Michigan REALTORS®
June 2015

WHAT REALTORS® NEED TO KNOW ABOUT THE NEW TILA-RESPA INTEGRATED DISCLOSURE RULE ("TRID")

In the Dodd-Frank Act, the Consumer Financial Protection Bureau ("CFPB") was directed to combine the mortgage loan disclosures under the Truth and Lending Act and RESPA. The CFPB has developed a rule for this purpose which shall take effect on August 1, 2015. The changes under TRID do not impose any new duties or obligations on REALTORS®. There is nothing new for REALTORS® to do to comply with TRID. However, there is obviously great concern in the lending and title insurance industry that the implementation of TRID will cause disruption of the process of closing a residential home. While there may be great concern among the lending and title industries with respect to technical compliance with TRID, REALTORS® need only concern themselves with the practical impacts on their ability to serve their clients and sell and buy homes.

First and foremost, REALTORS® should keep in mind that TRID regulates lenders, not REALTORS®. Fortunately, REALTORS® do not need to become familiar with the intricacies of the 300-page regulation; REALTORS® simply need to understand how the lenders' compliance with the new rules will affect the timing of their sales transactions. If REALTORS® wish to acquaint themselves more fully with TRID, they can review and digest the CFPB Q & A on TRID – it is only 91-pages long.

Under TRID, when buyers get a loan, the lender must provide them with two disclosure forms: one at the time the borrowers apply for the loan ("Loan Estimate") and one at the time the borrowers close on the loan ("Closing Disclosure"). It is the ability of the lenders to comply with the requirements of these disclosures that will dictate whether TRID compliance disrupts closings.

As to the first disclosure, the lender must deliver or mail the Loan Estimate form no later than the third business day after receiving the borrowers' loan application. Business days for the Loan Estimate excludes federal holidays and Sundays, but includes Saturdays if the lender does business on that day. Lenders cannot collect fees or order an appraisal until they get authorization from the borrowers to do so after the Loan Estimate is provided. For this reason, a purchase agreement should not require the buyers to cause a lender to order an appraisal immediately. Consideration may be given to including a provision in the purchase agreement that the buyer shall provide authorization to the lender within a specified period of time after receipt of the Loan Estimate (assuming it is acceptable to their buyer). Further, REALTORS® representing buyers may want to add an item to their transaction checklist – remind the buyer to timely respond to the Loan Estimate upon receipt from the lender.

The second disclosure is a Closing Disclosure that the borrowers must receive no less than three business days prior to closing. The Closing Disclosure form is attached as Exhibit A. If the Closing Disclosure is mailed or emailed by the lender, it is considered "received" three business days after it is sent. Thus, typically six (6) business days will be required for compliance with the time requirements for the Closing Disclosure.

The Closing Disclosure contains not only information about the loan terms, but also the transaction figures previously contained in the HUD-1. If a Closing Disclosure is changed after it is delivered, the three-day waiting period can be triggered again. While TRID provides that only certain types of changes in the Closing Disclosure will trigger the three-day notice requirement again, a number of lenders have indicated that they intend to restart the three-day notice provision whenever a Closing Disclosure is revised for any reason.

REALTORS® should note that when the lender prepares the Closing Disclosure, the lender is only obligated to provide it to the buyer. If a REALTOR® wishes to obtain a copy of the Closing Disclosure, they will either need to include a provision in the buyer's agency agreement or purchase agreement which authorizes the release of the Closing Disclosure to the REALTOR® or obtain a copy directly from the buyer.

The CFPB has taken the position that a settlement agent (typically a title agency) is required to provide the seller with the Closing Disclosure reflecting the term of the seller's transaction. Thus, the Closing Disclosure alone could suffice as a settlement statement. However, since the Closing Disclosure includes the buyer's loan information, it is anticipated by most that a separate settlement statement will be generated at least for the seller's side of the transaction. REALTORS® must keep in mind, however, that the Closing Disclosure generated by the lender contains all of the same information contained in a settlement statement – so if the settlement statement is changed, the Closing Disclosure will need to be changed too. The following hypothetical illustrates how this could affect a closing:

> Assume that a closing is scheduled for August 15, 2015. On August 14, 2015, as is his duty under the Occupational Code, the broker reviews the settlement statement prepared by the title company and determines that the tax proration method used is inconsistent with the purchase agreement. If the settlement statement is incorrect, then it is likely that the lender's Closing Disclosure is also incorrect and will need to be changed. Even in the unlikely event that a lender would determine that such a change does not trigger the three-day notice requirement again, it seems unlikely that the lender will be in a position to reissue a new Closing Disclosure in time for the next day's closing. The closing would be delayed to again meet the notice requirements.

As is illustrated by this hypothetical, REALTOR® can no longer wait until the last minute to review a settlement statement. Further, REALTOR® should advise a seller and buyer that any last minute changes to the terms of a transaction can and probably will cause a delay in the closing.

As indicated above, it is anticipated that a settlement statement separate and apart from the Closing Disclosure will be generated by the settlement agent. REALTORS® should remember that a HUD-1 may no longer be used in the sale of a traditional single family residence. However, it certainly would make life easier for all REALTORS® in Michigan if a uniform form of settlement statement were used throughout the state. The American Land Title Association ("ALTA") is proposing that the ALTA settlement statement attached as Exhibit B become that uniform statement (the "ALTA Form"). ALTA is recommending that the ALTA Form be reviewed by REALTOR® associations for consideration of its adoption and consider any changes necessary to the form to conform to local custom and practice.

REALTORS® should be aware that the provision of the Closing Disclosure by the lender to the buyer does not satisfy the requirements imposed by Rule 311(1). This Rule provides:

> The broker or associate broker who was involved at the closing of a real estate or business opportunity transaction, shall furnish or cause to be furnished to the buyer and seller, a complete and detailed closing statement signed by the broker or associate broker showing each party all receipts and disbursements affecting that party. If the closing is conducted at a negotiated depository institution, a title company, or other closing entity, the broker or associate broker **is still responsible for the content of the closing statement and shall sign the final closing document**.

If the Closing Disclosure is going to be relied upon to satisfy Rule 311(1), it must set forth "all receipts and disbursements affecting" the seller. Further, it is not necessarily a document which will be "involved at the closing" of a real estate transaction. It is delivered to the buyer well prior to the closing. It may be "involved in the closing" if the settlement agent provides it to the seller at closing. In any event, the Closing Disclosure or the ALTA Form or a similar form will need to be modified for a broker or associate broker's signature to conform with Rule 311(1) or, alternatively, a form will need to be developed so that the broker or associate broker may "adopt" the closing statement through their signature.

We will all need to change the way we think about closings. We have been advised that lenders anticipate sending the Closing Disclosure to buyers within 7-10 days prior to closing. Remember, the buyer has 3 business days to accept it. There will be no more scrambling for relevant information/documentation at the last minute – rather, the goal will be to have all of the details firmly in place at least ten (10) days prior to the anticipated closing date. For example, if the buyer wants to do a final walkthrough that could result in a request for an adjustment to the purchase price, it should occur at least 10 days before the closing date. While today a broker can review the closing statement and request changes the day before (or even an hour before) the closing, this will no longer be possible.

EXHIBIT A

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information	Transaction Information	Loan Information
Date Issued	**Borrower**	**Loan Term**
Closing Date		**Purpose**
Disbursement Date		**Product**
Settlement Agent	**Seller**	
File #		**Loan Type** ☐ Conventional ☐ FHA ☐ VA ☐ _____
Property		
	Lender	**Loan ID #**
Sale Price		**MIC #**

Loan Terms	**Can this amount increase after closing?**
Loan Amount	
Interest Rate	
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	
	Does the loan have these features?
Prepayment Penalty	
Balloon Payment	

Projected Payments	
Payment Calculation	
Principal & Interest Mortgage Insurance Estimated Escrow *Amount can increase over time*	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	**This estimate includes** **In escrow?** ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: *See Escrow Account on page 4 for details. You must pay for other property costs separately.*

Costs at Closing	
Closing Costs	Includes in Loan Costs + in Other Costs – in Lender Credits. *See page 2 for details.*
Cash to Close	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

Closing Cost Details

Loan Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges					
01 % of Loan Amount (Points)					
02					
03					
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
09					
10					
C. Services Borrower Did Shop For					
01					
02					
03					
04					
05					
06					
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)					
Loan Costs Subtotals (A + B + C)					

Other Costs					
E. Taxes and Other Government Fees					
01 Recording Fees Deed: Mortgage:					
02					
F. Prepaids					
01 Homeowner's Insurance Premium (mo.)					
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest (per day from to)					
04 Property Taxes (mo.)					
05					
G. Initial Escrow Payment at Closing					
01 Homeowner's Insurance per month for mo.					
02 Mortgage Insurance per month for mo.					
03 Property Taxes per month for mo.					
04					
05					
06					
07					
08 Aggregate Adjustment					
H. Other					
01					
02					
03					
04					
05					
06					
07					
08					
I. TOTAL OTHER COSTS (Borrower-Paid)					
Other Costs Subtotals (E + F + G + H)					

J. TOTAL CLOSING COSTS (Borrower-Paid)					
Closing Costs Subtotals (D + I)					
Lender Credits					

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			
Deposit			
Funds for Borrower			
Seller Credits			
Adjustments and Other Credits			
Cash to Close			

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing

01 Sale Price of Property
02 Sale Price of Any Personal Property Included in Sale
03 Closing Costs Paid at Closing (J)
04
Adjustments
05
06
07
Adjustments for Items Paid by Seller in Advance
08 City/Town Taxes to
09 County Taxes to
10 Assessments to
11
12
13
14
15

L. Paid Already by or on Behalf of Borrower at Closing

01 Deposit
02 Loan Amount
03 Existing Loan(s) Assumed or Taken Subject to
04
05 Seller Credit
Other Credits
06
07
Adjustments
08
09
10
11
Adjustments for Items Unpaid by Seller
12 City/Town Taxes to
13 County Taxes to
14 Assessments to
15
16
17

CALCULATION

Total Due from Borrower at Closing (K)
Total Paid Already by or on Behalf of Borrower at Closing (L)
Cash to Close ☐ From ☐ To Borrower

SELLER'S TRANSACTION

M. Due to Seller at Closing

01 Sale Price of Property
02 Sale Price of Any Personal Property Included in Sale
03
04
05
06
07
08
Adjustments for Items Paid by Seller in Advance
09 City/Town Taxes to
10 County Taxes to
11 Assessments to
12
13
14
15
16

N. Due from Seller at Closing

01 Excess Deposit
02 Closing Costs Paid at Closing (J)
03 Existing Loan(s) Assumed or Taken Subject to
04 Payoff of First Mortgage Loan
05 Payoff of Second Mortgage Loan
06
07
08 Seller Credit
09
10
11
12
13
Adjustments for Items Unpaid by Seller
14 City/Town Taxes to
15 County Taxes to
16 Assessments to
17
18
19

CALCULATION

Total Due to Seller at Closing (M)
Total Due from Seller at Closing (N)
Cash ☐ From ☐ To Seller

Additional Information About This Loan

Loan Disclosures

Assumption
If you sell or transfer this property to another person, your lender
☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☐ will not allow assumption of this loan on the original terms.

Demand Feature
Your loan
☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
☐ does not have a demand feature.

Late Payment
If your payment is more than ____ days late, your lender will charge a late fee of _____

Negative Amortization (Increase in Loan Amount)
Under your loan terms, you
☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☐ do not have a negative amortization feature.

Partial Payments
Your lender
☐ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
☐ does not accept any partial payments.
If this loan is sold, your new lender may have a different policy.

Security Interest
You are granting a security interest in _____

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account
For now, your loan
☐ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your escrowed property costs:
Non-Escrowed Property Costs over Year 1		Estimated total amount over year 1 for your non-escrowed property costs: You may have other property costs.
Initial Escrow Payment		A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment		The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,
Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	
Finance Charge. The dollar amount the loan will cost you.	
Amount Financed. The loan amount available after paying your upfront finance charge.	
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	

Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at **www.consumerfinance.gov/mortgage-closing**

Other Disclosures

Appraisal
If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details
See your note and security instrument for information about
- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure
If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

☐ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.

☐ state law does not protect you from liability for the unpaid balance.

Refinance
Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions
If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name					
Address					
NMLS ID					
___ License ID					
Contact					
Contact NMLS ID					
Contact ___ License ID					
Email					
Phone					

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date

Co-Applicant Signature Date

EXHIBIT B

American Land Title Association	ALTA Settlement Statement - Combined Adopted 05-01-2015

File No./Escrow No.: Print Date & Time: Officer/Escrow Officer: Settlement Location:	**Title Company Name** **ALTA Universal ID** **Title Company Address**	Title Company Logo

Property Address:
Buyer:
Seller:
Lender:

Settlement Date:
Disbursement Date:
Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	**Credit**		**Debit**	**Credit**
		Financial		
		Sales Price of Property		
		Personal Property		
		Deposit including earnest money		
		Loan Amount		
		Existing Loan(s) Assumed or Taken Subject to _____		
		Seller Credit		
		Excess Deposit		
		Prorations/Adjustments		
		School Taxes from (date) to (date)		
		County Taxes from (date) to (date)		
		HOA dues from (date) to (date)		
		Seller Credit		
		Loan Charges to (lender co.)		
		Points		
		Application Fee		
		Origination Fee		
		Underwriting Fee		
		Mortgage Insurance Premium		
		Prepaid Interest		

File #
Printed on (date) at (time)

		Other Loan Charges		
		Appraisal Fee to _____		
		Credit Report Fee to _____		
		Flood Determination Fee to _____		
		Flood Monitoring Fee to _____		
		Tax Monitoring Fee to _____		
		Tax Status Research Fee to _____		
		Impounds		
		Homeowner's Insurance _____ mo @ $ _____/mo		
		Mortgage Insurance _____ mo @ $ _____/mo		
		City/town taxes _____ mo @ $ _____/mo		
		County Taxes _____ mo @ $ _____/mo		
		School Taxes _____ mo @ $ _____/mo		
		Aggregate Adjustment		
		Title Charges & Escrow / Settlement Charges		
		Owner's Title Insurance ($ amount) to _____		
		Owner's Policy Endorsement(s) _____		
		Loan Policy of Title Insurance ($ amount) to _____		
		Loan Policy Endorsement(s) _____		
		Title Search to _____		
		Insurance Binder to _____		
		Escrow / Settlement Fee to _____		
		Notary Fee to _____		
		Signing Fee to _____		
		Commission		
		Real Estate Commission to _____		
		Real Estate Commission to _____		
		Other		
		Government Recording and Transfer Charges		
		Recording Fees (Deed) to _____		
		Recording Fees (Mortgage/Deed of Trust) to _____		
		Recording Fees (Other) to _____		
		Transfer Tax to _____		
		Transfer Tax to _____		
		Payoff(s)		
		Lender: Payoff Lender Co.		
		Principal Balance ($ amount)		
		Interest on Payoff Loan ($ amount/day)		
		Additional Payoff fees/Reconveyance Fee/Recording Fee/Wire Fee		
		Lender: Payoff Lender Co.		
		Principal Balance ($ amount)		

File #
Printed on (date) at (time)

		Interest on Payoff Loan ($ amount/day)		
		Additional Payoff fees/Reconveyance Fee/Recording Fee/Wire Fee		
		Miscellaneous		
		Pest Inspection Fee to _____		
		Survey Fee to _____		
		Homeowner's insurance premium to _____		
		Home Inspection Fee to _____		
		Home Warranty Fee to _____		
		HOA dues to _____		
		Transfer fee to Management Co.		
		Special Hazard Disclosure		
		[Utility] Payment to _____		
		Assessments		
		School Taxes		
		City/town taxes		
		County Taxes/County Property taxes		
		Buyer Attorney fees to _____		
		Seller Attorney fees to _____		
Seller			**Borrower/Buyer**	
Debit	**Credit**		**Debit**	**Credit**
		Subtotals		
		Due From/To Borrower		
		Due From/To Seller		
		Totals		

Acknowledgement

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement. We/I authorize _____*title company name*_____ to cause the funds to be disbursed in accordance with this statement.

_____
Buyer

_____
Buyer

_____
Seller

_____
Escrow Officer

File #
Printed on (date) at (time)