Next Steps to prepare for compliance

NEW CLOSING DISCLOSURE FORMS

Summary of where we are with the implementation of the new closing disclosure form promulgated by the CFPB

Summary so far

- July 21, 2010 - Dodd-Frank Act/Wall Street Reform and Consumer Protection Act signed by President Obama
- August 2010 - July 2011 - the Consumer Financial Protection Bureau is created and becomes the regulator of record for TILA and RESPA
- July 2011 - July 2012 - the CFPB tests several versions of the Closing Disclosure form
- April 13, 2012 - the CFPB issues the Friday the 13th bulletin about service providers!
Summary so far

- November 20, 2013 - the CPFB issues 1100 page rule combining TILA and RESPA disclosures into one form - the new Closing Disclosure Form
- March 25, 2014 - Fannie Mae and Freddie Mac publish Uniform Closing Dataset to help software vendors comply with the new forms implementation.
- 2014 - major lenders, Wells Fargo and Bank of America announce they will issue the Closing Disclosure form directly to consumers with information from the settlement agent.
- August 1, 2015 - new forms must begin being used.

Questions to be answered:
- How will my workflow process change?
- Preparing and delivering the form? What do I need to know?
- What are the closing requirements for the new form?
- What do I need to know to prepare the new form?
Workflow Processes Will Change

- Three options for engineering your workflow.
  - Option 1: Lender will prepare and deliver the form. Example: Wells Fargo and Bank of America
  - Option 2: Title agent logs into mortgage software to input information.
  - Option 3: Undisclosed collaborations.

Preparing and Delivering the Closing Disclosure Form

Preparing the Closing Disclosure Form

- Collaboration: What kind of information are you going to have to collaborate with the lender?
- Is the lender going to prepare the form?
- Is the settlement agent going to prepare the form?
- Preparing the form will vary from lender to lender. Be prepared internally on how you will handle that from a training perspective and from a workflow perspective.
Delivering the Closing Disclosure Form

- Who is going to deliver the form?
- Ways to deliver the form.
- Ways to prove delivery of the form.

Tasks to Complete

- Tasks you will be doing 10 days before closing.

Tasks to Complete (continued)

- Tasks you will be doing 5 days before closing.
Tasks to Complete (continued)

- Tasks you will be doing 3 days before closing.

Preparing and Delivering CD

What the Closing Looks Like

- Borrower's Closing Disclosure
- Seller's Closing Disclosure
- Final Closing Disclosure
- Closing instructions

Lender Needs

Lenders Want Title Agents to Understand the Onus is on the Lender

- Wells Fargo: "Our form, our rule."
- Compliance with policies and procedures
  - Lenders are now grading title agents and tracking their policies and procedures. They are looking for compliance.
Lender Needs

Escrow Compliance

- Lenders will decrease the number of title companies they’re going to fund loans to.
  - In 2013, Wells Fargo had 23,000 title agencies to which they would fund loans.
  - By 2016, that number could drop to as low as 5,000.

Solutions

- Use an underwriter-based solution.
- Use a third-party escrow company.
- Other options.

Closing Requirements
Closing Requirements

Timing of Closing Disclosure

• Closing Disclosure required to be received by the consumer no later than 3 business days before consummation.

• Allow more time for mail delivery and other delivery methods outside of hand-delivering in person. Recommendation is actually 7 days.

Timing of Closing Disclosure (continued)

• Business days for this disclosure requirement includes Saturdays.

• Definition of business day for purposes of Closing Disclosure: All calendar days except Sunday and certain federal holidays: New Year’s Day, the birthday of Martin Luther King, Jr., Veterans Day, Thanksgiving Day and Christmas Day.

• Three-day rule exception: Bona fide personal financial emergency with written statement by consumer.

Timing of Closing Disclosure (continued)

• Settlement agent is responsible for providing the Closing Disclosure to the seller.

• Required to provide a copy to the creditor if on different disclosure than borrower.

• If within 30 days after consummation, an event causes the Closing Disclosure to be inaccurate with respect to an amount the seller pays, the settlement agent must provide a corrected Closing Disclosure within 30 days after learning of the change.
Closing Requirements

Post-Consummation Requirements

• Changes within 30 days after consummation. If an event causes the Closing Disclosure to be inaccurate with respect to an amount the consumer pays, the creditor must provide a corrected Closing Disclosure within 30 days after learning of the change.

• Non-numeric clerical errors. Not a violation if the creditor provides corrected disclosures within 60 days after consummation.

• Tolerance cures. To cure a tolerance violation, the refund and corrected Closing Disclosure has to be provided within 60 days after consummation.
<table>
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<th>Itemization</th>
<th>No HUD-1 line 9s</th>
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<th>Real estate</th>
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<td>LC and OC pages</td>
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Technology Solutions

Title/Settlement Agent’s Role

- Talk to vendor about implementing the software that is being released.
- Make a list of what needs to be done.
  - Training
  - Changing workflow
- How you do business will be dependent on software.

Title/Settlement Agent’s Role (continued)

- Third-party services
  - Not everyone is going to be using Closing Insight.
  - Solutions for exchanging data through web portals.
  - Solutions for exchanging data through direct integrations.
- How to exchange data: From transaction to transaction, exchanging data may function differently based on who is preparing or delivering the form.
  - Timing and movement of information between systems.
- Time is NOW. Thinking about software integrations and final rule implementation in July will be too late.

Title/Settlement Agent’s Role (continued)

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Resources

• Today’s handout materials

• Consumer Financial Protection Bureau: www.consumerfinance.gov

• American Land Title Association: http://www.alta.org/cfpb/index.cfm

• NATIC AgentLink: https://agentlink.natic.com

Q & A