

INTEROFFICE MEMORANDUM

TO: Professor Forquer
FROM: Matt Stiles
DATE: October 12, 2016
RE: Know Before You Owe – The Impact Of TRID On Real Estate Closings

On November 20, 2013, the Consumer Financial Protection Bureau issued its final rule to integrate the Real Estate Settlement Procedures Act and Truth in Lending Act disclosures. The final rule contains new rules for two disclosure forms consumers receive in the process of getting a mortgage loan: (1) the Loan Estimate; and, (2) and the Closing Disclosure. The new forms took effect on October 3, 2015.¹

QUESTION PRESENTED

What impact does TRID (TILA-RESPA Integrated Disclosure) have on the closing attorney, title companies, and lenders?

BRIEF ANSWER

So far, TRID has had a minimal impact on closing attorneys, title companies, and lenders. The major risk of a slower application-to-closing schedule has not materialized. According to Realtors.org, delayed transactions have actually fallen from 10.4% to 8.5%, with “problems getting closing disclosures” falling from 54.5% to 45.6%.² The statistics are validated by a post-TRID survey conducted by a mortgage advisory company, which showed overall consumer satisfaction increasing.

- *Under TRID, Who Does What By When?*

TRID requires the settlement agent to provide a Closing Disclosure to the seller no later than the day of consummation. TRID also required the lender to provide a Closing Disclosure to mortgage borrowers three to six business days before closing. TRID allows lenders to delegate their duties to settlement agents. If the settlement agent agrees to provide the Closing Disclosure

¹ <http://www.realtor.org/topics/trid-tila-respa-integrated-disclosure>

² <http://www.realtor.org/reports/realtors-and-the-new-closing-process-survey>

to the borrower, then the settlement agent becomes responsible for compliance.³

When the borrower's and seller's disclosures are provided on separate documents, the settlement agent has a duty to provide the lender with a copy of the seller's Closing Disclosure. Unsurprisingly, lenders have been delegating their duties under TRID. According to Realtors.org, realtors have been more likely to request closing disclosures from settlement agents than from lenders.⁴

- *Closing Time-Frames Have Not Materially Increased*

Some real estate professionals anticipated TRID to impact the timeframe for closing. Industry experts predicted that the typical 30-day time frame for closings could even increase to an average of 45 days. Experts believed the cause for an increase in time would be Closing Disclosures not being delivered in the necessary time frame. Under TRID, lenders must provide the Closing Disclosure to borrowers three to six business days before closing. However, this risk has not materialized, and most professionals have noticed that closing times have not increased in any significant way.⁵

- *Increased Consumer Satisfaction*

Stratmor, a mortgage advisory company, conducted a survey that showed TRID has actually produced an improvement in consumer satisfaction. A key indicator according to Stratmor is improved communication. Its survey showed an increase in the proportion of borrowers being contacted by their lenders prior to closing the loan. They point to this increased communication as a cause for overall borrower satisfaction increasing to a record high of 91 percent.⁶

CONCLUSION

Overall, it appears the real estate industry has effectively absorbed TRID's impact. Perhaps this is because lenders have invested considerable time and money into preparing for TRID. Regardless, it is good for the industry that TRID is having a positive impact—if not on attorneys—at least on the consumer experience.⁷

³<http://www.consumerfinance.gov/policy-compliance/know-you-owe-mortgages/settlement-professionals-guide/learn-what-changed-about-mortgage-process/>

⁴ <http://www.realtor.org/reports/realtors-and-the-new-closing-process-survey>

⁵ <http://www.gorequire.com/blog/how-the-new-trid-rule-is-affecting-real-estate-closings>

⁶ <https://www.script.com/blog/impact-trid-mortgage-lenders/>

⁷ <https://www.script.com/blog/impact-trid-mortgage-lenders/>