How TRID helps you Know Before You Owe

A guide to understanding the costs associated with purchasing or refinancing a home.
TRID (TILA RESPA Integrated Disclosure) and KBYO (Know Before You Owe) are one in the same.

In effort to create easy-to-understand, fee-related mortgage disclosures, the Consumer Financial Protection Bureau (CFPB) is implementing TRID, or Know Before You Owe (KBYO) for all new loan applications received on or after October 3rd, 2015. Don’t fret, this is not just another acronym. The new TRID disclosures will help you better understand your loan fees, loan terms and closing costs from beginning to end.

The acronym stands for TILA RESPA Integrated Disclosures (TRID). TRID replaces, and combines, the Truth-in-Lending, Good Faith Estimate and Settlement Statement (you might also know it as the HUD-1) into two separate disclosures — the Loan Estimate and Closing Disclosure.

The new disclosures simplify the process so you can:

• Better understand what you’re paying for.
• Shop lenders, should you choose to do so.
• Understand what is due at closing with enough time to consider your options.
Typical TRID loan timeline

1. **Complete Mortgage Application**
   - Submit Intent to Proceed

2. **Appraisal Report Completion**
   - Appraisal
   - 5-14 days

3. **Loan Submitted for Underwriting**
   - Receive Lender Approval
   - Formal Loan Approval
   - 2-5 days

4. **Submit Conditions to Lender**
   - Conditions Cleared
   - Commitment Letter Issued
   - Clear Loan for Closing
   - 1-2 days

5. **Review Closing Disclosure (CD)**
   - Review Closing Costs
   - 3 business days before closing*

6. **Sign Final Documents**
   - Closing
   - 1 day before closing

*You’ll receive a Loan Estimate within 3 business days of submitting your loan application.*

Business Days will depend on your lender. For Guaranteed Rate, it’s all calendar days except for Sunday and legal holidays.

Also, you must sign and submit your intent to proceed within 10 business days; otherwise, your Loan Estimate will expire.
What is a Loan Estimate?

The Loan Estimate (LE) replaces the Good Faith Estimate and Truth-in-Lending disclosures.

When applying for a home loan, you’ll receive a full set of loan disclosures that will include the LE. The loan estimate will include:

**Summary**
You’ll find information about the loan applicants (you), general loan information and the status of your rate — is it locked or not?

When you lock your rate, you can lock for 10, 25, 40, 55, 70 or 85 days; the longer the lock, the higher the rate. If you choose to wait to lock your rate, your rate is considered to be floating. If you’ve chosen to float your rate at the time you receive your LE, the stated rate on the LE will not be guaranteed.

**Loan Terms**
This new section will help you find the loan amount faster — it’s right in the center of the document.

**Payments**
You’ll see the projected mortgage payments along with your monthly tax and insurance payment; should you choose to include taxes and insurance in your monthly payment (this is your escrow impound account).

Important to know, when putting down less than 20 percent, an escrow impound account is required by the lender. There are, however, exceptions to the rules and you should discuss these options with your chosen mortgage professional.
**Closing costs pages 2-3**

You'll find an itemized list of all costs and fees associated with obtaining financing. The costs are broken into easily digestible sections so you are clear on what you owe.

**Closing costs**

Here you'll find your estimated closing costs as well as the estimated cash to close — if you need to bring cash to close.

The third and final page includes: a summary of the lender and mortgage professional information, a comparison section that will allow you to compare the current deal to other offers, a list of required disclaimers and a signature block — your lender may require you to sign and date the LE.
Timing and essential information

The LE must be sent to you no less than three business days after you’ve provided the lender with the following:

1. Full name
2. Income
3. Social Security number to obtain a credit report
4. Property address of the property you wish to finance
5. Estimated value of the property you wish to finance
6. Loan amount you seek
Intent to proceed

In order to proceed with the loan process, you, the consumer, must provide your intent to proceed. This lets your mortgage professional know you intend on moving forward with the loan application. The method can be written or oral and will be determined by your lender.

At Guaranteed Rate, your intent must be submitted in writing and can be conveyed via email, U.S. mail or DocuSign. Our new Digital Mortgage allows you to digitally submit your intent to proceed, mortgage application and other needed documents using technology from Box and DocuSign.

If after 10 days your intent to proceed has not been received by your mortgage professional, your LE will expire.

Prior to receiving your intent to proceed your lender may not accept payment or payment information for any services.
What is a Closing Disclosure?

The Closing Disclosure (CD) offers details about the costs and fees associated with your home financing, government taxes and other services.

The five page document itemizes all costs and fees into two categories: Loan Costs and Other Costs. Both cost categories can be found on page two of your CD.

The first page of the CD looks very similar to the LE; however, the information contained in the CD is the final loan information and should be received three business days prior to consummation (typically called “closing”). So you’re clear, you cannot close until three business days after you’ve received the CD. In this case, business days are considered to be Monday through Saturday; excluding Federal holidays.

Your Closing Disclosure will also include:

Page one
This offers a high-level view of your loan. You’ll see information about all parties involved in the purchase, or refinance, of your home, final loan terms, monthly payments and total closing costs listed.

Page two
You’ll find an itemized list of all costs and fees associated with obtaining financing followed by other costs associated with financing. This is where you’ll find both cost categories, loan costs and other costs.
Page three
You’ll find the total cash to close along with other fees, as it compares to the LE you were given at the start of the process.

Next is a Summary of Transactions. This is a high-level view of all costs and fees associated with the purchase or refinance; in the case of a purchase, you’ll see the seller’s fees and/or credits listed.

Page four
This page outlines additional information about the loan such as loan disclosures, information on partial payments, the property address and annual escrow estimates.

For those who choose an adjustable rate, all of the details related to your ARM will be listed. This includes adjustment periods, estimated payments after adjustments and limits on rate changes.

Page five
The last page of the CD lists the total loan calculations, disclosures (these are also found on the LE), contact information for those professionals involved in the purchase or refinance and finally, a signature block.
Understanding all fees and charges

**Standard fees for a purchase or refinance**
If you are purchasing, there will be amounts listed in both the “Borrower-Paid” and “Seller-Paid” columns and potentially the “Paid by Others” section. If you are refinancing, there will be no amounts listed in the seller column.

Although the costs may vary from the initial LE, those fees should not change any more than the allowable tolerance limit unless a valid change of circumstance has occurred.
Regulations

To better understand mortgage-related fees and how they impact your loan, let's take a look at recent legislation.

**Dodd–Frank**
The Dodd–Frank Wall Street Reform and Consumer Protection Act was signed into law in 2010. The Act is designed to protect you, the consumer, by employing some of the most compelling financial regulation in decades. While the legislation casts a wide net, let's focus on the portions of the Act that impact your mortgage transaction fees.

**Tolerance violations**
Provided there is no valid change of circumstance, Regulation X (this is part of the Act) requires lenders to reimburse you for fees which were either not disclosed or under estimated on the LE.

- There are specific estimated fees which cannot increase, specific estimated fees which cannot increase more than 10% in aggregate, and certain fees that may increase without regard to a tolerance.

- The lender must reimburse you for the difference between what was originally estimated and the actual cost within 30 days of the closing. However, violations are typically cured (paid) the day of closing.

- Once the violation is cured (paid), you are to receive an updated settlement statement (CD) which reflects the payment.

Finally, the tolerance for the fee will depend on whether it's required by the lender and whether or not you (the consumer) can shop for the service provider.

According to the CFPB, a **Change in Circumstance** is defined as:
An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction.

- Information specific to the consumer or transaction that the creditor relied upon when providing the disclosures and that was inaccurate or subsequently changed.

- New information specific to the consumer or transaction that was not relied on when providing the disclosures.

Let's take a look at the fees and charges that are impacted by tolerance guidelines.
Services that are required by the lender, for which you may not shop, have a zero tolerance.

These services include:

**Origination fee**
This is a flat origination fee. The name of this fee will vary from state to state.

**Credit or charge for specific rate chosen**
This is a fee you would agree to pay in exchange for a lower rate.

**Appraisal**
Appraisal costs vary. Typically for values around $500,000 the cost will range from $250-$500. As the value increases so does the cost of the appraisal; higher-end appraisals can range from $420-$2,000. Additionally, in most cases jumbo loans will require two appraisals.

**Appraisal review**
An appraisal review is ordered if the actual appraisal comes into question. The review is completed by a new appraiser and the average fee is $250 but can vary.

**Credit report**
The cost of a credit report can range between $10-$30 per borrower.

**Flood certification**
The average cost of a flood certification is between $10-$50.

**Transfer taxes**
This type of tax varies from county to county. Some counties require these taxes for a purchase or refinance and others require the tax for only purchases. It’s best to speak with your mortgage professional regarding your county’s requirements.
Title
In order to protect the lender against lawsuits resulting from unpaid property taxes, liens, fraud, etc. title insurance is required. Title fees range from state to state and the coverage required differs for refines and purchases. It’s best to speak with your attorney and/or mortgage professional regarding what your state requires. Finally, if you are refinancing, you can shop for the best title rates so be sure and ask around.

Recording fees
This fee is charged by government agencies when registering a real estate purchase or refinance for public records. Recording fees will vary from county to county.

Services provided by lender’s affiliate
These are service providers affiliated with Guaranteed Rate that you may opt to use. Some services that might be offered include title and insurance.

Charges in total which cannot increase more than 10%

Fees that are required by the lender, but you can shop for will be subject to the 10 percent tolerance limit. The 10 percent limit applies only to those service providers you choose from the lender’s provider list.
Charges that can increase

Certain fees may increase without a tolerance limit provided that the fee disclosed on your LE was based on the best information reasonably available to your mortgage lender at the time the CD was provided.

Those types of fees or charges include:

**Property insurance premiums**
You are required to obtain home owners insurance or proof of coverage when you are refinancing a current home or purchasing a new one. Unless you obtain coverage from a Guaranteed Rate affiliated provider, the charge or fee can change.

**Prepaid interest**
For any mortgage transaction, purchase or refinance, you will pay interest from the day you close to the end of the month.

**Escrows, impound, reserve or similar account**
This depends on the amount of your taxes and insurance and their respective due dates.

**Required third party services**
These are third party services that you are required to obtain and do not opt for any affiliated providers on the lenders list.
For more information about the new Loan Estimate and Closing Disclosure, contact your chosen mortgage professional.