

# TRID Rule Purchase Requirements

For Applications dated on or after 10/3/2015

This document provides a brief overview of the TRID Rule's requirements and specifies the purchase requirements for CMG Mortgage, Inc., dba CMG Financial, (CMG). CMG Financial Correspondents are responsible for ensuring compliance with the TRID Rule and all related laws and regulations.

## TRID Rule Overview

### Background:

- The Dodd-Frank Wall Street Reform Act charged the Consumer Financial Protection Bureau (CFPB) with integrating the mortgage lending rules regarding mortgage loan disclosures that applied under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). This resulted in the creation of the TILA and RESPA Integrated Disclosure Rule (TRID Rule), also known as the "Know Before You Owe" mortgage initiative.
- The final rule applies to most closed-end consumer mortgages. It does not apply to home equity lines of credit, reverse mortgages, mortgages secured by mobile homes or dwelling not attached to real property, and creditors who make five or fewer mortgages a year.
- The primary result of the TRID Rule is the formal establishment of new disclosures that must be provided to consumers at application and closing: the Loan Estimate and Closing Disclosure.
- Other changes under the TRID Rule include an updated application definition, pre-disclosure restrictions (e.g. fee collection, verification documents), definition of the zero and 10% tolerance fees, and the waiting period after receipt of the Closing Disclosure.
- Effective Date: The TRID Rule must be implemented for new applications dated on or after October 3, 2015.

### Available Resources:

- The CFPB has made several resources available on their website, including a Compliance Guide, a Guide to Forms, sample forms, and videos to address implementation of the TRID Rule: <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>
- The CFPB also provides Regulation Z in an electronic format allowing for easier navigation: <http://www.consumerfinance.gov/eregulations/>
- CMG Financial's Correspondent Seller Resources website: <http://www.cmgfi.com/correspondent/resources>

### Loan Estimate:

- The Loan Estimate combines the Good Faith Estimate (GFE) and the initial Truth-in-Lending (TIL) disclosure into one disclosure.
- In addition, the Servicing Disclosure Statement required under RESPA and the Notice of the Right to Receive an Appraisal required under ECOA are now included on the Loan Estimate.

### Closing Disclosure:

- The Closing Disclosure combines the HUD-1/1A Settlement Statement (HUD-1) and the final Truth-in-Lending (TIL) disclosure into one disclosure.

**Loan Estimate Overview and CMG Purchase Requirements**

<p><b>Application Definition:</b></p>	<ul style="list-style-type: none"> <li>• For the purposes of the Loan Estimate (LE) delivery timing, the CFPB defines “application” as the submission of a consumer’s financial information for the purposes of obtaining an extension of credit, which consists of the following six pieces of information:             <ol style="list-style-type: none"> <li>1. Consumer’s Name</li> <li>2. Consumer’s Stated Income</li> <li>3. Consumer’s Social Security Number</li> <li>4. Property Address</li> <li>5. Estimate of the Value of the Property</li> <li>6. Mortgage Loan Amount Sought</li> </ol> </li> </ul>
<p><b>LE Delivery:</b></p>	<ul style="list-style-type: none"> <li>• Under the TRID Rule, the LE must be delivered to the consumer within three general business days following the day the creditor receives the consumer’s complete application.</li> <li>• The initial LE must be received by the consumer at least seven specific business days before consummation.</li> <li>• A revised LE must be provided within three general business days of a valid changed circumstance that resets the tolerance baseline if the cost is being passed on to the consumer.</li> <li>• A revised LE must be delivered within three general business days of the rate lock date (including rate lock extensions and re-locks).</li> <li>• A revised LE must be received 4 specific business days before consummation.</li> <li>• The initial Closing Disclosure may be issued for a changed circumstance only if it is less than four specific business days before consummation.</li> <li>• Once the Closing Disclosure has been issued, no further revised LEs may be issued.</li> </ul>
<p><b>Business Day Definition:</b></p>	<ul style="list-style-type: none"> <li>• General business days are defined as days in which the lender’s offices are open to the public for carrying out substantially all of its business functions except Sundays and legal public holidays. The general business day definition is used to determine the period to issue an initial or revised LE.</li> <li>• Specific business days are defined as all days except Sundays and legal public holidays. The specific business day definition is used to determine the waiting periods applicable to the LE and CD, the deadline for a consumer to receive a revised LE, and the mailbox rule.</li> </ul>
<p><b>LE Signature Requirements:</b></p>	<ul style="list-style-type: none"> <li>• CMG Financial does not require LEs to be signed. Signatures can be used to evidence receipt of the LE.</li> </ul>

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<b>LE Changed Circumstance Documentation:</b>	<ul style="list-style-type: none"><li>• CMG Financial Correspondents are responsible for establishing processes to document valid changed circumstances associated with the issuance of revised LEs, including the rate lock date.</li><li>• A complete documentation history and explanation for each changed circumstance must be provided for all changed circumstances and associated revised LEs in order to be considered for purchase by CMG Financial.</li></ul>
<b>Pre-Disclosure Restrictions:</b>	<ul style="list-style-type: none"><li>• Fees cannot be imposed on a consumer in connection with the consumer's application for a mortgage transaction (other than a reasonable fee to obtain a credit report) until the consumer has received the Loan Estimate and indicated an intent to proceed. This prohibition includes requiring consumers to provide a method for payment, such as a check or a credit card number, even if the payment is not made at that time.<ul style="list-style-type: none"><li>○ Appraisals may not be ordered until the consumer has received the LE and indicated an intent to proceed as this action results in an appraisal fee being imposed on the consumer.</li></ul></li><li>• A creditor may not require the consumer to submit documents verifying information related to the consumer's application until the LE has been provided to the consumer.<ul style="list-style-type: none"><li>○ When a consumer requests a preapproval, the creditor may request verification documents from the consumer.</li></ul></li><li>• Creditors are responsible for having processes in place to document the consumer's intent to proceed and that no fee was imposed other than the reasonable credit report fee prior to consumer's receipt of the LE and intent to proceed. This documentation must be provided to CMG Financial in order to be considered for purchase.</li></ul>
<b>Written List of Service Providers:</b>	<ul style="list-style-type: none"><li>• In addition to the LE, if the consumer is permitted to shop for a settlement service, the creditor must provide the consumer with a written list identifying available providers of settlement services for which the consumer can shop.</li><li>• This written list of service providers must be provided within three business days of the consumer's application and the list must identify at least one available settlement service provider for each service and state that the consumer may choose a different provider of that service.</li></ul>
<b>"Other Considerations" Section of the LE:</b>	<ul style="list-style-type: none"><li>• The Servicing Disclosure Statement required under RESPA and the Notice of the Right to Receive an Appraisal required under ECOA are now included on the Loan Estimate and no longer need to be disclosed separately.</li></ul>

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<b>Special Information Booklet:</b>	<ul style="list-style-type: none"><li>• Creditors must provide a copy of the CFPB’s special information booklet titled “Your Home Loan Toolkit” to consumers who apply for a consumer credit transaction secured by real property for the purpose of purchasing a one-to-four family residential property.</li><li>• Creditors must deliver or place in the mail the special information booklet not later than three business days after receiving the consumer’s application.</li><li>• CMG Financial Correspondents are responsible for establishing processes to document delivery of the special information booklet to the consumer.</li></ul>
<b>Record Retention:</b>	<ul style="list-style-type: none"><li>• The TRID Rule requires that each completed LE and supporting documentation be retained for three years after the later of the date of consummation, the date disclosures are required to be made, or the date the action is required to be taken.</li></ul>
<b>Required LE Documentation for Purchase Review:</b>	<ul style="list-style-type: none"><li>• Signed Initial 1003.</li><li>• All LEs provided to the consumer with fees listed alphabetically with the exception of the hard-coded lines.</li><li>• For LEs electronically delivered in an E-Sign compliant manner, a consumer signed E-Delivery consent form with documentation to prove electronic delivery and receipt of LE.</li><li>• All changed circumstance documentation associated with the issuance of revised LEs or the reset of baselines.</li><li>• Evidence of the Consumer’s Intent to Proceed.<ul style="list-style-type: none"><li>○ The format of this documentation may vary, such as an email or letter from the consumer(s), Loan Officer, or staff notes regarding the conversation with the consumer(s) instructing you to proceed, or your own company’s intent to proceed form, etc. All documentation must show the exact date the intent to proceed occurred.</li></ul></li><li>• Evidence that no fee was imposed other than the reasonable credit report fee prior to consumer’s receipt of the LE and intent to proceed.<ul style="list-style-type: none"><li>○ The format of this documentation may vary, such as an email, letter, or form signed by the consumer(s) stating the exact date that they were charged fees prior to the loan closing date. To ensure compliance with the TRID Rule regarding the assessment of fees, the date(s) the consumer(s) received the initial LE and provided their intent to proceed will be compared to the date(s) that any fees were charged prior to consummation.</li></ul></li><li>• Written List of Service Providers</li><li>• Evidence of Lock Date (and extension, when applicable)</li><li>• The Purchase Review may result in the need for the CMG Financial Correspondent to supply additional documentation.</li></ul>

**Closing Disclosure Overview and CMG Purchase Requirements**

**CD Preparation and Delivery:**

- CMG Financial will accept CDs prepared by the creditor or the Settlement Agent.
- The CD must be received by the consumer no later than three specific business days before consummation of the loan. (Business Days are defined in the Loan Estimate Overview section.)
- If the terms or costs of the transaction change prior to consummation, a revised CD must be provided.
- If one of the following occurs after delivery of the CD and before consummation, the creditor must provide a revised CD containing all changed terms and impose a new three specific business day waiting period before consummation:
  - The APR changes by more than .125% (.250% for an irregular transaction). The APR decreasing over tolerance does not trigger a new waiting period if the decrease is solely due to overstated finance charges.
  - Loan product change (e.g. Fixed to ARM).
  - Addition of a prepayment penalty (CMG does not purchase loans with prepayment penalties).
- If changes are made that do not fall into the three categories above, no additional waiting period is required, however the creditor must ensure the consumer receives the revised CD at or before consummation.
  - The revised CD must remain within the baseline tolerances as established by the final LE or the initial CD if it was permissible to disclose a changed circumstance on the initial CD due to being less than four specific business days to consummation.
  - Any increase in cost above the final LE or Initial CD baseline tolerances must be cured by the creditor. The only exception to this cure requirement is for increases to costs directly associated with a rate lock extension (or re-lock) or a loan amount change.

**CD Changed Circumstance Documentation:**

- CMG Financial Correspondents are responsible for establishing processes to document valid changed circumstances associated with the issuance of revised CDs.

**CMG’s Definition of Consummation:**

- Consummation means the time that a consumer becomes contractually obligated on a credit transaction, which CMG has defined as the date the Note is signed.
- The “Closing Date” disclosed on the CD is considered the consummation date. Therefore, the assessment of required waiting periods under TRID Rule will use the Closing Date as the point of reference.

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<b>CD Signature Requirements:</b>	<ul style="list-style-type: none"><li>• CMG Financial will require the CD to be signed and dated by all consumers at closing. Initial and revised CDs are not required to be signed.</li><li>• While the CD does not contain a line for the seller's signature, creditors are permitted to use a separate page (i.e. an addendum) for seller signatures. CMG Financial Correspondents are required to submit this separate addendum containing the seller's signature along with the consumer signed CD.</li><li>• For rescindable transactions, each consumer that has a right to rescind must sign and date the CD.</li><li>• Note: The CD signature requirements are based on agency and investor requirements.</li></ul>
<b>Seller's CD:</b>	<ul style="list-style-type: none"><li>• The settlement agent must provide the seller(s) its copy of the CD on or before the date/time the consumer signs their closing documents.</li><li>• The seller's CD must be signed and dated by all sellers at closing.</li><li>• If all required seller information is disclosed on the consumer's CD, a separate seller's CD is not required.</li></ul>
<b>Post Consummation Changed Circumstances:</b>	<ul style="list-style-type: none"><li>• If within 30 calendar days following consummation an event in connection with the settlement of the transaction causes the CD to become inaccurate and this inaccuracy results in a change to the amount already paid by the consumer, a corrected CD must be sent to the consumer within 30 days after receiving the information. (Example: Recording fee amount changes.)</li><li>• If non-numeric clerical errors are found, then a corrected CD must be sent to the consumer no later than 60 days after consummation. (Example: Payee name was inaccurate.)</li><li>• If amounts paid by the consumer exceed the tolerance baseline, the creditor must refund the excess amount no later than 60 days after consummation – the consumer must actually receive the refund check by this deadline. The creditor must also deliver a corrected CD no later than 60 days after consummation.</li></ul>
<b>Record Retention:</b>	<ul style="list-style-type: none"><li>• Each completed CD and supporting documentation must be retained for five years after consummation.</li></ul>

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<b>Required CD Documentation for Purchase Review:</b>	<ul style="list-style-type: none"><li>• All CDs provided to the consumer, including the CD signed and dated at closing, with fees listed alphabetically with the exception of hard-coded lines.</li><li>• For CDs electronically delivered in an E-Sign compliant manner, a consumer signed E-Delivery consent form with documentation to prove electronic delivery and receipt of CD.</li><li>• On rescindable transactions, a signed CD for each consumer that has the right to rescind.</li><li>• On purchase transactions, evidence that the settlement agent provided the seller's CD before the date/time the consumer signed their closing documents and the seller's CD signed and dated by all sellers at closing.</li><li>• All CDs provided to consumers after consummation.</li><li>• The Purchase Review may result in the need for the CMG Financial Correspondent to supply additional documentation.</li></ul>
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## General TRID Rule Correspondent Purchase Requirements

<b>Acceptable Disclosure Usage:</b>	<ul style="list-style-type: none"><li>• Regardless of delivery date to CMG Financial, loans with application dates prior to 10/3/2015 must use the GFE, HUD-1, and TIL form and comply with RESPA and TILA requirements. The LE and CD forms cannot be used for these loans.</li><li>• Creditor originations with application dates on or after 10/3/2015 must use the LE and CD forms and comply with TRID Rule requirements. The GFE, HUD, and TIL forms cannot be used for these loans.</li></ul>
<b>Delivery Method and Receipt of LEs and CDs:</b>	<ul style="list-style-type: none"><li>• Required evidence to prove receipt of LEs and CDs is dependent on the delivery method:<ul style="list-style-type: none"><li>○ US Mail Delivery: CMG Financial will consider the consumer to have received the disclosures three business days after the Date Issued on the disclosure.</li><li>○ In Person Delivery or Fax Delivery: Disclosures delivered In Person or via fax will be considered received by the consumer(s) on the date that the disclosure is signed and dated.</li><li>○ Electronic Delivery: Creditors may deliver disclosures electronically in a manner that is compliant with the Electronic Signatures in Global and National Commerce Act (E-Sign). Electronic delivery requires a consumer signed E-Delivery consent form. Proof of electronic delivery and receipt of disclosures must be provided to determine the consumer receipt date.</li></ul></li><li>• "Date Issued" on the LEs and CDs must be the date the LE or CD is sent by the creditor to the consumer.</li></ul>

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<b>Waiting Periods:</b>	<ul style="list-style-type: none"><li>• Correspondents are responsible for enforcing all applicable waiting periods.</li><li>• CMG Financial will not purchase any loans where the consumer has waived any of the required waiting periods as defined by the TRID Rule unless it was due to imminent foreclosure and appropriately documented. Any other waiver must be considered for exception by CMG Financial Senior Management and Compliance; purchase is not guaranteed. Loss of earnest money is not a valid reason for waiver of any waiting period.</li></ul>
<b>Limits on Fee Changes:</b>	<ul style="list-style-type: none"><li>• The new rule tightens the existing tolerances under RESPA and does not allow changes to additional types of charges from the LE to closing without a valid changed circumstance.</li><li>• As was the case under RESPA pre-TRID Rule, if a valid changed circumstance occurs after the initial LE or initial CD is provided to the consumer, a revised LE or CD can be created with fees related to the valid changed circumstance provided this is done within three general business days of the change. The requirements outlined above in the LE and CD Overviews must be adhered to. CMG Financial will require documentation supporting baseline resets.</li><li>• CMG Financial's purchase review will include an assessment of all LEs and CDs to determine if fee changes were within acceptable tolerance limits. CMG Financial uses the ComplianceEase TRID Monitor to perform this assessment.</li><li>• CMG Financial will require submission of the compliance tool used to ensure the loan meets TRID Rule requirements.</li><li>• If charges have increased from the LE to the CD beyond allowable tolerance limits without a valid changed circumstance and appropriate redisclosure, the creditor must cure the tolerance violation by refunding the excess payment for the charge to the consumer and provide a corrected CD documenting the refund within the applicable timing requirements as defined by the TRID Rule.</li></ul>

*The CMG Financial Correspondent is responsible for ensuring compliance with the TRID Rule and all related laws and regulations. This document is for general informational purposes and does not contain or convey legal advice. The information presented should not be used or relied upon in regard to any particular facts or circumstances without first consulting legal counsel. Any questions pertaining to this information should be directed to your legal counsel. CMG Financial reserves the right to decline any loan that does not meet requirements.*



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