Brief Walk Through of TRID

Presented by:
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MGIC Inside Sales
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TRID does not cover

• HELOCs

• Reverse mortgages

• Mortgages secured by mobile homes or dwellings that are not attached to real property (i.e., land)

• Rule does not apply to loans made by creditors that make 5 or fewer mortgage loans per year
TRID timeline

- Dodd-Frank mandate
- Final TRID rule issued by CFPB November 20, 2013
- Goes into effect October 3, 2015
Can forms be used early?

- Use GFE, HUD-1 and Truth-in-Lending forms for applications received prior to October 3, 2015
- Use Loan Estimate on October 3, 2015, and from there on
It all starts with an application

• You have an application when consumer provides:
  • Name
  • SSN (to pull credit)
  • Income
  • Loan amount sought
  • Estimate property value
  • Property address

• Can ask for more, but no longer rely on “anything else lender deems necessary”
Preapprovals?

• You have an application when consumer provides:
  • Name
  • SSN (to pull credit)
  • Income
  • Loan amount sought
  • Estimate property value
  • Property address

If we don’t have a property address, we don’t have an application and a LE does not need to be issued.
Can you verify income?

• TRID prohibits requiring income documentation prior to issuing a LE

• Borrower can volunteer the information prior
Terms to know

Loan Estimate (LE)

- Replaces and combines the GFE, initial TIL and servicing disclosures
Terms to know

Loan Estimate (LE)

- Replaces and combines the GFE, initial TIL and servicing disclosures

- Must be delivered within 3 business days of application; must be delivered or placed in the mail no later than 7 business days before consummation of the loan

- No fees may be imposed on consumer before consumer receives LE and indicates to lender intent to proceed (except “bona fide and reasonable” fee for obtaining credit report)

- Lender is bound by LE; revisions only permitted for limited circumstances

- Consumer has 10 days from when LE was delivered or placed in the mail to indicate intent to proceed with transaction

- Consumer can indicate intent by phone, e-mail or in writing
Terms to know

Closing Disclosure (CD) - Replaces and combines the TIL disclosure, Itemization of Amount financed and HUD-1 Settlement Statement
Have an app; now what?

• Within 3 business days of receipt of application, creditor must deliver or place in the mail the Loan Estimate.

• Loan Estimate must be delivered or placed in the mail no later than 7 business days prior to consummation.

• Consumer can only waive the 7-business day waiting period if the consumer has a “bona-fide personal financial emergency.”
Business day vs. business day

• Loan Estimate
  Business day = Day when the creditor’s offices are open to the public for carrying out substantially all of its business functions

• Closing Disclosure
  Business day = All calendar days except Sundays and federal legal holidays

• Mailbox rule
  Considered received 3 business days after mailed
Let’s take a look at the LE

Page 1 includes...

<table>
<thead>
<tr>
<th>Loan Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DATE ISSUED</strong></td>
</tr>
<tr>
<td><strong>PROPERTY</strong></td>
</tr>
</tbody>
</table>

**General info**
Date, address, rate lock, etc.

**Loan terms table**
Loan amount, interest rate, monthly P&I, prepayment penalty, balloon payment

**Projected payments table**
P&I, MI, estimated total monthly payment

**Costs at closing table**
Let’s take a look at the LE

Page 2 includes...

<table>
<thead>
<tr>
<th>Closing Cost Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Costs</strong></td>
</tr>
<tr>
<td>A. Origination Charges</td>
</tr>
<tr>
<td>B. Services You Cannot Shop For</td>
</tr>
<tr>
<td><strong>Other Costs</strong></td>
</tr>
<tr>
<td>E. Taxes and Other Government Fees</td>
</tr>
<tr>
<td>F. Prepaid</td>
</tr>
<tr>
<td>G. Initial Escrow Payment at Closing</td>
</tr>
<tr>
<td>H. Other</td>
</tr>
<tr>
<td><strong>C. Services You Can Shop For</strong></td>
</tr>
<tr>
<td><strong>D. TOTAL LOAN COSTS (A + B + C)</strong></td>
</tr>
<tr>
<td><strong>Adjustable Payment (AP) Table</strong></td>
</tr>
<tr>
<td>Interest Only Payments?</td>
</tr>
<tr>
<td>Optional Payments?</td>
</tr>
<tr>
<td>Step Payments?</td>
</tr>
<tr>
<td>Seasonal Payments?</td>
</tr>
<tr>
<td>Monthly Principal and Interest Payments</td>
</tr>
<tr>
<td>A. First Change Amount</td>
</tr>
<tr>
<td>B. Subsequent Changes</td>
</tr>
<tr>
<td>C. Maximum Payments</td>
</tr>
</tbody>
</table>

- **Loan costs & other costs**
  A good-faith itemization

- **Calculating cash to close**
  Shows how amount was calculated

- **Adjustable Payment table**
  If transaction has monthly payments that will change

- **Adjustable Interest Rate table**
  Shows how the interest rate will change (if it can)
Let’s take a look at the LE

Page 3 includes...

- **Contact information**
  A good-faith itemization

- **Comparisons table**
  Show how amount was calculated

- **Other considerations**
  If transaction has monthly payments that will change

- **Signature statement**
  Acknowledging receipt does not equal intent to proceed
## Tip on TIP

Replaces the Total Payments from the initial TIL

Used to be a big $ amount; now a big % amount

<table>
<thead>
<tr>
<th>Comparisons</th>
<th>Description</th>
</tr>
</thead>
</table>
| 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 – Good Faith

• Creditors responsible for ensuring figures provided are made in good faith

• If charges are lower on Closing Document, fine
LE – Good Faith

• Creditors responsible for ensuring figures provided are made in good faith

• If charges are lower on Closing Document, fine

• If higher, deemed not in good faith unless:
  • Certain variations between the amount disclosed and the amount charged are expressly permitted by the TILA-RESPA rule; or
  • The amount charged falls within explicit tolerance thresholds (and the estimate is not for a zero tolerance charge where variations are never permitted); or
  • Changed circumstances permit a revised Loan Estimate or a Closing Disclosure that permits the charge to be changed.
LE – Change without tolerance

• Prepaid interest, property insurance premiums, amounts placed into escrow

• Services required by creditor that the borrower shops for and selects third-party provider not on written list of service providers

• Charges paid to third-party service provider not required by the creditor (may be affiliate of creditor)
LE – 10% tolerance

• 10% is cumulative tolerance

• Charges include:
  • Recording fees
  • Charges for third-party services where:
    • Not paid to the creditor or affiliate of the creditor; AND
    • Borrower was permitted by the creditor to shop, and the borrower selected a third-party provider on the list provided by the creditor.
LE – Zero tolerance

• Not permitted to charge borrower more than what is listed on the LE under any circumstance other than changed circumstance that permits revised LE

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

• Valid change in circumstance
  • Change affecting settlement charges
    • Extraordinary event beyond control of any interest party (think Act of God clauses...hurricane, earthquake, etc.)
    • Inaccurate or changed information specific to consumer or transaction (similar to RESPA today)
    • New information specific to the consumer or transaction

• Change affecting eligibility
  • Consumer is ineligible because of changed circumstance such as creditworthiness or value of security
Valid change

• Consumer requests revision

• Interest rate dependent charges
  (Points or lender credits change because consumer did not lock when required)

• LE expires

• Delayed settlement date on construction loan
Revised LE

- A revised LE cannot be issued on the same day or after the Closing Disclosure

- Last day to issue a revised LE is 4 business days prior to closing
Let’s take a look at the CD

Page 1 includes...

- General info
- Loan terms table
- Projected payments table
- Costs at closing table
Let’s take a look at the CD

Page 2 includes...

- Closing Cost Details
  - Loan costs
  - Other costs

<table>
<thead>
<tr>
<th>Loan Costs</th>
<th>Borrower Paid</th>
<th>Seller Paid</th>
<th>Paid by Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Origination Charges</td>
<td>At Closing</td>
<td>Before Closing</td>
<td>At Closing</td>
</tr>
<tr>
<td>B. Services Between Did Not Pay For</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Services Between Did Not Pay For</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. TOTAL LOAN COSTS (Borrower-Paid)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Costs</th>
<th>Borrower Paid</th>
<th>Seller Paid</th>
<th>Paid by Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Taxes and Other Government Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Prepails</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. Initial Escrow Payment at Closing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| I. TOTAL OTHER COSTS (Borrower-Paid) | | | | |
| J. TOTAL CLOSING COSTS (Borrower-Paid) | | | | |
Let’s take a look at the CD

Page 2 includes...

### Other Costs

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes and Other Government Fees</strong></td>
<td></td>
</tr>
<tr>
<td>01 Recording Fees</td>
<td>$85.00</td>
</tr>
<tr>
<td>02 Transfer Tax</td>
<td></td>
</tr>
<tr>
<td>03 Homeowner’s Insurance Premium (12 mo.) to Insurance Co.</td>
<td>$1,209.96</td>
</tr>
<tr>
<td>04 Mortgage Insurance Premium (___ mo.)</td>
<td></td>
</tr>
<tr>
<td>05 Prepaid Interest (___ per day from 4/1/13 to 5/1/13)</td>
<td>$279.04</td>
</tr>
<tr>
<td>06 Property Taxes (6 mo.) to Any County USA</td>
<td>$631.80</td>
</tr>
<tr>
<td><strong>Prepays</strong></td>
<td>$2,120.80</td>
</tr>
<tr>
<td><strong>Initial Escrow Payment at Closing</strong></td>
<td>$412.25</td>
</tr>
<tr>
<td>01 Homeowner’s Insurance $100.83 per month for 2 mo.</td>
<td>$201.66</td>
</tr>
<tr>
<td>02 Mortgage Insurance per month for ___ mo.</td>
<td></td>
</tr>
<tr>
<td>03 Property Taxes $105.30 per month for 2 mo.</td>
<td>$210.60</td>
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<tr>
<td><strong>Aggregate Adjustment</strong></td>
<td>-0.01</td>
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<tr>
<td><strong>Other</strong></td>
<td>$2,400.00</td>
</tr>
<tr>
<td>01 HOA Capital Contribution to HOA Acre Inc.</td>
<td>$500.00</td>
</tr>
<tr>
<td>02 HOA Processing Fee to HOA Acre Inc.</td>
<td>$150.00</td>
</tr>
<tr>
<td>03 Home Inspection Fee to Engineers Inc.</td>
<td>$750.00</td>
</tr>
<tr>
<td>04 Home Warranty Fee to XYZ Warranty Inc.</td>
<td>$450.00</td>
</tr>
<tr>
<td>05 Real Estate Commission to Alpha Real Estate Broker</td>
<td>$5,700.00</td>
</tr>
<tr>
<td>06 Real Estate Commission to Omega Real Estate Broker</td>
<td>$5,700.00</td>
</tr>
<tr>
<td>07 Title - Owner’s Title Insurance (optional) to Epsilon Title Co.</td>
<td>$1,000.00</td>
</tr>
<tr>
<td><strong>TOTAL OTHER COSTS (Borrower-Paid)</strong></td>
<td>$5,018.05</td>
</tr>
<tr>
<td>Other Costs Subtotals (E + F + G + H)</td>
<td>$5,018.05</td>
</tr>
</tbody>
</table>
Let’s take a look at the CD

Page 3 includes...

- Calculating cash to close
- Summaries of Transaction tables

<table>
<thead>
<tr>
<th>Calculating Cash to Close</th>
<th>Use this table to see what has changed from your Loan Estimate.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Estimate</td>
<td>Final</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Closing Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing Costs/Brokerage</td>
<td></td>
</tr>
<tr>
<td>Closing Costs/Financed</td>
<td></td>
</tr>
<tr>
<td>Real Estate Agent Compensation</td>
<td></td>
</tr>
<tr>
<td>Down Payment/Funds From Borrower</td>
<td></td>
</tr>
<tr>
<td>Funds for Borrower</td>
<td></td>
</tr>
<tr>
<td>Seller Credits</td>
<td></td>
</tr>
<tr>
<td>Adjustments and Other Credits</td>
<td></td>
</tr>
</tbody>
</table>

| Cash to Close |  |

<table>
<thead>
<tr>
<th>Summaries of Transactions</th>
<th>Use this table to see a summary of your transaction.</th>
</tr>
</thead>
</table>

**Borrower's Transaction**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>123</td>
</tr>
<tr>
<td>Item 2</td>
<td>456</td>
</tr>
<tr>
<td>Item 3</td>
<td>789</td>
</tr>
</tbody>
</table>

**Seller's Transaction**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 4</td>
<td>123</td>
</tr>
<tr>
<td>Item 5</td>
<td>456</td>
</tr>
<tr>
<td>Item 6</td>
<td>789</td>
</tr>
</tbody>
</table>
Let’s take a look at the CD

Page 4 includes...

Additional Information About This Loan

Loan Disclosures

Assumptions
If you sell or transfer this property to another person, your lender will require that the new owner assume the loan.

Demand Feature
Your loan is a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.

Late Payment
If your payment is more than 30 days late, your lender will charge a late fee of...

Negative Amortization (Increase in Loan Amount)
Under your loan terms, you may be required to make monthly payments that do not pay off 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.

Participation Payments
Your lender may accept payments that are less than the full amount due (partial payments) and apply them to your loan.

Security Interest
You are granting a security interest in...

Additional information about this loan:
- Loan disclosures
- Adjustable payment
- Adjustable interest rate

Adjustable Payment (AP) Table

Interest Only Payments?
Optional Payments?
Stop 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
Frequency
First Change
- Subsequent Changes
- Limits on Interest Rate Changes
- First Change
- Subsequent Changes
Let’s take a look at the CD

Page 5 includes...

<table>
<thead>
<tr>
<th>Loan Calculations</th>
<th>Other Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of Payments</td>
<td>Appraisal</td>
</tr>
<tr>
<td></td>
<td>If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.</td>
</tr>
<tr>
<td>Finance Charge</td>
<td>Contract Details</td>
</tr>
<tr>
<td></td>
<td>See your note and security instrument for information about what happens if you fail to make your payments, what it is that can be foreclosed, if the lender can require early repayment of the loan, and the rules for making payments before they are due.</td>
</tr>
<tr>
<td>Amount Financed</td>
<td>Liability after Foreclosure</td>
</tr>
<tr>
<td></td>
<td>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 any additional income 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.</td>
</tr>
<tr>
<td>Annual Percentage Rate</td>
<td>Reference</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>Total Interest Percentage</td>
<td>Tax Deductions</td>
</tr>
<tr>
<td></td>
<td>If you borrow more than this property is worth, the interest on the loan amount above the property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.</td>
</tr>
</tbody>
</table>

| 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 |

<table>
<thead>
<tr>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Address</td>
</tr>
<tr>
<td>NMLS ID</td>
</tr>
<tr>
<td>License ID</td>
</tr>
<tr>
<td>Contact</td>
</tr>
<tr>
<td>Contact NMLS ID</td>
</tr>
<tr>
<td>License ID</td>
</tr>
<tr>
<td>Email</td>
</tr>
<tr>
<td>Phone</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Confirm Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application Signature</th>
<th>Date</th>
<th>Co-Applicant Signature</th>
<th>Date</th>
</tr>
</thead>
</table>
CFPB Timeline example

Application date received:
August 3, 2015

Closing date:
October 29, 2015

http://www.consumerfinance.gov/regulatory-implementation/tila-respa/
Let’s walk through a timeline...

Creditor is closed on Saturday

• Loan Estimate
  Business day = Day when the creditor’s offices are open to the public for carrying out substantially all of its business functions

• Closing Disclosure
  Business day = All calendar days except Sundays and federal legal holidays
Let's walk through a timeline...

Creditor has 3 business days to deliver or mail the LE to the borrower. After doing this, the creditor is now able to request verifying information from the borrower.
Let's walk through a timeline…

2015 → October

- Application received: 7 October
- LE delivery: 10 October
- First Eligible Closing date: 19 October

7 business days from LE delivery
Lets walk through a timeline...

2015 → OCTOBER

- **Application received**: October 4
- **LE delivery**: October 10
- **First Eligible Closing date**: October 19
- **7 business days from LE delivery**: October 22
Accepting receipt of LE is not the same as wishing to proceed, and the LE expires after 10 days if the borrower has not indicated desire to proceed.
Let's walk through a timeline...

<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 business days</td>
<td>Appraisal received; LTV changed</td>
<td>Revised LE delivery</td>
<td></td>
</tr>
</tbody>
</table>

2015 NOVEMBER

THANKSGIVING
Lets walk through a timeline...

2015

NOVEMBER

1
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28
29
30

Sunday
Monday
Tuesday
Wednesday
Thursday
Friday
Saturday

Appraisal received; LTV changed

Veteran's Day

Revised LE delivery

Need to mail CD

Borrower must receive CD

3 business days

3 business days

Thanksgiving

Closing date
Only 3 changes to CD that require new 3-day wait period

- Annual Percentage Rate (APR) becomes inaccurate if changes made by lender cause APR to increase greater than ⅛ on fixed-rate loan or ¼ on ARMs

- Changes to the loan product

- A prepayment penalty is added to the loan
Key to TRID

Communication
Twitter: mgic.com/twitter
Blog: mgic-connects.com
LinkedIn: mgic.com/linkedin
YouTube: mgic.com/youtube
Facebook: mgic.com/facebook
THANK YOU

Scott_meerstein@mgic.com

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