

# TILA-RESPA Integrated Disclosure Rule Charts

Effective Date: October 3, 2015

*The upcoming TILA and RESPA integrated disclosure requirements will not only result in the production and delivery of two new disclosures, they will impact business processes, technology, policies, vendor relationships, and customer service.*

## Highlights

- The rule applies to applications for consumer, closed-end loans secured by real property.
- The rule consolidates four existing documents into two new disclosures. The GFE and initial TIL will be combined to form a new disclosure called the Loan Estimate and the final TIL and HUD-1 Settlement Statement will be combined to form a new disclosure called the Closing Disclosure.
- The documents are dynamic – they will appear differently depending on the characteristics of the borrower’s loan. They will only contain content applicable to the borrower’s transaction.
- There are new timing requirements for the disclosures and revisions/corrections to the disclosures.
- The tolerance levels on the Loan Estimate are different than those on the GFE.
- There are new pre-disclosure requirements.

The following charts provide an overview of some of the major changes that will be brought about by the new rule.

Initial Disclosures	
Existing Process	New Process
The lender gives the borrower an initial GFE and TIL disclosure when the borrower applies for a mortgage loan.	The lender gives the borrower a Loan Estimate when a borrower has chosen a specific property and all loan application requirements have been met.
The borrower does not receive an estimate for “Cash to Close”.	The Loan Estimate includes a “Cash to Close” estimate.
Settlement service fees are listed in random order on the GFE.	Settlement service fees are categorized and listed alphabetically on the Loan Estimate and the Closing Disclosure.

### Escrow Projected Amounts

<u>Existing Process</u>	<u>New Process</u>
The GFE and TIL disclose taxes, insurance and other costs <b>only</b> if those items will be escrowed.	Estimated taxes, insurance and other items, must be disclosed, even if they will not be escrowed.

### Changed Circumstances

<u>Existing Process</u>	<u>New Process</u>
There are specific changed circumstances and borrower requested changes that trigger a revised GFE. The revised GFE must be provided by the Broker/Correspondent within three business days after receiving notice of the changed circumstances.	The changed circumstances and borrower requested changes will trigger a revised Loan Estimate or Closing Disclosure, depending on where the borrower is in the application/loan closing process.
For fees subject to the 10% tolerance, re-disclosure of the GFE is required within three business days of a changed circumstance, regardless of whether the 10% threshold is reached.	For fees subject to the 10% tolerance, re-disclosure of the Loan Estimate or Closing Disclosure will not be required until the aggregate total of changes reaches 10%, (unless the change is due to borrower request).

### Closing Disclosure

<u>Existing Process</u>	<u>New Process</u>
The settlement agent or closing attorney prepares the final HUD-1.	The settlement agent, closing attorney, or the lender can prepare the Closing Disclosure. (This includes making any revisions.) IMC will rely on each Broker/Correspondent's representations and warranties and hold them responsible for Closing Disclosure accuracy and completion.
The final HUD-1 provides all the borrower and seller details on a single document.	For purchase transactions, the borrower and seller can request separate versions of the Closing Disclosure. The details of the seller's portion of the transaction will be on a separate Closing Disclosure and will not be included in the borrower's Closing Disclosure. If separate borrower and seller versions of the Closing Disclosure are used, both Closing Disclosures must be signed and included in the loan package.

## Closing Disclosure Cont.

<u>Existing Process</u>	<u>New Process</u>
The borrower may request to review the final HUD-1 one business day before closing.	Borrowers must receive the Closing Disclosure at least three business days prior to loan closing.
The TIL may be re-disclosed, and loans cannot close until at least three precise business days have elapsed from the borrower's receipt of any subsequent TIL disclosures.	Once a Closing Disclosure is issued, no additional Loan Estimates can be provided. If changes occur, those changes must be disclosed on a revised Closing Disclosure, where permitted under the rule.
<p>The following changes require a new TIL to be sent to the borrower:</p> <ul style="list-style-type: none"> <li>▪ The APR increases or decreases by more than 1/8th of a percent (0.125%)</li> <li>▪ A number of other circumstances, even if the APR has not exceeded the maximum threshold</li> </ul>	<p>The following changes require a re-disclosed Closing Disclosure and a new three-day waiting period:</p> <ul style="list-style-type: none"> <li>▪ The APR increases or decreases by more than 1/8<sup>th</sup> of a percent (0.125%)</li> <li>▪ The loan product has changed (e.g. fixed rate has changed to an adjustable rate)</li> </ul>
Certain fees that a borrower cannot shop for, such as an appraisal fee, have a 10% tolerance.	<p>Certain fees that a borrower cannot shop for, such as appraisal fees, now have a 0% tolerance.</p> <p><b>Note:</b> Refer to the CFPB website for a list of fees that cannot increase from what was originally disclosed on the Loan Estimate (unless there is a valid changed circumstance or borrower requested change).</p>

## Tolerances: Comparing the GFE to the Loan Estimate

Charge	GFE	Loan Estimate
Origination Charge	Zero tolerance	Zero tolerance
Lender credit/charge for interest rate chosen (while rate is locked)	Zero tolerance	Zero tolerance
Adjusted origination charge (while rate is locked)	Zero tolerance	Zero tolerance
Transfer taxes	Zero tolerance	Zero tolerance
Recording fees	Ten percent	Ten percent
Required charges to affiliate of creditor or broker	IMC does not have affiliates	IMC does not have affiliates
Charges to affiliate of creditor that are not required by creditor	IMC does not have affiliates	IMC does not have affiliates
Required charges to unaffiliated service providers that consumer cannot shop for	Ten percent	Zero tolerance
Charge paid to unaffiliated service provider from creditor's list of providers that consumer can shop for	Ten percent	Ten percent
Charges to unaffiliated service provider not from creditor's written list that consumer can shop for	No limitation	Best information
Prepaid interest	No limitation	Best information
Property insurance premiums	Ten percent	Best information
Escrow amounts	No limitation	Best information
Impound reserves	No limitation	Best information