TILA-RESPA INTEGRATED DISCLOSURES (TRID)

Changed Circumstances & Redisclosures
PRMG Disclosure Team
Retail Loan Processors
LOAN ESTIMATE FORM

• Loan Estimate form:
  – Replaces Good Faith Estimate and Truth in Lending Disclosure (TIL)
  – **All** PRMG Retail and Wholesale loans with an Application Date on or after October 3, 2015
    • TRID Application Date is always the Interview Date on the 1003, Wholesale and Retail
    • No separate TPO Application Date on Wholesale TRID loans
LOAN ESTIMATE FORM

• Loan Estimate form (cont’d):
  – TRID loans will have opened on the TRID forms in FT360:
    • 2015 Itemization
    • RegZ-LE
    • Loan Estimate (Pages 1, 2, 3 and 4)
  – You will not see the old forms on TRID loans in 360:
    • 2010 Itemization
    • 2010 GFE
    • RegZ/TIL
NEW WHOLESALE SUBMISSIONS

• You will continue to redisclose loans with GFE Application Dates before 10-03-15 on the old forms
  – The TRID forms will not show up on these loans
  – You will be working with both sets of forms and rules probably at least through the end of 2015

• Brokers may still submit applications originated before October 3
  – We will probably see these for at least 30 days
  – FT360 will open these loans on the RESPA 2010 forms based on the GFE Application Date
TRID FORMS IN FT360

• TRID screens in FT360:
  – 2015 Itemization
    • Fees
    • Very similar to 2010 Itemization
  – RegZ-LE
    • Not much editing required in this screen
    • ARM information (if COC is program change from Conv to ARM)
    • Mortgage Insurance (if correction required)
    • Late Fee (if incorrect; should have auto-populated on initial LE)
TRID FORMS IN FT360

• TRID screens in FT360 (cont’d)
  – Loan Estimate
  – Minimal input on Page 1
  – Minimal input on Page 2
    • Refinance or Home Equity Loans
    • No input on Purchases
  – Page 3 will be completed from the initial LE
CHARGES NOT SUBJECT TO A TOLERANCE

• Charges not subject to tolerance restriction (no tolerance applies):
  – Prepaid interest
  – Property insurance premiums
  – Amounts reserved in escrow/impound accounts
  – Settlement services that PRMG requires but permits the borrower to shop for a provider, and the borrower selects a third-party service provider not listed on PRMG’s Service Provider List given with the LE
  – Charges paid to third-party providers for services that are not required by the Lender, including Owner’s Title Policy
CHARGES SUBJECT TO 10% TOLERANCE

• 10% tolerance:
  – Recording Fees
  – Charges for third-party services that are required by PRMG but for which the borrower is permitted to shop for the provider, and the borrower selects a provider who is named on the Settlement Service Provider List

• The 10% tolerance is calculated on the total of all charges in this bucket
  – A fee that falls into this category but was not disclosed in the LE may be charged to the borrower at closing without documenting a changed circumstance, provided the sum of all final charges in this bucket does not exceed 10% of the total estimated
CHARGES SUBJECT TO 10% TOLERANCE

- If a fee is revised or added but does not trigger a revised LE (*i.e.*, bucket total stays within the 10% tolerance), but later a revised LE is required due to a changed circumstance that increases the total over the 10% tolerance, the revised LE must reflect all changes (based on the best information available)

- All LEs must be based on the best information available at the time of disclosure, even if previously-disclosed charges are within applicable tolerance(s)
EXAMPLE OF COC LE and 10% TOLERANCE

• **Example #1:** Borrower selected title company and closing agent who are named on the Settlement Service Provider List; therefore, the settlement fee is in the 10% tolerance bucket
  – If the settlement fee increases outside of a changed circumstance, but the sum of all of the charges in the 10% tolerance category does not increase by more than 10%, the initial LE remains in good faith and a revised LE is not required
  – Under this scenario, the original 10% tolerance threshold remains in effect
EXAMPLE OF COC LE and 10% TOLERANCE

• Example #2: Later, we have a changed circumstance that increases the title fees also, causing the sum of the charges in the 10% tolerance bucket to increase more than 10%:
  – A revised LE disclosing both the increased settlement fee and the title insurance charges is required within three (3) business days of the date the circumstance changed
  – All loan terms and charges in the revised LE must be accurate according to the best information available
  – Under this scenario, the 10% tolerance threshold is re-set
CHARGES SUBJECT TO ZERO TOLERANCE

- Zero tolerance (charges that cannot increase):
  - Fees paid to the Lender, mortgage broker (or affiliate)
  - Fees required by the Lender and paid to a third party, if the Borrower could not shop for the provider
    - Appraisal Fee
    - Credit Report Fees
    - FHA UFMIP
    - VA Funding Fee
    - USDA Guarantee Fee
  - Lender credits
    - Lender credits for specific charges
    - Interest-rate credit once the rate is locked
  - Transfer taxes
CHARGES SUBJECT TO ZERO TOLERANCE

• Lender credits
  – **Specific** Lender credits cannot decrease
  – Disclose current, estimated credit on interest rate quoted in LE, if not locked at origination
  – If the interest rate is locked at origination:
    • **Interest-rate credit cannot decrease after rate lock**
    • Actual rate credit given on CD will be compared to locked LE
    • Final credit that is less on the CD will render the LE not to have been given in good faith
REVISED LOAN ESTIMATE

• A revised LE must be delivered:
  – Within three (3) business days of any Changed Circumstance, as defined under the TRID Rule, including interest rate lock, but
  – No later than four (4) business days prior to the Closing Date (date borrower signs closing documents)
  – A revised Loan Estimate cannot be issued once the Closing Disclosure has been delivered

• “General Business Days” for purposes of delivering the LE:
  – Include days that substantially all of PRMG’s functions are open for business
  – Exclude Saturdays, Sundays and Federal Holidays

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REVISED LOAN ESTIMATE

• Watch the **Estimated Closing Date** in the file!
  – Notify the branch if the **Redisclose LE Alert** fires and the **Estimated Closing Date is within five business days**
    • Final LE must be received by the borrower at least **four business days** prior to Closing Date
    • Closing Disclosure must be received by the borrower at least **three business days prior** to Closing Date
  – If we do not have borrower’s eConsent already on file, we will need time for the disclosures to reach the borrower via U.S. Mail delivery
• Changed circumstances that require a revised LE:
  – The interest rate is locked or the rate lock is extended (A locked LE is required even if the borrower will not pay an extension fee)
  – The borrower requests a change to the loan terms that increases settlement charges, regardless of whether or not the applicable tolerance is exceeded
  – Settlement costs increase beyond the permitted tolerance due to a changed circumstance, as defined in the TRID Rule
**CHANGED CIRCUMSTANCES (LE)**

- A “changed circumstance” occurs when information that is specific to the borrower or the transaction affecting the borrower’s eligibility for the loan terms requested or the value of the collateral and that PRMG used in providing the LE:
  - Changes or is found to be inaccurate after the initial LE was given, or
  - New information is provided
CHANGED CIRCUMSTANCES (LE)

• A change in the loan terms requested by the borrower also qualifies as a changed circumstance:
  – Loan program change (e.g., Conventional to FHA)
  – Increase in loan amount

• Examples of changed circumstances:
  – Interest rate locks subsequent to delivery of initial LE – irrespective of whether or not the locked rate and price differ from the initial LE
  – Consumer does not consent to proceed with the transaction within 10 business days after the initial LE was provided
CHANGED CIRCUMSTANCES (LE)

- Examples of changed circumstances (cont’d):
  - Natural disaster
  - Identified service provider goes out of business
  - Title discovers an additional lien on the property
  - Appraised value comes in lower than expected:
    - Addition or increase in MI premium or term
    - Pricing adjustment for LTV
  - Consumer’s income changes or is less than reported
  - Consumer’s credit score drops
CHANGED CIRCUMSTANCES (LE)

- Examples of what are **not** changed circumstances authorizing an increase in settlement costs:
  - Error or oversight in an LE
  - Lock extensions that are not otherwise caused by a valid changed circumstance
TRIGGERING A CHANGED CIRCUMSTANCE

• **Branch Instructions:**
  
  – As required currently, whenever there is a change in the loan amount or interest rate, addition or increase in a settlement charge:
    
    • Check the **Changed Circumstance box** in LE Page 1
    • Check the applicable **Reason** box
    • Check the valid **Changed Circumstance** that applies from the dropdown *(magnifying glass)*
    • Add supporting explanation in the **Comments** box
TRIGGERING A CHANGED CIRCUMSTANCE

• When the branch checks the COC box in LE Page 1:
  – The Redisclose Loan Estimate (Changed Circumstance) Alert fires
  – The Changes Received Date and Revised LE Due Date populate automatically
  – Watch Estimated Closing Date, especially if we are not sending the revised LE on event date
TRIGGERING A CHANGED CIRCUMSTANCE

• The branch should have selected:
  – A COC reason from the dropdown list, and
  – An explanation for the cost increase in the Comments box

• TRID and PRMG’s investors require documentation supporting a changed circumstance in the loan file

• If a valid changed circumstance as permitted under the TRID Rule does not exist, **PRMG will need to cure any tolerance violation**
TRIGGERING A CHANGED CIRCUMSTANCE

- Changed Circumstance - Settlement Charges
- Changed Circumstance - Eligibility
- Revisions requested by the Consumer
- Interest Rate dependent charges (Rate Lock)
- Expiration (Intent to Proceed received after 10 business days)
- Delayed Settlement on Construction Loans
- Other

Chosen Options:
- Changed Circumstance - Settlement Charges
- Interest Rate dependent charges (Rate Lock)

Changes Received Date: 06/07/2015
Revised LE Due Date: 08/09/2015

Locked Interest Rate

Select one or more changed circumstances below. Press Ctrl or Shift key to click and select multiple options.
REVISING THE LOAN ESTIMATE (LE)
CHANGED CIRCUMSTANCES (LE)

• “Mailbox Rule”:
  – Disclosures are presumed received on the third business day following the date the LE is sent electronically
  – “Specific Business Days” for purposes of determining delivery of the LE and wait periods:
    • Include Saturdays (follow the rescission rule)
    • Exclude Sundays and Federal Holidays
  – We get to consider the LE delivered earlier than the third business day, as long as we have:
    • Evidence that the borrower received it sooner, and
    • The borrower’s eConsent prior to delivering the COC LE
INITIAL LOAN ESTIMATE/eConsent
INITIAL LOAN ESTIMATE/eConsent

• The borrower’s consent to receipt of eDisclosures is required **prior to sending the disclosures**
  – The eConsent form should already have been sent to the borrower prior to the initial LE
  – The eConsent should be **back**
  – If the eConsent is not recorded in the eFolder, it will go out again with the COC LE
PREPARING THE LE

• 2015 Itemization
  – **All charges** the borrower is likely to incur at closing should have been disclosed on the initial LE, including:
    • Third-party services
    • Interest-rate credit or discount points, even if the rate was not locked yet

• Line 802 functionality:
  – Manage Details box is gone
  – Line 802.b. = interest-rate credit
  – Line 802.e. = discount points
2015 ITEMIZATION

- Line 802 (interest-rate credit or discount points):

  ![Lender Paid Originator Compensation Table]

  ![Origination / Discount Point Adjustment Table]
2015 ITEMIZATION

• Title insurance/settlement lines are pre-coded in the system as Borrower can shop for the service provider
  – If the borrower has already selected the title and settlement provider(s) (i.e., preliminary title and escrow instructions are in the file) and the providers are not listed on the originator’s Settlement Service Provider List:
    • Open Fee Details box on those line items in the Itemization
    • Make sure that the Borrower did shop for box is checked, as well
## 2015 Itemization

### Fee Details - 1102a

<table>
<thead>
<tr>
<th>1102a. Settlement Fee</th>
<th>To</th>
<th>Borrower</th>
<th>Seller</th>
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<tr>
<td>1102a Settlement Fee</td>
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<td>$650.00</td>
<td>$</td>
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<table>
<thead>
<tr>
<th>Total Fee Amount</th>
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<th>Paid to Name</th>
<th>Paid to Type</th>
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<td>Loan Estimate</td>
<td>Chicago Title</td>
<td>Other</td>
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<tr>
<td></td>
<td>Closing Disclosure</td>
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</tbody>
</table>

### Amount Paid by

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<th>PTC</th>
<th>PAC</th>
<th>POC</th>
<th>Amount Paid</th>
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<tr>
<td></td>
<td>650.00</td>
<td>650.00</td>
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<td>650.00</td>
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<table>
<thead>
<tr>
<th>Sec 32 Points and Fees</th>
<th>Total Fee Amount</th>
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</thead>
<tbody>
<tr>
<td>0.00</td>
<td>$650.00</td>
</tr>
</tbody>
</table>

- **Borrower can shop for**: Loan Estimate Section C
- **Borrower did shop for**: Closing Disclosure Section C
- **Impacts APR**
- **Seller Credit**
- **Seller Obligated**

**REGZQFE_2015_DETAILS**
PREPARING THE LE

- Our failure to accurately estimate the known settlement charges in the LE will render it not to have been made in good faith
  - Leaving a known charge out of the initial LE or failing to quote it accurately will force PRMG to “cure” it
  - There should be a Loan Estimate Detail Report or other written fee quote for title insurance, settlement fees, recording fees and transfer tax from the selected title company in the file to support the charges
PREPARING THE LE

• The omission of known settlement charges in the LE cannot be added later; *e.g.*,:
  – Transfer Tax on a purchase transaction
  – FHA UFMIP
  – VAFF

• If a significant fee was omitted from a Retail LE, [Disclosure Team] notify the branch that we are going to need a Lender cure at closing
PREPARING THE LE

• An **underdisclosed** fee cannot be increased beyond the permitted tolerance absent a valid changed circumstance; *e.g.*, an error or failure to:
  – Estimate correctly; *e.g.*, appraisal, credit report
  – Gather accurate charges from a third-party settlement service provider; *e.g.*, title insurance
ESTIMATE FOR NON-LOAN TRANSACTION COSTS

• The LE must disclose all settlement service charges the borrower will be expected to pay, even if the service is not required by the Lender; e.g.:
  – Home inspection, if the borrowers inform us they will be obtaining one
  – Attorney fees, if the property is located in a jurisdiction in which borrowers are typically represented by counsel
  – Cost of repairs allocated to buyer in the purchase contract
  – Property tax instalments that must be paid at closing
ESTIMATE FOR NON-LOAN TRANSACTION COSTS

• Prepaid Property Taxes
  – Line 904 defaults to Charges That Cannot Change (Zero Tolerance)
  – Enter in Line 907 – goes into Charges That Can Change (No Tolerance)
SERVICE PROVIDER LIST

• Settlement Service Provider List (SSPL)
  – **Required** to be given to borrower within 3 business days of the Application Date; *i.e.*, with the initial LE
  – Prescribed format
  – Identify at least one provider serving the geographic area in which the property is located for each settlement service that is required by PRMG and for which the borrower is permitted to shop; *e.g.*, title and settlement services
  – Statement that the borrower may choose a different provider for the service
SERVICE PROVIDER LIST

• Service Provider List (cont’d)
  – If we have a valid changed circumstance or borrower request that triggers an additional third-party service for which the borrower is permitted to shop; (e.g., after reviewing appraisal, underwriter conditions for a pest inspection or septic cert):
    – In the 2015 Itemization:
      • Add the additional cost on the appropriate line item
      • Open the Fee Details box
      • Check the Borrower can shop for box
      • This will send the fee into the 10% Tolerance bucket
SERVICE PROVIDER LIST

• Service Provider List (cont’d)
  – If/when the borrower picks a provider other than the one listed in our revised SSPL:
    • Open the **Fee Details** box on that line item
    • Check the **Borrower did shop for** box
    • This will re-allocate the charge to the **No Tolerance** bucket
  – [Branch] Open the **Settlement Service Providers Form** in FT360
    • Add a provider for the new service in the geographic area of the property
    • Include updated SSPL with the revised LE
SERVICE PROVIDER LIST

• Service Provider List (cont’d)
  – The updated SSPL will **not** automatically generate in your redisclosure line-up
    • Click **Add Additional Documents**
    • Select **Settlement Service Provider List (2015)**
• Most of the data will auto-populate from other input
• LE Date Issued = current date

• On Retail loans, the Closing Costs Estimate Expiration Date will have auto-populated at 10 days
• If the interest rate is locked, the lock information will auto-populate
PREPARING THE LE

• Review **Projected Payments Table** in Loan Estimate P 1
  – **Mortgage Insurance** and **Estimated Escrow** are included in **Monthly Payment**, if applicable
    • This information populates from the 1003 Page 2
    • **Monthly Housing Expenses**
  – **Property Taxes** and **Insurance** are disclosed in **Estimated Taxes, Insurance & Assessments, even if they are not impounded**
    • If impounded, **In Escrow** should read **Yes**
    • This data populates from **Section 1000** of the 2015 Itemization
# Preparing the LE

**Projected Payments**

<table>
<thead>
<tr>
<th>Period</th>
<th>Years 1 -</th>
<th>30</th>
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</thead>
<tbody>
<tr>
<td>Principal &amp; Interest</td>
<td>1,611.28</td>
<td></td>
</tr>
</tbody>
</table>

- Mortgage Insurance: [ ]
- Estimated Escrow: [ ]

**Total Est. Payment**

| Monthly Payment | 1,611.28 |

**Estimated Taxes, Insurance & Assessments**

- $ 98 a month

This estimate includes:
- Property Taxes: [ ]
- Homeowner's Insurance: [ ]
- Other: [ ]

In escrow:
- No
- No
- No
Review your charges for any changes you made and the applicable categories:

- A. Origination Charges (Line 801)
- B. Services You Cannot Shop For
- C. Services You Can Shop For
- E. Taxes and Other Government Fees
- F. Prepaids
- G. Initial Escrow Account Payment at Closing
- H. Other (non-loan transaction charges 1300 line items, such as home inspection and property tax instalments)
LOAN ESTIMATE FORM PAGE 3

• No input
  – review populated information for completion

• Other Considerations
  – Auto-populate from loan program or default coding
  – If a section does not complete, contact Compliance Dept.

• PRMG LEs contain a signature line for borrowers to eSign their acknowledgement of receipt
SEND LE and INITIAL DISCLOSURES

• Now go to the eFolder and eSend the redisclosure package the same as you do now
• We are required to disclose the LE only to the primary borrower
  – If a primary borrower can be identified
  – Otherwise, deliver LE to all borrowers
  – If the initial LE was delivered only to one borrower, follow suit on the revised LE
  – If the initial LE was delivered to all borrowers, follow suit with that as well
SEND LE and INITIAL DISCLOSURES

• If the borrower’s eConsent has not been received when the LE is ready to go out:
  – Delivery will follow the Mailbox Rule
  – **Presumed Received Date** (3rd business day) pops into the Disclosure Tracking Record when the LE is sent and the file is Saved
SEND LE and INITIAL DISCLOSURES

• We do not need to schedule **Fulfillment** if we already have the borrower’s eConsent
  – **Presumed Received Date** will follow the Mailbox Rule if the borrower does not pick up the eDisclosures
  – Consumer’s wet or eSignature on the LE or Acknowledgement of Receipt form may establish **Actual Received Date** earlier
SEND LE and INITIAL DISCLOSURES

• If we do not have borrower’s eConsent, schedule Fulfillment for General Business Day 3
  – This is why we send the eConsent form out on Wholesale loans right away
  – If we need to schedule Fulfillment, we can disclose no later than Business Day 2
  – Another eConsent will go out with the eDisclosure package, but the borrower may not open it
  – Fulfillment Center will put disclosures in the U.S. Mail
FEE VARIANCE

• If settlement costs increase outside of the permitted tolerance, a Good Faith Fee Variance Alert fires; *e.g.*:
  – Discount points
  – Appraisal or credit report fees
  – Title or settlement charges
  – Decrease in Specific Lender Credits disclosed
FEE VARIANCE

• If the tolerance violation results from a Changed Circumstance, the Fee Variance Alert will clear when we send out the revised LE:
  – The Alert was already on the file along with the Redisclose LE Alert
  – [Branch] checked the Changed Circumstance box in the LE Page 1, entered the reasons and an explanation in the Comments box
FEE VARIANCE

• We can disclose the Lender cure on the Closing Disclosure:
  – A revised LE does not need to be issued simply to disclose a Lender cure
  – A **Good Faith Fee Variance Alert** that will be cured with a Specific Lender Credit will remain on the file to flag users that a Lender cure must be applied at closing
CURING A FEE VARIANCE

- Apply a Specific Lender Credit to cure a fee variance:
  - Select “Paid by Lender” on the specific fee line in the 2015 Itemization screen, or
  - Enter a lump sum Lender Credit on the Total Lender Paid CC line in the Closing Cost Summary at the bottom of the 2015 Itemization:
FEE VARIANCE

• Another tolerance violation will not trigger a new Fee Variance Alert
  – Future increases may be warranted under a changed circumstance, or additional Lender Credit may be required to cure
  – Tools\Fee Variance Worksheet
# FEE VARIANCE WORKSHEET

<table>
<thead>
<tr>
<th>Total Good Faith Amount</th>
<th>Initial LE</th>
<th>LE Baseline</th>
<th>CD Baseline</th>
<th>Itemization</th>
<th>Current</th>
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<td>12,289.86</td>
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<td>Charges that in Total Cannot Increase More Than 10% *</td>
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08/12/2015

Variance between LE and Itemization: 100.00

Difference between LE and CD (Disclosed): 850.00

Variance between CD and Itemization: 100.00

* Amounts displayed are Net amounts that reflect adjustments.

## TOLERANCE CURE

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<td>Date</td>
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<tr>
<td>Resolved by</td>
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<tr>
<td>Comments</td>
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ADDITIONAL TRAINING RESOURCES

• EllieMae RESPA-TILA Recorded Webinars (360 Resource Center)
  • Understanding the new 2015 Itemization Form
  • Understanding the new Loan Estimate Form
  • The Importance of eSign Concent
  • Exploring the new 2015 Disclosure Tracking Tool
  • Town Hall – eSign and Consent
  • Town Hall – Disclosure Tracking