

TILA / RESPA INTEGRATED DISCLOSURES

NEWSLETTER VOL.3

“Change is inevitable. Progress is optional.”
Tony Robbins

Loan Estimate Breakdown

The third installment of the CMG Financial TRID Newsletter highlights the new Loan Estimate (combined GFE and the initial TIL).

The first section of this newsletter provides an overview of the fees on page 2 of the LE form. We then provide a few tips and highlight important prohibitions around the LE that should be noted. Finally, at the end of the Newsletter, we note additional resources and our upcoming webinar series.

Section A: Origination Charges

Loan Costs

A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097

Item to note in Section A of the Loan Costs column is the Point charge. This charge must be shown as both a percentage and dollar amount. When disclosing the percentage, it must be an exact number up to two or three decimals. However, if it is a whole number, it must be disclosed without any decimal places. Section A allows for 13 items to be listed separately. If there are more than 13 charges for this section, the extra charges will be labeled “Additional Charges” and placed on the last line. The following must be itemized separately: Points (hard-coded line), compensation paid directly by the borrower to a third-party originator, charge for a loan level pricing adjustment assessed on the creditor and passed to the borrower.

Section B: Services You Cannot Shop For

B. Services You Cannot Shop For	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

Section B of the Loan Costs column lists the fees for services where the borrower is not permitted to shop for their own provider. This section would also include services where the borrower was able to choose but was required to choose from a certain list provided. All title services listed in this section must begin with “Title – “ before the service. For example, an Insurance Binder would show as “Title – Insurance Binder”. A maximum of 13 lines are allowed. If there are more, the remainder would be lumped as “Additional Charges” on the last line. Reminder: this section is now zero tolerance.

Section C: Services You Can Shop For

C. Services You Can Shop For	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender’s Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261

Prohibitions Around the Loan Estimate

Section C of the Loan Costs column lists the fees the borrower can shop for the provider. Again, as with the two previous sections, it must be in alphabetical order and title fees must have "Title –" preceding the fee name. A maximum of 14 fees may be listed in this section. If there are more than 14, the remaining would be aggregated and labeled "Additional Charges" and placed on the fourteenth line.

Sections E-J:

Other Costs	
E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepays	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211
H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Just a couple of items to draw attention to in the section of page 2 shown above. The recording fees are those charges imposed for recording documents based on the physical characteristics of the pages. The name of the fee does not affect where it is disclosed on the page.

The use of "(optional)" in parenthesis is required at the end of the fee name for charges for premiums paid for separate insurance, warranty, guarantee, or event-coverage, including owner's title insurance. These are only required if known at the time the LE is disclosed.

Today, Lender Credits are subtracted from the origination charges in Block 1 of the GFE. On the LE, Lender Credits are only disclosed in Section J and are subtracted from the subtotal of the closing costs.

The LE must be provided before the borrower is required to submit verifying information such as paystubs, bank statements, etc. The CFPB gave the following examples in their commentary which we thought noteworthy to include.

- 1 Before providing the LE, you may ask for the sales price and address of property. However, you may not require a purchase or sales agreement.
- 2 Before providing the LE, you may ask for the names, account numbers, and balances of the borrower's checking/savings account. However, you may not require a copy of the bank statement or similar documentation.

Another restriction is the imposition of a fee prior to the borrower receiving the LE and indicating an intent to proceed. Note, the borrower must both receive the LE and indicate an intent to proceed. Simply signing the LE does not indicate an intent to proceed. The only fee allowed before these two events have occurred is a reasonable and bona fide charge for a credit report. The commentary provided by the CFPB states that a fee is imposed if a borrower is required to provide a method of payment even if the payment will be charged later. Again, two noteworthy examples have been included here.

- 1 A third-party originator submits an application to Creditor B after receiving a decline notice from Creditor A. The credit report fee was charged previously during the application process with Creditor A. At this point, a new credit report fee could not be charged before Creditor B supplies the LE. The borrower has already paid one reasonable and bona-fide credit report fee. Another cannot be charged until after receipt of the LE and showing an intent to proceed.
- 2 Retaining a credit card number on file after charging for a credit report is acceptable. However, a fee cannot be charged until after the LE is received by the borrower and the borrower has provided an intent to proceed. Additionally, the borrower has to be provided with a new request to charge the card and provide authorization after the LE and intent to proceed.



Prior to providing the LE, a Fee Worksheet or other list of fees is allowable ONLY if it doesn't look like the LE and the following disclaimer is at the top of the first page in 12-point font or greater, "Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan." Note, the requirement for this disclaimer exists if providing a list of closing costs common in the consumer's area, providing a list of available rates for loan products, and in certain advertisements.

Actions to Take

- Engage document preparation vendors in testing
- Confirm fee worksheets have the required disclaimer
- Advise personnel to remove old Fee Worksheet forms from their computer desktops. The forms used today likely do not contain the required disclaimer in 12-point font or greater.
- Ensure the LE receipt date and whether the borrower provided an intent to proceeds documented in your system.

External Resources

- CFPB's "TILA-RESPA Integrated Disclosure: H-24(B) Mortgage Loan Transaction Loan Estimate - Fixed Rate Loan Sample: http://files.consumerfinance.gov/f/201403_cfpb_loan-estimate_fixed-rate-loan-sample-H24B.pdf
- CFPB's TRID-RESPA Integrated Disclosure rule implementation website: <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>.
- CFPB's "TILA-RESPA Integrated Disclosure Rule: Small Entity Compliance Guide": http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-rule_compliance-guide.pdf
- CFPB's Regulatory Implementation website: <http://www.consumerfinance.gov/regulatory-implementation/>

CMG Financial TRID Webinar Series - Hold the Dates

- 1 TRID Overview and Understanding the Loan Estimate (LE) – Wednesday, 5/27/2015, 10am PST
- 2 TRID Closing Disclosure – Wednesday, 6/1/2015, 10am PST
- 3 CMG Policy and File Delivery Overview – Wednesday, 7/1/2015, 10am PST

Registration is required. Look for the announcement on Monday, May 18, 2015.

**Contact your Correspondent Regional Manager
or your Correspondent Liaison with full details**

