



SHINE BRIGHT

HOW MUCH DO YOUR CLIENTS KNOW ABOUT THE NEW CLOSING PROCESS?

The TILA-RESPA Integrated Disclosure rule, also known as “TRID,” has been talked about a lot, and by now you are probably familiar with many of the changes. But how well are your clients educated on the impact of TRID? Here are five key facets in today’s real estate transaction that every buyer and seller should understand:

#1 The Loan Estimate

Once an actual offer is made and accepted, the buyer’s lender will create a Loan Estimate in line with the terms and conditions related to the financing of the pending transaction. If your buyer gets prequalified for a mortgage, they will get a prequalification letter and likely will not get the new loan estimate at that time. Some lenders may choose to do a preliminary loan estimate, though it is not required with a mortgage prequalification.

#2 The Closing Disclosure

Assuming all goes well with inspections and other aspects of the process, the new TILA-RESPA requirements require a new form to the process called the Closing Disclosure. The new Closing Disclosure looks a lot like the Loan Estimate, and this is by design to assure that the consumer has an easier overall process understanding their transaction from start to finish. The Closing Disclosure replaces the old HUD-1.

#3 The New Timeframe

In the new post-TRID world, the borrower must receive their Closing Disclosure **three days prior** to closing to give ample time to review the documents (legal public holidays and Sundays don’t count in that timeframe). Make sure your client understands what each line item represents and that special attention is paid to closing terms and fees.

#4 Changes That Can Affect the Timeframe

Under the new rules, there are only three changes that require a new three-day review and could impact the closing date:

- A. The APR increases by more than 1/8 of a percent for fixed-rate loans, or ¼ of a percent for adjustable-rate loans
- B. A prepayment penalty is added
- C. The basic loan product changes

#5 Settlement Statement

In addition to the Loan Estimate and the Closing Disclosure, there may also be an additional document called the Settlement Statement. This document will outline all the money flows of who paid for what, including agent commissions and loan fees. Since the Closing Disclosure does not account for all the funds, charges or credits in the transaction, the Settlement Statement will assure that all of the funds are properly accounted for.

By communicating each step of the closing process and setting expectations with all parties early on, you play an integral role in helping the transaction end in a successful closing.

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