



## Truth-in-Lending/Real Estate Settlement Procedures act Integrated Disclosure (“TRID”) Policy

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### SECTION 1 – INTRODUCTION

#### A. Purpose

For more than 30 years, Federal law has required lenders to provide two different disclosure forms to consumers applying for a mortgage. The law also generally has required two different forms at or shortly before closing on the loan. Two different Federal agencies developed these forms separately, under two Federal statutes: the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act of 1974 (RESPA). The information on these forms is overlapping and the language is inconsistent. Consumers often find the forms confusing, and lenders and settlement agents find the forms burdensome to provide and explain.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directs the Consumer Financial Protection Bureau (Bureau) to integrate the mortgage loan disclosures under TILA and RESPA Sections 4 and 5. The Bureau has now finalized a rule with new, integrated disclosures - Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z) (78 FR 7973, Dec. 31, 2013) (TILA-RESPA rule).

First, the Good Faith Estimate (GFE) and the initial Truth-in-Lending disclosure (initial TIL) have been combined into a new form, the **Loan Estimate**. Similar to those forms, the new **Loan Estimate** form is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying, and must be provided to consumers no later than the third **business day** after they submit a loan **application**. Second, the HUD-1 and final Truth-in-Lending disclosure (final TIL and, together with the initial TIL, the Truth-in-Lending forms) have been combined into another new form, the **Closing Disclosure**, which is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. This form must be provided to consumers at least three **business days** before **consummation** of the loan.

The forms use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments, and costs to close the loan. The forms also provide more information to help consumers decide whether they can afford the loan and to facilitate comparison of the cost of different loan offers, including the cost of the loans over time.

TRID applies to most closed-end consumer mortgages. It does not apply to home equity lines of credit (HELOCs), reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (*i.e.*, land).

#### B. What Is The TILA-RESPA Rule All About

The TILA-RESPA rule consolidates four existing disclosures required under TILA and RESPA for closed-end credit transactions secured by real property into two forms: a **Loan Estimate** that must be delivered or placed in the mail no later than the third **business day** after receiving the consumer's **application**, and a **Closing Disclosure** that must be provided to the consumer at least three **business days** prior to **consummation**.



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### C. What Transactions Does The Rule Cover (§ 1026.19(e) and (f))

- The TILA-RESPA rule applies to most closed-end consumer credit transactions secured by real property. Credit extended to certain trusts for tax or estate planning purposes is **not exempt** from the TILA-RESPA rule. (Comment 3(a)-10). However, some specific categories of loans are excluded from the rule. Specifically, the TILA-RESPA rule **does not apply to** HELOCs, reverse mortgages or mortgages secured by a mobile home or by a dwelling that is not attached to real property (*i.e.*, land). (§ 1026.19(e) and (f))

### SECTION 2 – TRID DOES NOT APPLY TO

- Reverse Mortgages
- Home Equity Line of Credit
- Mortgages Secured by Mobile Homes or Dwellings not Attached to Real Property
- The Traditional Disclosures GFE, Truth-in-Lending, and HUD-1 Statement will be used for these types of transactions

### SECTION 3 – WHEN TO PROVIDE REQUIRED DOCUMENTS

- Loan Estimate must be provided three business days after receipt of a customer's application
- The Closing Disclosure must be provided three days prior to consummation

### SECTION 4 – DEFINITION OF A BUSINESS DAY

- For purposes of issuing a Loan Estimate a business day is defined as “A day on which the creditors are open to the public for carrying out substantially all of its business functions
- For purposes of issuing a Closing Disclosure a business day is defined as all days except Sunday and Legal Holidays

### SECTION 5 – WHAT QUALIFIES AS AN APPLICATION?

- An application is received when it reaches the creditor in any of the ways that applications are normally transmitted – by mail, hand delivery, or through an intermediary agent or broker. The application is received when it reaches the creditor, rather than when it reaches the agent or broker.
- An application needs six key pieces of information
  - The consumer's name
  - The consumer's income
  - The consumer's social security number to obtain a credit report
  - The property address
  - An estimate of the property value
  - The mortgage loan amount sought

### SECTION 6 – TRID RETENTION REQUIREMENTS

- Copies of the Closing Disclosure must be retained for five years after consummation



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- Copies of the Post Escrow Cancellation Notice and the Post Consummation Partial Payment Policy Disclosure must be retained for two years
- All other evidence of compliance must be retained for three years
- If the creditor sells, transfers or otherwise disposes of its interest in a mortgage; the creditor shall provide a copy of the Closing Disclosure to the new owner or servicer of the mortgage as a part of the transfer of the loan
- Both the creditor and such owner or servicer shall retain the Closing Disclosure for the remainder of the five-year period
- Regulations X and Z permit but do not require electronic recordkeeping. Records can be maintained by any method that reproduces, disclosures and other records accurately, including computer programs (Comment 25(a)-2)

### SECTION 7 – LOAN ESTIMATES

- Must contain good faith estimate of credit costs and transaction terms. If the information is unknown, the creditor must use due diligence in obtaining the information and make disclosures based on the best information reasonably available at the time the disclosure is provided.
- Must be delivered (placing it in the mail qualifies) no later than three days after receiving the application.
- Loan Estimates may change if:
  - Certain variations between amount disclosed and amount charged are permitted
    - Prepaid interest, property insurance premiums, amounts placed in an escrow impound, reserve or similar account
    - Services that can be shopped for and the consumer selects a third party not disclosed on the written list of service providers
    - Charges paid to third party service providers for services not required by the creditor
  - The amount charged falls within a tolerance
    - Aggregate 10 percent increase allowed for costs disclosed such as recording fees, non-creditor affiliate third party service provider which consumers may shop for and consumer picks service provided listed on written lists provided by the creditor
    - Charges subject to 10 percent tolerance does not violate the 10 percent tolerance rule if in the aggregate the total of charges does not exceed more than 10 percent from what was initially disclosed
    - If the aggregate of the charges subject to the 10 percent tolerance rule exceeds by 10 percent the amounts disclosed in the Loan Estimate or the disclosed amounts will be deemed to not have made in good faith
  - The amount charged falls within a tolerance

### SECTION 8 – CHARGES SUBJECT TO ZERO TOLERANCE

- Fees paid to creditor, mortgage broker or affiliate of either
- Fees paid to an unaffiliated third party if the creditor did not permit the customer to shop for a third party service provider for a settlement service
- Transfer taxes



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### SECTION 9 – WHAT IS A CHANGED CIRCUMSTANCE?

- An extraordinary event beyond the control of any interested party or unexpected event specific to the consumer or transaction (§1026.19(e)(3)(iv)(A)(1));
- Information specific to the consumer or transaction that the creditor relied upon when providing the Loan Estimate or that was inaccurate or changed after the disclosures were provided (§ 1026.19(e)(3)(iv)(A)(2));
- New information specific to the consumer of transaction that the creditor did not rely on when providing the Loan Estimate (§ 1026.19(e)(3)(iv)(A)(3))

### SECTION 10 – EXAMPLES OF CHANGED CIRCUMSTANCE

- A natural disaster such as a hurricane or earthquake, damages the property or otherwise results in additional closing costs
- The creditor provided an estimate of the Title Insurance on the Loan Estimate, but the title insurer goes out of business during underwriting
- New information not relied upon when providing the Loan Estimate is discovered, such as a neighbor of the seller filing a claim contesting the boundary of the property to be sold

### SECTION 11 – CHANGES ON FILE AFTER OCTOBER 1, 2015

The TILA-RESPA Rule includes some new restrictions on certain activity prior to a consumer's receipt of the Loan Estimate. These restrictions take effect on October 1, 2015 regardless of whether an application has been received on that date. These activities include:

- Imposing fees on a consumer before the consumer has received the Loan Estimate and indicated an intent to proceed with the transaction (§ 1026.19(e)(2)(i))
- Providing written estimates of terms or costs specific to consumer's before they receive the Loan Estimate
- Without a written statement informing the consumer that the terms and costs may change (§ 1026.19(e)(2)(ii))
- Requiring the submission of documents verifying information related to the consumer's application before providing the Loan Estimate (§ 1026.19(e)(2)(iii))

### SECTION 12 – REVISIONS AND CORECTIONS TO THE LOAN ESTIMATES CAN OCCUR IN THE FOLLOWING INSTANCES

- Changed circumstances that cause estimated settlement charges to increase by more than is permitted
- Changed circumstances that affect the consumer's eligibility for terms for which the consumer applied or the value of the security of the loan
- Revision to credit terms or settlement made at the request of the consumer



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- Interest rate was not locked when the Loan Estimate was provided and locking the rate caused the points or lender credits to change
- The consumer indicated an intent to proceed more than ten days after the Loan Estimate was provided

### SECTION 13 – REVISED LOAN ESTIMATE UPON RATE LOCK

- A revised Loan Estimate may be issued if after the issuance of the initial Loan Estimate the interest rate is locked, and points and lender credits have since changed
- A revised Loan Estimate must be provided no later than three business days after receiving information to establish grounds for reissuance
- For both the initially delivered Loan Estimate and a revised Loan Estimate, consummation of the loan cannot occur less than seven business days after the Loan Estimate or revised Loan Estimate is provided

### SECTION 14 – CHANGED CIRCUMSTANCES OCCURING AFTER ISSUANCE OF CLOSING DISCLOSING

The Closing Disclosure must be provided no later than three business days prior to consummation if:

- If a changed circumstance occurs after the fourth day but before the third business day prior to consummation, the Closing Disclosure may reflect the revised changes
- If a changed circumstance occurs after a Closing Disclosure has issued but before consummation, a revised Closing Disclosure, reflecting the revised changes may be provided at consummation

### SECTION 15 – A CLOSING DISCLOSURE MUST CONTAIN:

- The actual terms and costs of the transaction
- The Closing Disclosure must be provided no later three-business days before loan consummation. However, note that if changed circumstances occur after issuance of the Closing Disclosure, a revised Closing Disclosure may be provided at consummation.

### SECTION 16 – A CLOSING DISCLOSURE MUST BE DELIVERED AS FOLLOWS:

- By providing it to the consumer, in person
- By mailing or by other delivery methods, including email. If delivering via email you must have the consumer’s consent and comply with E-sign
- Creditors must ensure that the consumer receives the Closing Disclosure at least three days prior to consummation
- Mailbox Rule: If the closing statement is delivered by mail, it will be considered received by the consumer three business days after it is placed in the mail. However, if a creditor receives evidence that the consumer received the Closing Statement earlier than three



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days after mailing, the creditor may rely on the date the evidence shows the borrower received the Closing Statement as borrower’s receipt date

### SECTION 17 – CORRECTED CLOSING STATEMENT

If a corrected Closing Statement was issued, in the following instances the three day waiting period will restart

- Changes to the loan’s APR
- Changes to the loan product
- The addition of a prepayment penalty

Other than the above instances, changes to the Closing Statement do not trigger a new three day waiting period, rather a revised Closing Statement reflecting these changes can be provided at the time of consummation. However, the consumer has the right to inspect the Closing Disclosure during the business day before consummation

### SECTION 18 – POST CONSUMMATION – CORRECTED CLOSING DISCLOSURES

If an event in connection with the settlement occurs during the thirty calendar days after consummation which causes the Closing Disclosure to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed, then the corrected Closing Disclosure must be placed in the mail no later than thirty days after receiving information sufficient to establish that such an event has occurred

For non-numerical errors and to document refunds for tolerance violations revised Closing Disclosures must be provided no later than sixty days after consummation

### SECTION 19 – ESCROW CLOSING NOTICE

- Three business days before the consumer’s escrow account is closed at the consumer’s request
- Thirty business days before the consumer’s escrow account is closed for other reasons

### SECTION 20 – LIMITS ON FEES THAT MAY BE CHANGED

A creditor or broker may not impose a fee in connection with a loan application until the consumer has received a Loan Estimate and has indicated an intent to proceed with the transaction. The exception to this rule is that a reasonable fee may be charged prior to the Loan Estimate issuance to obtain the borrower’s credit report.



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