Closing Disclosure Breakdown

In order to provide in depth coverage of the Closing Disclosure (CD), we are going to breakdown the sections of Page 2 and most of Page 3. Note, all fees on Page 2 must be shown in their respective sections in alphabetical order. This is a requirement of the new TRID rules.

The examples from below are from a Fixed Rate Mortgage Loan from the CFPB sample page. The accompanying webinar presentation will go into more detail to cover more of the form.

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“`If ‘Plan A’ doesn’t work, the alphabet has 25 more letters.`”

Unknown
As with the Loan Estimate, the Loan Costs are separated between three categories based on shopping: Origination Charges, Services Borrower Did Not Shop For, and Services Borrower Did Shop For. The difference here on the Closing Disclosure is the fees are separated by what the borrower actually did or did not shop vs. the Loan Estimate breaking out what they can or cannot shop. The Closing Disclosure shows what the borrower actually chose to do as it relates to shopping for the loan.

### Section A: Origination Charges

As with the Loan Estimate, this section lists the fees paid to the creditor and loan originator. This section, unlike the Loan Estimate, will include the creditor-paid compensation to a Third Party Loan Originator (TPO). The line showing the Third Party Loan Originator will include the name of the Loan Originator. The amount for the TPO will include the dollar value of the salary, commission, and any other similar compensation considered Points and Fees under QM. The amount will be shown in the “Paid by Others” column.

Here is an example of how Lender Paid Compensation is disclosed:

<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: $1,802.00</td>
<td>At Closing: $405.00</td>
<td>$600.00</td>
</tr>
<tr>
<td>1. 0.25% of Loan Amount (Points)</td>
<td>Before Closing: $300.00</td>
<td>Before Closing: $300.00</td>
<td></td>
</tr>
<tr>
<td>2. Application Fee</td>
<td>$1,097.00</td>
<td>$1,097.00</td>
<td></td>
</tr>
<tr>
<td>3. Underwriting Fee</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sections B & C: Services Shopped For or Not Shopped For

These two sections are broken out according to what the borrower actually shopped for or did not shop for. If the borrower chose a provider from the Written List of Service Providers, it would go in the “Services Borrower Did Not Shop For” section. Even if the creditor or TPO paid the service provider and the borrower paid the creditor directly (i.e. CMG Financial fbo ABC Pest Inspection) only the final service provider is listed in the “to” section of the fee line. The use of “fbo” will no longer be used.

### Section E: Taxes and Other Government Fees

Recording fees are to be aggregated in one line with a breakout in the line of “Deed” and “Mortgage”. Transfer Tax fees can be itemized in this section. Recording Fees may not be itemized; only the Transfer Taxes can.
Section F: Prepays
When the prepaid interest is credited to the borrower, it will show as a negative number. A $0 should be shown if no prepaid interest will be collected. Homeowner’s Insurance Premium, Mortgage Insurance Premium, Prepay Interest and Property Taxes are hard coded lines. Those should be completed as applicable and list the final recipient after the “to” in the line. For instance, Property Tax line might read, “Property Taxes (6 mo.) to Any County USA”. Again, these should list the final recipient and not any “fbo” as done today.

Section H: Other
Fees in the “Other” section include real estate brokerage fees, homeowner’s or condominium association charges, home warranties, inspection fees, and other fees part of the real estate closing but not required or disclosed elsewhere. For any fees or premiums paid by the borrower for separate insurance, warranty, guarantee, or event-coverage products not required by the lender/creditor the parenthetical “(optional)” must be at the end of the costs.

Section J: Total Closing Costs
The item to note in this bottom section of Page 2 is the Lender Credits line. This line houses cure tolerance credits and lump-sum credits. Itemized credits would show next to the fee in the column “Paid by Others”. For credits not itemized and for cure tolerance credits, these are placed in the line for “Lender Credits”. If the credit is for a cure tolerance, it must state this in the line next to Lender Credits. For instance, if the cure tolerance was $50, the space next to Lender Credits might read, “(includes $50 credit for increase in Closing Costs above legal limit)”.}

Calculating Cash to Close
At the top of Page 3, is the “Cash to Close” table. This works like the “Cash to Close” table on the Loan Estimate. The notable difference is the addition of the extra column to compare the Loan Estimate to the Closing Disclosure. Any differences are to be explained in the “Did this change?” column. These are not held to a tolerance threshold. It is simply a comparison tool and explanation to the borrower.

Timing and Revisions of the Closing Disclosure
The Closing Disclosure must be received by the borrower three business days prior to consummation. This requires a new process for triggering when the Closing Disclosure should be delivered. Today, the HUD-1 is only required a day in advance allowing the process to complete right near closing. With the requirement for the borrower to receive the Closing Disclosure three business days prior to consummation, the timing becomes more critical. At CMG, we are working to determine the proper timing for delivering the Closing Disclosure. As we finalize this timing, we will send out notification.

Note the bold font concerning receipt. The borrower has to receive the Closing Disclosure three business days in advance. For rescindable loans, each person who has the right to rescind must receive the CD three business days in advance. If the CD is mailed or emailed, it is presumed to take three business days to reach the borrower and then they get their three business days to review. Mail and Email mean potentially six business days before closing. Unless we can show the borrower received it before the three business day delivery presumption, it will be six business days for mail and email.

Revisions may be necessary after sending the Closing Disclosure. Not all revisions will require a new three business day waiting period. The following do require a new three business day waiting period: (1) the Annual Percentage Rate changes by more than .125% (fixed rate) or .250% (ARM); (2) the loan product information on the Closing Disclosure changes; or (3) a prepayment penalty is added. For
other changes, the corrected Closing Disclosure must be received at or before consummation. Change of circumstances exist for the Closing Disclosure; however, these must be within the valid changes allowed under the rule.

**Actions to Take**

- Start determining and discussing timing for providing the Closing Disclosure. This is crucial to meeting closing dates for purchase transactions. Once you submit a CD, you cannot send an LE after.
- Talk to your Realtor and Builder partners about setting proper expectations upfront to allow for the new waiting periods.
- Be sure your system or your document preparation vendor can track when emails are received. This will shorten the six business day requirement for CD receipt.
- Be sure and sign up for our next webinar “Navigating the Closing Disclosure”.

**External Resources**

- CFPB’s “TILA-RESPA Integrated Disclosure Rule: Small Entity Compliance Guide”
- CFPB’s website

**Questions?**

- For our list of FAQs, please visit: [http://docs.cmgfi.com/corporate/trid/CMG-TRID-FAQ.pdf](http://docs.cmgfi.com/corporate/trid/CMG-TRID-FAQ.pdf).
- For more information, please refer to our TRID tab under Seller Resources: [http://www.cmgfi.com/correspondent/resources](http://www.cmgfi.com/correspondent/resources).
- Please contact us with questions that you would like to have addressed in our FAQ or future newsletters by emailing us at TRID@cmgfi.com.