 4

## AP and AIR Tables

- ▶ Adjustable Payment Table (AP) **NEW**
  - ▶ Adjustable Interest Rate Table (AIR) **NEW**
  
  - ▶ Disclosed on bottom of page 4 (Page 2 of LE)
  - ▶ Tables appear dynamically based on loan terms
  - ▶ Tables are independent of each other
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# Closing Disclosure –Page 5

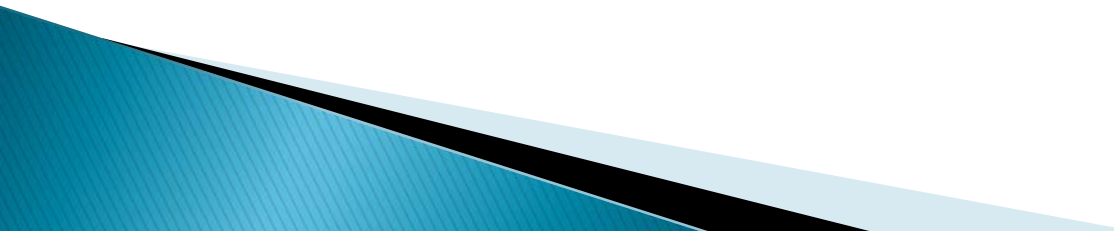
Loan Calculations: Total Payments, Finance Charge, Amount Financed, Annual Percentage Rate (APR) and Total Interest Percentage (TIP– **NEW**)

Other Disclosures: **NEW** Appraisal, Contract Details, Liability after Foreclosure

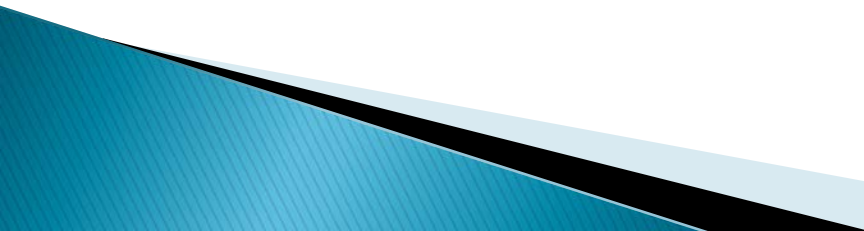
Contact Information : **NEW**

Receipt Confirmation: **NEW** (Settlement agents beware; this is not a disbursement authorization but merely a confirmation of receipt)

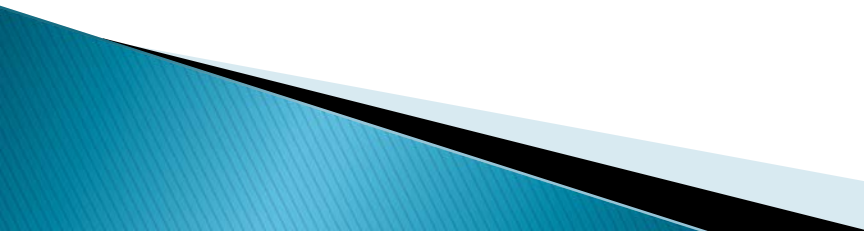
# Closing Disclosure

- ▶ WHO RECEIVES THE CLOSING DISCLOSURE?
  - ▶ In a rescindable transaction, EACH consumer who has a right to rescind must be given a CD
  - ▶ In a non-rescindable transaction, the CD may be provided to the consumer with primary liability on the obligation
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# Corrected CDs –Post Closing

- ▶ Creditors are required to provide corrected CDs.
  - ▶ Generally, corrected CD to be provided within 30 days of discovery of error that effects the amounts paid and disclosed on CD
  - ▶ Errors for non-numerical clerical errors and document refunds for tolerance violations to be made within 60 days of consummation
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# August 1 – Compliance or Chaos?

- ▶ Internal Lender LOS system to be upgraded and tested and all technology platforms to be synchronized for implementation
  - ▶ Training of key personnel on system changes, closing costs, work flow responsibilities and rigid time constraints
  - ▶ Clarify role of third party vendors (settlement agents, mortgage brokers, real estate brokers) and integration of systems with lender.
  - ▶ Educate lending community service providers (realtors, attorneys, title companies) and borrowers
  - ▶ Set reasonable expectations and timelines.
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# THANK YOU

- ▶ QUESTIONS?
- ▶ COMMENTS?
- ▶ CONCERNS?

Bonnie S. Nachamie, Esq.

516-678-7110

[bonnie@nachamie.com](mailto:bonnie@nachamie.com)

