

TILA-RESPA Integrated Disclosure Requirements

Upon completion of this update to RESPA the student will be able to:

- Distinguish the benefits of the new integrated disclosures to both consumers and lenders

The [Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010](#) was a legislative response to the financial crisis of 2007-2008. Among its many changes, the Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) as an independent agency of the U.S. government. Its purpose was consumer protection in the financial sector.

The Consumer Financial Protection Bureau's jurisdiction includes banks, credit unions, securities firms, mortgage servicing operations, foreclosure relief services, debt collectors, and other financial companies operating in the U.S. When borrowers began defaulting on their loans and the economy started to collapse, many blamed the large number of foreclosures and short sales on relaxed lending and underwriting standards.

In response to concerns about standards being too relaxed, institutions eventually increased the amount of documentation that borrowers were required to supply. Loan underwriting standards were also tightened, as were the requirements for what types of loans the secondary market would purchase from lenders. It became tougher for lenders to sell high-risk loans on the secondary market, so lenders and underwriters tightened their standards.

[Consumer Financial Protection Bureau](#)

On July 21, 2011, RESPA was transferred from the Department of Housing and Urban Development and is now administered and enforced by the Consumer Financial Protection Bureau (CFPB). The CFPB helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. The CFPB was tasked through the Dodd-Frank Act with the responsibility of adopting the specific mortgage rules issued in January 2013.



Purpose of [TILA](#)



Regulation Z contains the regulations that implemented TILA.

Purpose of [RESPA](#)

Regulation X contains the regulations that implemented RESPA.

The New Disclosure Requirements per the [Dodd-Frank Act](#)

The Dodd-Frank Act provided the stimulus for the changes to closing documents effective October 3, 2015. Legislation requires that, under the Truth in Lending Act and the Real Estate Settlement Procedures Act, consumers receive disclosures, but those disclosures often created a high degree of confusion for consumers and lenders alike.

Under TILA and RESPA, the requirement was that two different disclosure forms be provided to consumers when applying for a mortgage loan, and two different disclosure forms at or shortly before closing on the loan, making a total of four different disclosure forms that consumers were challenged to understand. This is where confusion came in: the forms were created separately under the two different federal statutes (i.e., TILA, RESPA), which led to:

- Overlapping information
- Inconsistent use of language

The two forms required under RESPA and provided to consumers when applying for a mortgage loan:

- Good Faith Estimate (GFE)
- Truth in Lending form (initial)

The two forms required under TILA and provided to consumers at/shortly before closing the mortgage loan:

- HUD-1
- Truth in Lending form (final)

Thru the Dodd-Frank Act the Consumer Financial Protection Bureau was tasked with amending TILA and RESPA. The existing disclosure requirements are integrated with the new amended requirements by combining the RESPA and TILA disclosures received after applying for a mortgage loan with the disclosure documents received just prior to closing on that mortgage loan.



The goal of the new integrated mortgage disclosures is to eliminate the confusion for all parties involved while improving compliance with the requirements.

The TILA-RESPA Final Rule on Integrated Mortgage Disclosures provides implementation guidance for the launch and use of the new forms. Up-to-date guides to implementation of the rule are found on the [CFBP website](#)

The integrated mortgage disclosure rule consolidates the four existing disclosures, required under the TILA and RESPA for transactions secured by real estate, into two disclosure forms:

- The new “Loan Estimate” Form: integrates and replaces the existing RESPA Good Faith Estimate (GFE) and the initial Truth in Lending forms.
- The new “Closing Disclosure” Form: integrates and replaces the existing RESPA HUD-1 and the final Truth in Lending forms.

These forms have been developed with clarity in mind: they are easy to understand for consumers as well as all other parties involved. The forms are designed for quick and easy reference. The idea is to not force anyone into a hunt for answers to their questions concerning a loan or closing costs. Important items such as interest rates and monthly payments are conspicuous.

The forms take things a step further with information provided to help consumers understand a few key things:

- Whether they can afford the loan
- Cost of different loan offers in order to compare the loan terms, including the loan cost over time

There are detailed instructions on how to fill out every line on each of the disclosure forms, as well as samples of forms already filled out, showing real-world scenarios with different loan products.

The new integrated disclosure requirement applies to most closed-end consumer mortgages. However, the new rule does NOT apply to:

- Home equity lines of credit
- Reverse mortgages
- Mobile home or dwelling not attached to real property



- Lenders not considered 'lenders' as they make 5 or fewer mortgage loans in a year

The CFPB's integrated mortgage disclosure rule will be effective October 3, 2015. Under this rule, lenders are prohibited from using new disclosures prior to the effective date. All new loan applications initiated on or after October 3, 2015 must utilize the new disclosures. Any attempts for "early compliance" would actually be a violation of the rule.

[Guide to the Loan Estimate and Closing Disclosure forms](#)

A Loan Estimate may be changed, either corrected or revised, when specific requirements are met. There are only six legitimate reasons for revisions. These include:

- Changed circumstances that result in increased charges
- Changed circumstances affecting eligibility
- Borrower-requested changes
- Interest rate-dependent charges
- Expiration
- Delayed settlement date on a construction loan

A Loan Estimate cannot be provided after the Closing Disclosure has been provided.

There are limitations on the fees that can be charged prior to disclosure or application. No fee may be charged that is related to an application, such as an application fee, appraisal fee, or underwriting fee, until the consumer has received the Loan Estimate and indicated they wish to proceed. The only fee that may be charged is one for getting a credit report. Also, credit card numbers can't be collected until the applicant has indicated they wish to proceed.

The Closing Disclosure form integrates and replaces the existing RESPA HUD-1 and the final Truth in Lending disclosure forms. This form:

- Provided to the consumer 3 business days before closing on the mortgage loan
- Gives disclosures about the costs of the transaction



Lenders must give the Closing Disclosure form to consumers so that it is received a minimum of three business days prior to loan closing. If the lender makes one or more of three significant changes after the form has been provided to the consumer the lender must provide a new Closing Disclosure form along with another three-day waiting period. Small changes outside of these three significant changes that require a new Closing Disclosure can be disclosed on a revised Closing Disclosure form without impacting the waiting period or closing date.

If the lender is going to mail the closing disclosure to the consumer, it must go into the mail seven business days before consummation of the loan. This allows consumers to compare the final terms and costs in the Closing Disclosure to those in the Loan Estimate, giving them time to ask questions prior to closing. Previously, consumers were receiving these details either at the closing table or just prior to closing.

If the Closing Disclosure form is not received in time for this three business day waiting period requirement, then the closing cannot go through. Also, if a re-disclosure is required due to an inaccurate APR, change of loan product, or prepayment penalty added, the clock restarts on that three business day waiting period for review.

As a licensee you should advise your clients of this potential additional three-day waiting period and that it is their time to closely review everything on the Closing Disclosure form so they understand the loan for which they are about to close.

Prior to the final rule, settlement agents were required to provide the HUD-1, and lenders were required to provide the Truth in Lending disclosure. Now the lender both prepares and delivers the Closing Disclosure with the liability to do so.

If the lender chooses to allow the closing company to prepare the Closing Disclosure the lender is responsible for meeting the timing requirement for the delivery regardless of who does it. Due to this liability, many lenders may choose to handle the delivery of the Closing Disclosure themselves to reduce this risk of liability.

Licensees, like lenders and settlement service providers, need to:

- Know and understand the changes to the current transaction process
- Review and understand the new forms
- Understand the timing requirements
- Be aware of added waiting period at closing

- Anticipate how the new rules may affect writing purchase agreements, such as extending time to close
- Potentially schedule pre-settlement walk-throughs/inspections
- Understand that changes at the closing table will be more difficult to do

HUD's settlement cost booklet, titled "Shopping for Your Home Loan" has been replaced with the "[Your Home Loan Toolkit: A Step-by-Step Guide](#)." This newest guide is designed for use with the integrated disclosures.

- Lenders must provide this Toolkit to consumers within three days after receiving an application
- Real estate licensees are encouraged by the CFPB to provide it to consumers at any point, preferably as early as possible in the home and mortgage shopping process
- The Toolkit has worksheets and checklists
- It can be distributed electronically
- There is emphasis on the consumer's ability to repay the loan and the affordability of the mortgage payment

In summary, the points discussed in this brief introduction to the TILA-RESPA Integrated Disclosure Requirements included:

- The Dodd-Frank Act established the Consumer Financial Protection Bureau as an independent agency of the U.S. government.
- CFPB was responsible for integrating the existing disclosure requirements with the new amended requirements by combining the RESPA and TILA disclosures.
- The integrated mortgage disclosures use language that is designed to help consumers better understand the mortgage loan closing transaction.
- The new "Loan Estimate" form integrates and replaces the existing RESPA Good Faith Estimate (GFE) and the initial Truth in Lending forms.
- The new "Closing Disclosure" form integrates and replaces the existing RESPA HUD-1 and the final Truth in Lending forms.

- The integrated disclosure rule does not apply to HELs, reverse mortgages, mobile homes and dwellings not attached to real property, or for those making 5 or less mortgage loans per year.
- Consumers can't be charged for fees until after they've been given the Loan Estimate form and consumers have agreed to proceed with the transaction.
- The Loan Estimate is provided to the consumer within 3 business days after submitting a mortgage loan application.
- There are only six legitimate reasons for revisions to a Loan Estimate form.
- The Closing Disclosure form integrates and replaces the existing RESPA HUD-1 and the final Truth in Lending disclosure forms.
- A Closing Disclosure is provided to the consumer so that they have a 3 business day waiting period before closing on the mortgage loan.
- The lender now has all the liability for preparation and delivery of the Closing Disclosure form, even if they allow the closing agent to do it.
- The "Your Home Loan Toolkit: A Step-by-Step Guide" replaces the HUD Settlement Cost Booklet.

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