Q: What is TRID?

A: TRID is an acronym for the TILA-RESPA Integrated Disclosure rule. It is a rule mandated by the Consumer Financial Protection Bureau as part of the Dodd-Frank Act and was developed to clarify the way consumers receive information about mortgage loans. The intent is to increase transparency and accuracy about the real cost of a loan in addition to giving borrowers the opportunity to shop for additional services.

Q: What is TRID comprised of?

A: The rule will introduce two new disclosure forms:

- Loan Estimate: This replaces the initial Truth-In Lending disclosure and Good Faith Estimate (TIL and GFE)
- Closing Disclosure: This replaces the final TIL and HUD-1 forms

Q: What is the reason for the new forms?

A: The new forms are intended to make it easier for consumers to locate key information, such as:

- Interest rate
- Monthly payments
- Costs to close the loan

Additionally, it holds lenders accountable for the disclosure of all fees and potential fees so the consumer doesn't receive any surprise charges at closing time.

Q: What are they replacing?

A: TRID amends Regulations Z (TILA) and X (RESPA) to create new, integrated disclosures for most mortgage transactions. Some of the revisions included in TRID are:

- It creates the new Loan Estimate and Closing Disclosures forms
- It changes the definition of an application
- It creates new requirements on the collection of advance fees and pre-disclosure documents
- It adds new timing requirements
- It revises allowable fee tolerances

Details regarding late payments, refinancing and servicing will be clarified on the third page of the initial Loan Estimate, along with a signature line that Confirms Receipt of the estimate

Q: Loan Estimate Re-Disclosure

A: There are fee tolerances that can trigger the requirement to re-disclose the Loan Estimate; these rules are very similar to the Good Faith Estimate rules currently in existence. For example, the loan can be re-disclosed if:

- The points or lender credits disclosed on the Loan Estimate changed due to a first-time lock
- A valid change of circumstances causes fees to increase beyond allowable tolerances
- A consumer-requests revision to the loan terms or charges
- A consumer indicates of an intent to proceed more than ten days after the initial Loan Estimate is delivered

Q: What are the ‘Fee Tolerances’ for the Loan Estimate?

A: The tolerances are much more stringent than before and are classified in three tiers: 0%, 10% and unlimited tolerance. The breakdowns for these tiers are:

- 0% tolerance – Includes fees paid to the lender or an affiliate; transfer taxes; fees paid to an unaffiliated third party, if the lender DOES NOT permit the customer to shop for these (such items could include flood certification, appraisal and credit report fees).
- 10% tolerance – Includes Recording Fees and fees paid to an unaffiliated third party, if the lender DID permit the customer to shop but he or she selected a provider disclosed on the Written List of Providers.
- Unlimited tolerance – Includes prepaid interest; property insurance premiums; amounts placed into an escrow, impound, reserve or similar account; fees paid to an unaffiliated third party if the lender DID permit the consumer to shop but he or she selected a provider the lender DID NOT disclose on the lender’s “Written List of Providers”; fees for services we don’t require such as optional owner’s title insurance.

Q: What is the Closing Disclosure?

A: The Closing Disclosure form replaces the HUD-1 and final TIL and MUST contain the actual terms and costs of the transaction.

Q: What does the Closing Disclosure entail?

A: The Closing Disclosure includes a full summary of the details of the loan and an itemization of terms, interest rate, monthly principal and interest, origination charges, services he or she did not shop for, services he or she did shop for and a worksheet that calculates Cash to Close.
It also includes a column that clearly explains components that may change after closing and a chart which summarizes changes between the Loan Estimate and the Closing Disclosure to account for fees that fall outside the Fee Tolerances. The last two pages break down the disclosures.

Q: What is the timing for the Closing Disclosure?

A: The Closing Disclosure MUST be received by the consumer at least three business days prior to consummation and it CAN NOT be delivered on the same day as the last Loan Estimate (they must be at least one day apart). After the Closing Disclosure is delivered, there can be no more Loan Estimates.

Q: What is used for Evidence of Receipt?

A: These are the four methods that are considered Evidence of Receipt:

- Hand delivery
- Electronic delivery that complies with ESIGN + three business days
- Mailing date + three business days
- Evidence of consumer receipt through email acknowledgement, signing for a UPS/FedEx package by the borrower only

Q: What if the Closing Disclosure needs to be revised?

A: In technical terms, a revision to the Closing Disclosure is a re-disclosure. There are three circumstances which require a revised Closing Disclosure to make sure all the terms are accurately changed and a new three-business-day waiting period (six business days if mailed) is given. The circumstances are:

- The disclosed APR becomes inaccurate
- The loan product changes
- A prepayment penalty is added

No other changes require a new waiting period. However, the consumer has the right to inspect the Closing Disclosure a business day before closing.