

# BASICS OF THE TILA-RESPA INTEGRATED DISCLOSURE RULE



## WHAT

Changes to the Loan and Settlement Disclosure forms and processes are coming.

## WHEN

The changes will be effective for transactions where a loan application is received by a lender after the TRID implementation date.

## WHY

Because the Dodd-Frank Act of 2010 mandates the combination of the Truth in Lending Act (TILA) loan disclosures with the Real Estate Settlement Procedures Act (RESPA) Good Faith Estimate and HUD-1 Settlement Statement disclosures.

## HOW

The Consumer Financial Protection Bureau (CFPB), an entity created by the Dodd-Frank Act, issued a new TILA final regulation that, among other things, created two new forms (each with many variations) and new 3 business day delivery requirements.

- Loan Estimate – 3 business days after application
- Closing Disclosure – 3 business days before consummation

## WHO WILL ISSUE THE FORMS?

- Loan Estimate – Lender or Mortgage Broker
- Closing Disclosure – Lender or Settlement Agent (Escrow). Lender may delegate responsibility to the Settlement Agent (Escrow).

## ENFORCEMENT

The CFPB can levy substantial penalties so lenders will be very cautious:

- Up to \$5,000 per day for any violation of a law, rule, or final order or condition imposed in writing by the Bureau;
- Up to \$25,000 per day for any person that recklessly engages in a violation of a Federal consumer financial law; and
- Up to \$1,000,000 per day for any person who knowingly violates a Federal consumer financial law.

## IMPACT ON REAL ESTATE PROFESSIONALS

- Closings may take longer because of 3 business day review periods.
- You'll be seeing different forms for most transactions.
- Your contact information and license number must appear on the Closing Disclosure form. (see page 5 of the Closing Disclosure form)
- Your clients may receive multiple Loan Estimates due to:
  - » "Changed circumstances" – certain defined circumstances that cause the estimated charges to increase by more than the variance allowed under the Final Rule;
  - » Multiple applications with different lenders; or
  - » Multiple applications for different loan products with the same lender.
- Your clients may receive multiple Closing Disclosures:
  - » Some with a 3 day business day waiting period and some without; and
  - » Some before closing and some after.

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