

OVERVIEW

TILA-RESPA Integrated Disclosures (TRID)

The Know Before You Owe mortgage disclosure rule took effect October 3, 2015. The rule is also known as the TILA-RESPA Rule or TRID. It created new **Loan Estimate** and **Closing Disclosure** forms that consumers receive when applying for and closing on a mortgage loan.

The Loan Estimate replaced the RESPA Good Faith Estimate (GFE) and the early Truth in Lending disclosure. The rule requires creditors to deliver or place in the mail the Loan Estimate no later than three business days after the consumer submits a loan application.

The Closing Disclosure replaced the HUD-1 Settlement Statement and the final Truth in Lending disclosure. The rule requires creditors to ensure that consumers receive the Closing Disclosure at least three business days before consummation.

Under 12 CFR 1026.19(e)(3)(i), an estimated closing cost is disclosed in good faith if the charge paid by or imposed on the consumer does not exceed the amount originally disclosed, except as otherwise provided in § 1026.19(e)(3)(ii) through (iv).

Under Section 1026.19(e)(3)(ii), estimates for certain third-party services and recording fees are in good faith if the sum of all such charges paid by or imposed on the consumer does not exceed the sum of all such charges disclosed on the Loan Estimate by more than 10 percent.

Under Section 1026.19(e)(3)(iii), certain other estimates are disclosed in good faith so long as they are consistent with the best information reasonably available to the creditor at the time they are disclosed, regardless of whether and by how much the amount paid by the consumer exceeds the disclosed estimate.

The allowed variances between estimated closing costs and the actual amounts paid by or imposed on the consumer are referred to as *tolerances*.

Under Section 1026.19(e)(3)(iv), creditors are permitted, in limited circumstances, to use revised estimates of charges. This is referred to as resetting tolerances. The circumstances under which creditors may reset tolerances are:

- (1) a defined set of *changed circumstances* that cause estimated charges to increase or, in the case of certain estimated charges, cause the aggregate amount of such charges to increase by more than 10 percent;
- (2) the consumer is ineligible for an estimated charge previously disclosed because of a *changed circumstance* that affects the consumer's creditworthiness or the value of the property securing the transaction;
- (3) the consumer requests revisions to the credit terms or the settlement that cause an estimated charge to increase;
- (4) points or lender credits change because the interest rate was not locked when the Loan Estimate was provided;

- (5) the consumer indicates an intent to proceed with the transaction more than 10 business days, or more than any additional number of days specified by the creditor before the offer expires, after the Loan Estimate was provided to the consumer; and
- (6) the loan is a construction loan that is not expected to close until more than 60 days after the Loan Estimate has been provided to the consumer and the creditor clearly and conspicuously states that a revised disclosure may be issued.

Timing. Section 1026.19(e)(4) contains rules for the provision and receipt of revised estimates used to reset tolerances. If a creditor uses a revised estimate to reset tolerances, the creditor must provide a revised Loan Estimate within **three business days** of receiving information sufficient to establish that a permissible reason for revision applies. The Loan Estimate, with certain exceptions, must be provided not later than the **seventh business day** before consummation of the transaction. The Closing Disclosure, with certain exceptions, must be provided no later than three business days prior to consummation of the transaction. Section 1026.19(e)(4)(ii) originally provided that the consumer must receive any revised Loan Estimate not later than four business days prior to consummation. This was referred as the “four-business day limit.”

In July 2017 the CFPB proposed an amendment to the timing restriction on Closing Disclosures when valid increased costs are due to changed circumstances or borrower request. The Final Rule amended 12 CFR 1026.19 (e)(4)(i) and (ii) as to timing of loan estimates and closing disclosures. The Rule expressly removes the four-business day limit for providing Closing Disclosures for purposes of resetting tolerances and determining if an estimated closing cost was disclosed in good faith. The Bureau found that this change will benefit both consumers and creditors and facilitate compliance with the TILA-RESPA Rule. The final rule does not change the current Regulation Z requirement that, if the Closing Disclosure becomes inaccurate before consummation, the creditor must provide a corrected Closing Disclosure reflecting any changed terms to the consumer so that the consumer receives the corrected Closing Disclosure at or before consummation, § 1026.19(f)(2)(i), or, in some circumstances, must ensure that the consumer receives the corrected Closing Disclosure no later than three business days before consummation, § 1026.19(f)(2)(ii). **The Final Rule was published on May 2, 2018 and took effect on June 1, 2018.**

REFERENCES

Final Rule, Amendments to Disclosure Requirements.

<https://www.federalregister.gov/documents/2018/05/02/2018-09243/federal-mortgage-disclosure-requirements-under-the-truth-in-lending-act-regulation-z>

TILA-RESPA Integrated Disclosure Rule, Small Entity Compliance Guide. May 2018.

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/2017-10_cfpb_KBYO-Small-Entity-Compliance-Guide_v5.pdf