



February 23, 2017
TRID FAQ # 17

Q: What causes the 3 business day waiting period from receipt of the initial CD to consummation/closing to restart?

A: There are three reasons for the 3 business day waiting period to restart:

1. The APR increased/decreased over tolerance

Clarification: The APR decreasing over tolerance does not trigger a new waiting period if: 1) the APR decrease is solely due to overstated finance charges, or 2) the finance charge increased by no more than \$100. To simplify, *“the APR decrease is solely due to overstated finance charges”* means:

- If the APR decrease is due to reduced fees on the loan and/or an interest rate reduction, the waiting period does not restart.
- If the APR decrease is due to a loan amount change and/or loan term change, the waiting period is required to restart.

Examples:

The APR decrease is solely due to overstated finance charges:

- The discount points were removed due to a pricing improvement, which caused the APR to decrease over tolerance. Since this decrease was only due to the discount points, which is a finance charge, a new 3-day waiting period is not required.
- The interest rate was reduced, which caused the APR to decrease over tolerance. Since this decrease was only due to the interest rate decrease, which in turn only affects the interest portion of the monthly payment and interest is a finance charge, a new 3-day waiting period is not required.
- The loan amount was changed at the borrower’s request, which caused the APR to decrease over tolerance. Since this decrease is not solely due to a decrease in finance charges, a new 3-

day waiting period is required.

- The loan term changed from 15 year to 30 year at the borrower's request, which caused the APR to decrease over tolerance. Since this decrease is not solely due to a decrease in finance charges, a new 3-day waiting period is required.

The finance charge increased by no more than \$100:

- The loan term changed from 15 year to 30 year, which caused the APR to decrease, will also cause the finance charge to increase. If the finance charge increased by more than \$100, then a new 3-day waiting period is required.
- The loan amount was increased because the borrower doesn't want to bring funds to close, which caused the APR to decrease, will also cause the finance charge to increase. If the finance charge increased by more than \$100, then a new 3-day waiting period is required.

APR Decrease for Multiple Reasons: When the APR decrease is due to multiple changes on the loan, if one of the changes requires a new 3-day waiting period, then the waiting period is required.

Example:

- The interest rate was reduced and the loan term was increased from 15 year to 30 year. The interest rate reduction on its own does not require a new 3-day waiting period, however the loan term change does require a new 3-day waiting period, so the waiting period is required before closing.

2. The loan product changes

Clarification: *If the "Product" field at the top of page 1 of the CD changes, this restarts the waiting period.*

Examples:

- If the Product changes from "Fixed Rate" to a "5/1 Adjustable Rate," the waiting period must restart.
- If the Product changes from "5/1 Adjustable Rate" to "7/1 Adjustable Rate," the Product field has changed, so the waiting period must restart.
- If the Product is "Fixed Rate" and the Loan Term changes from 30 year to 15 year, this does not restart the waiting period because the Product did not change.

3. Addition of a prepayment penalty (PPP) (Note: CMG will not purchase loans with PPPs)

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

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