



# REG Z and RESPA – got married, the honeymoon is over – Now what??

A discussion on Post-implementation of the Integrated Disclosure Rules

## A panel Discussion

### Panelists:

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# Agenda

## -- A Discussion on Next Steps

- Enforcement Expectations from CFPB/Regulators
- Documenting Implementation
- Monitoring Results Real Time
- Adjusting, Strengthening Controls
- Improving the Customer Experience – Service levels
  - Borrowers and Realtors
- Partnering with Technology Providers
- Partnering with 3<sup>rd</sup> Party Settlement Service Providers

# TRID Supervision – Regulatory

## Enforcement

October 3, 2015 – postponement of the effective date may put more pressure to get it right sooner.

Liability and risk for non-compliance is HIGH

- Under TILA there is potential civil liability/private right of action (borrower lawsuits)
- CFPB may bring two types of actions:
  - – Administrative enforcement proceedings, or
    - – Civil actions in Federal district court
    - • No criminal enforcement authority
    - • Can obtain legal or equitable relief in the form of:
      - – Rescission or reformation of contracts
      - – Refund of money, return of real property, or restitution
      - – Disgorgement of compensation for unjust enrichment
      - – Payment of damages or other monetary relief
      - – Public notification regarding the violation
        - Limits on the activities or functions of the person against whom the action is brought
  - – Civil Money Penalties
    - – Tier 1: Up to \$5,000 per day
    - – Tier 2: Reckless violations - up to \$25,000 per day
    - – Tier 3: Knowing violations - up to \$1,000,000 per day

# TRID Supervision – Regulatory Enforcement .. Cont'd

What will the CFPB and FFIEC consider when performing exams?

- The CFPB stated that it and the CFPB's fellow regulators "will be sensitive to the progress made by those entities that have squarely focused on making good-faith efforts to come into compliance with the Rule on time." Although the letter was silent on what the CFPB means by "good-faith efforts," indicators of such good-faith efforts the CFPB has mentioned in the past could include whether compliance systems and technology for the Rule have been installed and whether senior management and the board have been informed and have contemplated the impacts of the Rule on their business.
- Have you considered what documentation you will need to demonstrate "reasonable and good faith efforts to comply"?
- How do your vendors fit into this shared challenge?
- How do the third party settlement agents factor into this challenge?

# Documenting Implementation

- Implementation Project records
  - Pre-implementation system testing documentation
  - Test Cases – scripts – results
  - Communication/Training documents
  - System Release Notes/Documentation
- Policies and Procedures
  - Published policies/procedures
  - Published Job Aids
- Training
  - Training Taken in Preparation (outside)
  - Training Provided to Associates (Materials )
- Compliance Management
  - Updated Risk Assessment
  - Identified Preventive/Detective Controls
  - Monitoring Plans

# Monitoring Results – Day One

- Heavy focus on transactional monitoring
  - During the process
  - Pre-closing
  - Post- funding
- Provide regular reports to management of results/risks
- Model Checklists from CFPB Exam procedures
- Document results, action plans,
- Update Policies/Procedures
- Update Training Material
- Update Job Aids

# Adjusting, Strengthening Controls

- Explore system enhancements as monitoring results identify challenges.
- Implement system hard stops to improve accuracy
- Adjust processes as problems are identified
- Adjust procedures and training material
- Create or modify job aide
- Update risk assessment/controls regularly
- Report up ... report regularly ... report down ... track trends



# Improving the Customer Experience

- Reducing the wait periods – improving delivery and receipt of the disclosures.
- E-closing technology factors
- Improving/enhancing the communication with Realtors and Borrowers and Settlement Services
- Documenting every communication and step.
- Challenge to compete on service

# Partnering with Technology Providers

- Regular feedback on monitoring is critical to improve the process
- Work together to build system controls.
- Identify new technologies to improve the experience.
- Explore E-closing – may decrease wait times

# Partnering with 3<sup>rd</sup> party settlement service providers

- Work with partners to improve processes
- Use regular feedback and trends to meet with providers to review results.
- Understand their challenges

# Sample checklists

## SAMPLE CHECKLIST FOR TRID MONITORING

Yes	No	LE – Initial Disclosure Review
		Was application completed on or after October 3, 2015?
		Correct format for LE used ? – (Alternative – Cash to close table may be used for transactions with no seller)
		Contact Information is complete & correct? name, NMLS & License ID #s for the creditor, loan officer contact information
		Statement “you do not have to accept this loan” is provided if confirm receipt is not used?
		Was LE provided within 3 business days of receipt of complete application? [6 data elements; name, SSN, Income, Property Address, Estimate of Value, Loan Amount.]
		Are the lender fees listed in alphabetical order?
		Are the lender fees rounded to the nearest dollar?
		Does the LE have certification of receipt?
		Do the projected payments include P & I; Mortgage Insurance; Estimated Escrow; Estimated total monthly payment; estimated annual property taxes; estimated hazard insurance premiums & assessments even if not paid with escrow/impounds?
		Is the Initial Periodic Payment correct? (fully indexed rate/pmt for ARM without introductory rate or fixed rate period)
		Are the Subsequent Periodic Payments correct with a max of 4 columns?
		Are estimated escrows correct? (“o” if not impounded )
		Are the calculation methods the same for both tables? (“Costs at Closing” and “Alternative Costs at Closing Table”?)
		Loan Costs: Are there numeric sub-totals for each of the 3 sub-headings: (“Services you can shop for”; “Services you cannot shop for”; and “Origination Charges”?)
		Are total origination charges showing a max of 13 charges with others showing as “Additional Charges, max 12 items”
		Are “Services you can shop for” showing a max of 14 services?
		When the maximums are exceeded, are additional items totaled & labeled as Additional Items and listed on the Addendum to LE?
		If loan origination compensation is paid directly by consumer, is it disclosed?
		For title charges, do all related fees include the word “title” at the beginning of the item description?
		For Prepaid Charges, does each item reference the applicable time period covered by the amount? (i.e. annual, etc.)
		Total Closing Costs; if the amount paid from the loan is zero or a negative amount is “o” reflected?
		For ARM loans; is the index value at closing displayed as a % and is the index name easily identified?
		Comparison Tables: include all correct calculations for 5 yrs, APT(?) and Total Int Percentage or TIP?
		Other Information – is Appraisal statement included and ...???
		Written List of Providers
		Was a written list of service providers delivered to the consumer at the same time as the LE?
		Does the written list identify at least one available provide for each service and include a statement that the consumer may chose a different provider?
		Re-disclosure of LE - {Address any of the following specific circumstances requiring re-disclosure}
		Is a valid changed circumstance to support the issuance of a revised LE documented? (affects Settlement charges; consumers eligibility, consumer requested change)
		Did the consumer fail to provide intent to proceed within ten business days of the initial LE? -- valid expiration of LE
		Is there a documented delayed settlement on a construction loan where settlement will occur more than 60 days after issuance of the initial LE?

# The Beginning .....

