



# TOP 10 ITEMS TO CONSIDER NOW FOR THE NEW INTEGRATED DISCLOSURES

## 1 START THE IMPLEMENTATION PROCESS SOONER RATHER THAN LATER.

The process for many will be difficult and convoluted. Additionally, the changes are going to be required during the height of vacation season, increasing the potential difficulties. Applications taken from consumers with dates on or prior to July 31, 2015 will use the current forms. Applications taken August 1, 2015 or later will use the new forms. While your staff might be able to “practice,” they will not be able to use the new forms prior to the official start date.

## 2 CONSIDER YOUR APPLICATION PROCESS

An application for purposes of delivering the Loan Estimate is when you receive 6 pieces of information; the consumer’s name, income, social security number, property address, an estimate of the value of the property, and the mortgage loan amount sought. The new rule amended the definition slightly from the current removing the seventh element, “any other information deemed necessary by the loan originator.” So if you previously felt that the loan product was required to have an application, it no longer can be considered necessary. You should review your application process to ensure required disclosures are provided in a timely manner once these six pieces of information are obtained.

# 3

## **CONSIDER YOUR CURRENT METHOD OF PRODUCING THE CURRENT GOOD FAITH ESTIMATE AND HUD**

The new forms are much more complex, will take additional time to complete, and even minor errors may result in more tolerance violations. Consider who is completing these documents, the fact that the new Loan Estimate will take additional time to complete, the skill sets of those completing the documents, and your overall approach. If you are not yet involved in centralized processing, is it now time to consider this step?

The current Good Faith Estimate and HUD-1 will still be used for personal property dwellings without land (mobile home loans). As a result, the current forms and rules will have to be maintained if you intend to maintain this loan type.

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# 4

## **CONSIDER YOUR CURRENT DELIVERY METHODS FOR THESE DOCUMENTS**

The Loan Estimate remains a three day document, with the same timing requirements as the current Good Faith Estimate. However, if there is a last minute change requiring a revised Loan Estimate, there are timing rules that would make overnight mail or email a distinct advantage. The Closing Disclosure must be received by the consumer at least three days prior to consummation. If delivered in person, it is considered to be received that day. If mailed or delivered electronically, it is considered to be received three business days after it is sent, unless there is evidence the consumer received it earlier such as by a read receipt or delivery receipt. Creditors using electronic delivery methods (subject to compliance with the consumer consent and other applicable provisions of the E-Sign Act) such as email, need to either implement or perhaps improve the process. This should include an appropriate contract with the consumer (this should be discussed with your attorney), training for all staff to assure that the rules are followed explicitly, and a method to obtain an acknowledgment of receipt of the disclosures. You should consider how to make this process work for you and the consumer.

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# 5

## **PREPARE FOR THE REQUIREMENT TO INCLUDE A LOAN ID# THAT IS UNIQUE TO THE PARTICULAR TRANSACTION.**

A loan ID number is required for every transaction. It must appear on the Loan Estimate and the Closing Disclosure, to assure that the consumer can match the documents. Will you use actual account numbers, understanding that some loans will not close, or will you create an alternate method of creating this system?

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# 6

## CONSIDER THE CURRENT SYSTEM OF SERVICE PROVIDERS

When a consumer uses your provider for a settlement service, generally the amounts quoted on the Loan Estimate must be correct. You should spend some time examining your list of providers and determining whether this list needs some level of alteration. Generally fewer providers would be the best approach, but that is not possible in all financial institutions and/or all markets. Whatever providers are chosen need to be able to tell you what their fees will be in a manner that will allow you to appropriately complete the Loan Estimate. For example, if you use the formula given by your title company, and tell the consumer that the fee will be \$2,000 if they use your provider, and they do use your provider, you have essentially given them a guarantee. So if the title company charges \$2,200, you will be paying the \$200 difference.

# 7

## MEET WITH SETTLEMENT SERVICE PROVIDERS TO DISCUSS THE CHANGES

There will be issues regarding the fees as mentioned above. Service providers should understand your position regarding fees. While you can always have something unique in a loan that will create a changed circumstance, reissuing the Loan Estimate will not be quite as easy as the current Good Faith Estimate.

If you routinely complete a mortgage application in 25 days for a purchase situation, the new timing rules will likely lengthen the process. While we do not necessarily know how much additional time will be involved, it seems likely that the process will lengthen. A sales contract requiring a closing within 30 days may create issues, as closings may be delayed because of the new rules and forms. Keep in mind you will still be held to Regulation B timing requirements for notifying the applicant of the action taken.

# 8

## DISCUSS THE RELEASE DATE OF THE NEW CHANGES WITH YOUR DOCUMENT PREPARATION SOFTWARE PROVIDER

Software providers are working hard to create programs to meet the voluminous new standards. However, many are being cautious about the release date due to many factors, including time to complete testing, the possibility of changes from the Consumer Financial Protection Bureau, and other issues. The reality is that is better to release one version of the software rather than releasing it early, and then having to release a "patch." If the software release date is not until vacation season begins, consider the potential implementation issues that might exist.

## 9 **EVALUATE CURRENT INTEGRATIONS BETWEEN YOUR TECHNOLOGY PLATFORMS AND THOSE OF YOUR RELEVANT THIRD PARTY PROVIDERS, SUCH AS DOCUMENT GENERATORS AND SETTLEMENT SERVICE PROVIDERS**

Any documentation integrations that are currently in place are likely to be disrupted by the new software changes. All of the integrations should be addressed, examined, and tested as soon as possible. This process likely will not be possible until everyone releases their new generation of software, making this process difficult. Discuss these issues with all relevant providers to determine how best to complete this work.

## 10 **PREPARE TO CAPTURE MORE INFORMATION AT APPLICATION**

This calculation will require more information to properly complete the document. It will include sale price and down payment information, in addition to other data. While you must issue the Loan Estimate whether or not you have the sales agreement, you must completely understand the deal in order to complete the form appropriately. This will require some consideration of the various methods you might use to capture this information, including perhaps a discussion with the realtor. If the information cannot be obtained after exercising due diligence to do so, you are allowed to rely on estimates, but those estimates need to be based on the best available information to you so you need to prepare.

### **TRAIN, TRAIN, AND TRAIN SOME MORE.**

This new world of mortgage lending is more cumbersome and difficult, but every institution will be able to meet these new requirements – with appropriate and detailed training. We stand committed to help you through this process.

**For more information, visit [www.bai.org/learn](http://www.bai.org/learn) or call 800.264.7600.**