



CATIC's[®] Lenders Round Table

In preparation for the RESPA-TILA Integration Rule and the corresponding loan form changes, CATIC[®] decided to host a Lenders Round Table. At this Round Table, CATIC staff, real estate closing attorneys, national lenders, regional lenders, mortgage companies, and Realtors[®] talked about the effects of the rule on various parties and the preparations that they are making in advance of the August 1, 2015 effective date for the new closing disclosure forms.

These are some of the comments and observations that were made by the attendees at the Round Table:

I. Communication with all parties

All of the participants in the Round Table agreed that communication between all of the parties affected by a real estate closing is important. In preparation for the upcoming changes, one national lender has been reaching out to closing attorneys and title companies with newsletters and at least 2,000 settlement conferences. The lender wants to succeed collaboratively with all of its vendors. This particular lender always filled out and delivered the Truth in Lending notices. Now that these disclosures have been combined with the RESPA notices the lender has decided to fill out and deliver the combined form. In the view of this lender, the CFPB has flexed its muscles and lenders should be very aware of compliance issues. A major challenge for this lender is that there are 19,000 settlement agents and there is no integration technologically with the vast majority.

All participants agreed that it is critical for everyone to include the Realtors in all planning. Realtor Associations are working on education programs to roll out to their members. Consumers are generally not aware of what is going on, and therefore communication to the consumer is going to be key. The Connecticut Association of Realtors will probably start training programs in February or March.

Attorney participants noted that lenders can help attorneys and Realtors by giving guidance to parties as it gets closer to August 1st.

II. Process change

All participants agreed that the lending and closing process must change. Everyone agreed that this new rule will require not just a forms change but also process and work flow changes.

Many banks are concerned about borrower reaction to the change in the process and in the forms themselves, and wonder how it will affect the closing. A number of lenders stressed that a ramification of the regulatory change is that a buy-sell emphasis has changed to a lending situation with a buy-sell in the background.

Many of the participants in the Round Table spoke about the unforeseen consequences of the rule. One participant noted that delivery of the closing documents three days before the closing will result in questions by the borrower three days before the closing. Many of the participants in the Round Table wondered who will answer those questions. There was broad agreement that it is important that all participants to the transaction be available at all times to handle questions and situations that might arise.

All of the lenders noted that every loan is exceedingly difficult to close. Borrowers are incentivized to just sign documents and one participant wondered whether a ramification of the change is that this will make borrowers even *more* incentivized to just sign the forms.

Lenders feel that loan processing flows will change. There will be new business flows (not just new LOS), with new milestones, training and communications with all parties to each transaction.

III. Borrower reaction

Many Round Table participants stressed that right now borrowers don't get final figures until just before the closing. Under the new rules, for lenders who have decided to mail the forms to the borrower, figures must be finalized a week beforehand. Also, the rate lock must happen eight days before closing. One lender pointed out that a plus side to this change is that borrowers will know the figures early and that means no last-minute surprises to the borrower. Many pointed out that any closing problems will have a domino effect on other scheduled closings. The sooner the information is available, the better.

IV. How the rule will impact attorneys

All participants wondered how last-minute changes will be handled. A suggestion was made to the Connecticut Realtors[®] to change the standard real estate contract. Real estate attorneys questioned whether settlement agents might raise their fees to cover technology costs and the fact that they will be answering more questions, earlier in the process.

Title searches are now not done until commitment. Lenders want them done more quickly.

Other participants noted that things would be easier to handle if closings were scheduled more evenly throughout the month.

V. Technology

All participants agreed that technology is key. LOS systems are coming out in early to mid-2015. Testing always reveals problems. How does LOS accept third-party data? How does that exchange happen?

Some lenders are wary of using the Federal E-sign legislation to deliver the combined disclosure because it is difficult to document receipt. The only “safe harbor” is in using the USPS because there is implied receipt after three business days. This does not happen with E-sign.

VI. Game plan going forward

Most lenders will not want to issue the closing disclosure until all conditions are met. When the closing disclosure goes out, most lenders will want a closing day set. At least one lender has indicated that starting on May 1, 2015 it will deliver the HUD-1 three business days before the closing.

One lender shared its implementation plan going forward:

Implementation Steps to Meet Implementation Date:

1. Readiness management meetings – Implementation Team
Begin meetings in December (bi-monthly through April, then move to weekly)
Continue to attend outside meetings/webinars, read updates, etc.
2. Readiness/implementation discussion

Workflow determination (Best Practices, rule requirements, corporate goals)

Develop on Visio
Roll out – practice run (May)
Tweak and finalize (June/July)

Outreach with partners (who, how, when) – develop schedule

LOS vendor
Real estate agents
Attorneys

Develop collateral/communication/expectations

Standard communication
FAQs
Scripts
Communication to partners
Provide updates to staff – newsletter, on intranet, etc.

Develop internal forms, work instructions, checklists

Develop new docs
Update procedures

Use a common site that entire staff has access to
Set up monitoring schedule/process
Follow change communication process
Revise quality controls and internal checklists
Reporting on non-compliance, identify training gaps, etc.
Create additional training, revise checklists, docs, instructions as needed

Develop training schedule/familiarization/getting ready

Have staff participate in training sessions such as: TILA/RESPA Closing Disclosure Form presentations hosted by Title Underwriters, Realtor Associations, Mortgage Bankers Associations and Banking Associations, etc.
More in-depth – what it means to the bank, our customers, partners, and process
Systems training as it relates to rule

Vendor readiness

Communication, system readiness, testing, errors, resolution

Staff training

Staff familiarization – Attend initial meeting to listen to Outlook Live Webinar
Ongoing training – monthly (at a minimum)
System Training – June/July – once vendor has provided updates and materials are developed

If you have any questions about the Lenders Round Table or this article, please contact Bob Skalstad, CATIC's Director of Industry Relations.