Consumer Financial Protection Bureau and Integrated Mortgage Disclosures
Frequently Asked Questions – April 2015

Q. Which real estate mortgage transactions will be impacted by the Consumer Financial Protection Bureau® (CFPB) rules on integrated mortgage disclosures?

A. The integrated mortgage disclosures apply to most closed-end consumer mortgage loans.

Q. What is the effective date of the TILA-RESPA Integrated Disclosure (TRID) rule?

A. All mortgage applications before August 1, 2015 will use the current Good Faith Estimate, HUD-1 and Truth-in-Lending disclosures. All applications received on or after August 1, 2015 will use the new Loan Estimate and Closing Disclosure.

Q. Which current lender disclosures do the integrated mortgage disclosures replace when they go into effect August 1, 2015?

A. The new integrated mortgage disclosures will replace the current Good Faith Estimate, HUD-1 and Truth-in-Lending disclosures, for most transaction types. The new rule and disclosures are also known collectively as TRID, or TILA-RESPA Integrated Disclosures.

Q. Which real estate mortgage transactions require the new integrated mortgage disclosures and are subject to timing requirements?

A. All closed-end consumer mortgage loans secured by real property purchased primarily for personal, family or household purposes – including construction loans, vacant land loans, 25 acres or more loans, or single-family residence loans – require the integrated mortgage disclosures.

Q. Which real estate mortgage transactions will be exempt from the new integrated mortgage disclosures?

A. The new integrated mortgage disclosures do not apply to:
   - Home-equity lines of credit (HELOCs; not subject to RESPA);
   - Reverse mortgages (continue to be subject to RESPA);
   - Mortgages secured by a mobile home or dwelling not attached to land (if the mobile home is real property, the rule does apply);
   - No-interest second mortgage made for down payment assistance, energy efficiency or foreclosure avoidance (§12 CFR 1026.3(h));
   - Loans made by a creditor who makes five or fewer mortgages in a single year.
Q. Are mortgages that are exempt from using the new integrated disclosures still subject to TILA and RESPA?

A. Yes. These exempt mortgages are still subject to TILA and RESPA, and the 2010 HUD-1 Settlement form will be used in these instances.

Q. Do the integrated mortgage disclosures apply to cash transactions?

A. Currently, they do not. The rule is designed only to apply to consumer mortgages, with a particular focus on closed-end transactions. Federal law does not require the use of the HUD-1 or the new integrated mortgage disclosure in all cash transactions. However, some states have laws requiring the use of promulgated forms in cash transactions. The Closing Disclosure or any other settlement statement can be used in cash transactions.

Q. Do the integrated mortgage disclosures apply to seller financing and/or land contracts?

A. The rule does not apply to loans made by a person or entity that makes five or fewer mortgages in a calendar year and thus is not a creditor (§12 CFR 1026.2(a)(17)). If the seller makes more than five loans in a calendar year, the rule may apply to the seller as a creditor. RESPA still applies to those loans if they qualify as federally related mortgage loans under Regulation X. There may also be additional requirements and responsibilities under both state and federal law related to a seller providing financing to a buyer including, but not limited to, Dodd-Frank and the Safe Act law. Sellers should seek the counsel of an attorney to review these issues.

Q. Are timeshare loans included in the integrated mortgage disclosure delivery requirements?

A. Timeshare loans are affected, but the delivery times are different from the other loans secured by real property because of the unique way that timeshares are purchased and financed. For timeshare transactions, the creditor must ensure that the consumer receives the Closing Disclosure no later than consummation.

Q. When must the Loan Estimate be given by the creditor?

A. The Loan Estimate must be provided to the consumer by the creditor no later than the third business day after the creditor receives the consumer’s application. Additionally, the Loan Estimate must be delivered or placed in the mail no later than the seventh business day before consummation.
Q. How is the “application” defined under the integrated mortgage disclosure rules?

A. An application is defined by the following: (1) borrower name; (2) income; (3) Social Security number; (4) property address; (5) estimated property value; (6) mortgage loan amount sought. Once a lender has these items, the Loan Estimate must be provided to the consumer within three “business days.”

Q. When does the creditor have to provide the Closing Disclosure to the consumer?

A. The rule requires a creditor to provide the closing disclosure to the consumer three business days before consummation. For timeshare transactions, the creditor must ensure that the consumer receives the closing disclosure no later than consummation. View the three-day Closing Disclosure calendar for details.

Q. Is “consummation” the same thing as “settlement”?  

A. No. Consummation is not the same thing as closing or settlement. Consummation is the point in time when a consumer becomes contractually obligated to the creditor on the loan under state law, and not when the consumer is obligated under the contract to the seller. See § 12 CFR 1026.2(a)(13) and its affiliated Official Interpretation. This could be a different date from closing in an escrow state.

Q. Which changes (inaccuracy) before consummation require a new three business day waiting period and a corrected Closing Disclosure?

A. (§ 12 CFR 1026.19(f)(2)(ii); Comment 19 (f)(2)(ii)-1)

   A. If one of the following occurs before deliver of the Closing Disclosure and before consummation, then the consumers must receive a revised Closing Disclosure and an additional three business day waiting period:

      1. The disclosed APR becomes inaccurate (§ 12 CFR 1026.22) (§ 1026.19(f)(2)(ii)(A)). APR is above APR tolerance.
      2. The loan product previously disclosed changes or becomes inaccurate (§ 1026.19(f)(2)(ii)(B)) unless a bona fide personal financial emergency (§ 1026.19(f)(1)(iv)).
      3. A prepayment penalty is added to the transaction (§ 1026.19(f)(2)(ii)(C)).

Q. Does the three-day business rule eliminate the three-day right of rescission?

A. No. The Bureau did not exempt transactions subject to three day right of rescission or otherwise amend the rescission rules. The three-day right rescission in a refinance remains separate from the three day business rule, which require the Closing Disclosure to be delivered three business days prior to consummation (when the consumer signs the note).
Q. Who can deliver the new Closing Disclosure?

A. The creditor may prepare and deliver the Closing Disclosure to the consumer. The settlement agent may also deliver the Closing Disclosure, provided it complies with all requirements of 12 CFR 1026.19(f) as if it were the creditor. The lender and settlement agent may also agree to divide the responsibility. The creditor remains responsible for ensuring the requirements have been satisfied. Many lenders will prepare and deliver the Closing Disclosure to the consumer. Lenders will ask the settlement agent to prepare the Closing Disclosure for the seller.

Q. Can the settlement agent use average charge to estimate recording fees?

A. The average charge provisions of Regulation X will continue under the new integrated mortgage disclosure rule. However, the total average charge paid by the consumer must not be more than the average amount paid for service by or on behalf of the consumer and seller for a class of transactions. See 12 CFR 1026.19(f)(3)(i)-(ii).

The creditor must define the class of transaction based upon an appropriate period of time, geographic area and type of loan. It cannot be used in a way that inflates the cost. The creditor must use the same average charge for every transaction within the defined class.

However, the final integrated mortgage disclosure rule places a heavy burden on the lender to document the basis for the average charge and update those calculations frequently. Lenders may therefore be wary of using the average charge, instead preferring to be as accurate as possible on recording fees, which have a 10% variation tolerance.

Q. How will property taxes be handled with the new Closing Disclosure?

A. The disclosures for both the Loan Estimate and the Closing Disclosure include itemized sections for property taxes.

Q. Will both the seller and buyer sign the disclosure and the seller statement?

A. Currently, the integrated mortgage disclosure rule only requires that the borrower disclosures (Loan Estimate and Closing Disclosure) be signed. Furthermore, signing of the Closing Disclosure does not obligate the borrower to consummate the loan. The buyer and seller may sign a separate Settlement Statement prepared by the settlement agent.
Q. What is the impact of the integrated mortgage disclosure rule on an independent title agency affiliated with a lender?

A. If an independent title agency is affiliated with a lender or owned by a lender, the title agency’s fees have a zero tolerance (no variation) and are now part of the fees a lender charges. At the time the Loan Estimate is provided to the consumer, the lender must ensure the fees and charges of the settlement agency are exact and correct. If the final charges are more than those shown on the Loan Estimate, the lender will have to refund the difference to the borrower to cure the violation. If the lender's estimate is too high and settlement agency charges are lower, there is no violation. (§12 CFR 1026.19(e)(3)(ii)).

Q. Where can I find more information or answers to additional questions?

A. For more information and regular updates on the new integrated mortgage disclosure rule, TRID and other Consumer Financial Protection Bureau matters, visit the CFPB Know Before You Owe website at consumerfinance.gov/knowbeforeyouowe.