



CAPSTONE
LENDING CORPORATION

TRID - LE

TILA-RESPA INTEGRATED DISCLOSURE

TRID OVERVIEW:

Effective for applications received on or after October 3, 2015

- CFPB finalized amendments to RESPA and TILA which integrate existing disclosures and take effect with applications received on or after 10.03.15
- The GFE & Initial TIL combined into one form called the Loan Estimate (“LE”)
http://files.consumerfinance.gov/f/201403_cfpb_loan-estimate_model-form-H24.pdf
- The HUD 1 & Final TIL combined into one form the Closing Disclosure (“CD”)
http://files.consumerfinance.gov/f/201403_cfpb_closing-disclosure_cover-H25A.pdf

The changes are not simply about 2 new disclosures. TRID narrows what impacts an application, amends acceptable tolerances and significantly impacts the timing, delivery and workflow of key policies and procedures.

TRID RELATED TERMINOLOGY:

- **TILA-RESPA Integrated Disclosures:** New disclosures which will become effective 10/03/15. The combination of the Good Faith Estimate (GFE), Truth in Lending Statement (TIL) and Settlement Statement (HUD-1).
 - **GFE & TIL = Loan Estimate (LE)**
 - **TIL & HUD-1 = Closing Disclosure (CD)**
- **TRID:** Acronym for TILA-RESPA Integrated Disclosures
- **Application Date:** Date borrower signed the loan application & Broker received
- **Loan Estimate (LE):** A new initial disclosure which combines the GFE and TIL

TRID INTEGRATION:

New disclosures are not permitted to be used prior to October 3, 2015

We must be able to track the application date and provide correct disclosures:

Application's received on or before October 2nd – Old Disclosures

- This means new construction may close in 2016; however, the old HUD-1 and TIL would be used at closing.

Application's received on or after October 3rd – New Disclosures

- Certain loan types* are not applicable and, thus, would still use the current GFE, HUD-1, and/or TIL.

APPLICATION DEFINITION:

Application definition has been changed to consist of the 6 core items from the current regulation. Those are:

An **application** consists of the submission of:

- ❑ Consumer's Name,
- ❑ Consumer's Income,
- ❑ Social Security Number to obtain Credit Report,
- ❑ Property Address,
- ❑ Estimate Value of Property, and
- ❑ Mortgage Loan Amount sought.
 - ✓ No fee's may be imposed on the borrower before the borrower has **received** the Loan Estimate **and** indicated an intent to proceed with the transaction
 - ✓ Exception for a bona fide and reasonable fee for obtaining the borrower's credit report
 - ✓ Signing the LE does not indicate an intent to proceed.
 - ✓ Payment info may **NOT** be requested or held until the intent to proceed is provided.

An application is considered complete when all 6 items are provided. Timeline for disclosures begins on that date.

TRID LOAN ESTIMATE OVERVIEW (LE):

Generally the same information as a GFE and TIL, presented in new format.

- Fee’s are now disclosed alphabetically
- GFE important dates section has been removed
- The APR is deemphasized (on page 3) and other fed box disclosures have been removed
- Increased itemization of settlement charges
- No disclosure of lender paid broker compensation (it is on the Closing Disclosure)
 - Broker comp is still included in the QM Points and Fees calculation
- New information, including enhanced projected payments table (replaces payment schedule).
- A new Total Interest Percentage (TIP) is also disclosed on page 3
 - TIP is the total amount of interest the borrower will pay over the life of the loan as a percentage of the loan amount.

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$56,582	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$15,773	Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

LE DELIVERY:

- The LE must be delivered to the borrower in person, placed in the mail or sent via electronic delivery:
 - Within **3 business days** after the creditor or broker receives an application; and
 - Within **7 business days** before consummation (Sign Loan Docs/Note)

- If the LE is not provided to the borrower in person, it is considered to be received 3 business days after it is placed in the mail or sent via electronic delivery.
 - This “receipt” date is important as it drives the ability to impose a fee, providing written estimates of terms or costs (i.e. Fee Worksheet), and requiring documents for verification.
 - Fee Worksheets, if given, prior to the LE must state that the terms and cost may change.
 - A Home Loan Tool Kit (replacing Settlement Cost Booklet) must be provided along with the Loan Estimate. (Broker to issue information booklet on Purchase Transactions, Capstone will require a signed Acknowledgement by the borrower(s) at the time of full submission).

BUSINESS DAYS (LE):

- Definition of “Business days”: LE ONLY
 - Days in which the creditor’s offices are open to the public for carrying out substantially all of its business functions except Saturday, Sunday’s and legal public holidays. This means Monday through Friday only.

Broker’s receipt of an application triggers the obligation to provide the LE within 3 business days

TRID LOAN ESTIMATE BROKER ISSUED:

If the broker provides the LE:

- Broker must comply with all relevant requirements
- If creditor is unknown, broker leaves Loan ID# and lender info blank
- If creditor accepts a loan after the LE has been provided, creditor is bound by the tolerance limitations
 - If the broker provides an incorrect LE, the creditor is still responsible and may not issue a revised LE correcting the error.

TRID LOAN ESTIMATE - RESTRICTIONS:

No fee's may be imposed on the borrower before the borrower has **received** the Loan Estimate **and** indicated an intent to proceed with the transaction.

- Exception for a bona fide and reasonable fee for obtaining the borrower's credit report
- Signing the LE does not indicate an intent to proceed

Payment info may **NOT** be requested or held until the intent to proceed is provided.

The creditor can't require a borrower to submit documents verifying

- information related to the application before providing the Loan Estimate
- Creditor or broker cannot refuse to accept any of the six items that constitute an application to avoid the issuance of the Loan Estimate

If a borrower is provided with a written estimate of terms or costs **before** receiving the LE:

- It must have the statement: "Your actual rate, payment and costs could be higher. Get an official Loan Estimate before choosing a loan."
- The estimate or worksheet may not be made with headings, content, and format substantially similar to the Loan Estimate Form

CHANGES TO LOAN ESTIMATE:

Important Rule: Creditors are bound by the Loan Estimate and may not issue a revised LE because they later discover technical errors, miscalculations or underestimations of charges

- Creditors may only charge more than the amount disclosed when the original estimate, or lack thereof, was based on the best information reasonably available at the time of the disclosure.

Revisions to the LE are permitted only in certain specific circumstances;

1. **Changed circumstance** which occurs after the LE is provided to the borrower causing settlement charges to increase more than the permitted tolerance
2. **Changed circumstance** which occurs after the LE is provided to the borrower
3. that affect the consumers eligibility for the terms for which the borrower applied or the value of collateral
4. Revisions requested by the borrower
5. Interest rate not locked when the LE was provided, and locking the rate would cause the points or lender credits disclosed on the LE to change.
6. Borrower indicates an intent to proceed with the transaction more than 10 business days after the LE was originally provided.
7. The loan is a new construction loan, and settlement is delayed.

CHANGED CIRCUMSTANCE (COC):

A changed circumstance for purposes of a revised Loan Estimate is:


1. An event beyond the control of any interested party or other unexpected event specific to the borrower or transaction;
2. Information specific to the borrower or transaction that the creditor relied upon when providing the LE and that was inaccurate or changed after the disclosures were provided; or
3. New Information specific to the borrower or transaction that the creditor did not rely on when providing the LE
4. For example, a changed circumstance may be an act of war, natural disaster, or an unexpected event specific to the borrower or transaction (loss of employment).

OTHER LE CONSIDERATIONS:

1. The creditor is required to deliver or place in the mail the revised LE within 3 business days of a changed circumstance including the interest rate being locked.
2. The originator cannot receive money, hold a check or hold a credit card until the borrower receives an LE and has given their intent to proceed.
3. A “confirm receipt” of the LE is NOT an intent to proceed
4. If a mortgage broker receives the borrower’s application, either the creditor or the mortgage broker may provide a consumer with the LE. (Capstone will issue the LE in most cases)

THE LE TO CD:

- Generally the same information, presented in a different format
- Page 1 mirrors the Loan Estimate Page 1
- Costs are itemized with columns indicating party and timing of the payment (Page 2)
- Added information to show changes to costs and how cash to close was calculated (Page3)
- “Fed Box” disclosures and more contact information for the borrower on Page 5



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	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somedcity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somedcity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

- Signature of borrower to confirm receipt is permitted (optional)
- Note: We will still be required to use the current GFE, HUD-1, and TIL forms for applications received prior to October 3, 2015. We will be required to use both forms until those applications received prior to October 3, 2015 either closed, cancelled or withdrawn.

THE LE TO CD TOLERANCE:

● 3 TOLERANCE/VARIANCE CATEGORIES

Zero Tolerance	10% Tolerance	No Limit Tolerance
Zero tolerance (cannot increase at closing)	10% cumulative tolerance (category may not increase more than 10% at closing)	No tolerance (fees may increase at closing, subject to good faith requirement)

GENERAL RULE - TOLERANCE:

General Rule:

If the amounts paid by the borrower at closing exceed the amounts disclosed on the last delivered Loan Estimate beyond the applicable tolerance threshold:

1. The creditor must refund the excess to the borrower no later than 60 days after consummation, and
2. The creditor must deliver or place in the mail a corrected Closing Disclosure that reflects the refund no later than 60 days after consummation

Zero tolerance charges:

- ✓ Any amount charged beyond the amount disclosed on the Loan Estimate must be refunded to the borrower.

10% cumulative tolerance charges:

- ✓ To the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the Loan Estimate by more than 10%, the difference must be refunded to the borrower

A creditor may charge a consumer for a fee that would fall under the 10% cumulative tolerance but was not included on the Loan Estimate so long as the sum of all charges in this category paid does not exceed the sum of all estimated charges by more than 10%.

TOLERANCES AND SHOPPING:

What if a shoppable service is added after the initial LE is provided?

May 26, 2015 CFPB Staff Webinar states:

Note, however, that if the creditor intends to allow the consumer to shop for the additional service but fails to provide an updated or revised written list of service providers, that service would be subject to zero tolerance.

** Capstone will require updated Service Provider List, different scenarios may require re-disclosure**

TRID SUMMARY:

DETAILED SUMMARY OF FINAL RULES

1	Scope	<ul style="list-style-type: none"> a. Application on or after 10/3/2015 fall under new rule b. Closed-end loans only c. No Mobile homes d. No reverse mortgages
2	Loan Estimate	<ul style="list-style-type: none"> a. Replaces Good Faith Estimate / Early Truth-In-Lending b. Mortgage broker may provide / Lender is still responsible c. Delivery must be within 3 business days of “application” d. Limitation of upfront fees with exception for credit reports e. Disclaimer on early estimates used before Loan Estimates
3	Closing Disclosure	<ul style="list-style-type: none"> a. Replaces HUD-1 and Final Truth-In-Lending b. Consumer must receive at least 3 business days before signing c. APR changes over 1/8% (.125) fixed loans & 1/4% (.25) irregular loans require re-disclosure/ 3 business day wait d. Escrow prepare and/or deliver*
4	Limits on Increases	<p>Items that generally cannot increase:</p> <ul style="list-style-type: none"> a. Creditor’s or Broker’s charges for its own services b. Charges for services provided by an affiliate (lender or broker) c. Charges where a consumer is NOT permitted to shop (appraisal, credit, transfer tax, tax service, inspections, etc...) <p>Other services can generally increase by 10%</p>
4a	Exceptions	<ul style="list-style-type: none"> a. Consumer requests the change b. Consumer chooses their own service provider c. Information at application is/ becomes inaccurate d. Loan Estimate expires

This is not meant to be legal advice.
Please seek legal counsel as you implement TRID.