7 Facts About the Mortgage Process

Know Before You Owe!

TILA-RESPA Integrated Disclosure Rule (TRID)

1. Pre-qualifications and pre-approvals are unchanged by the rule.

The Know Before You Owe rule does not make changes to pre-approvals or pre-qualifications.

The more time and effort your clients invest in learning about home loans and defining what they want and what they're capable of financing before they select a home, the smoother the path from contract to closing will be.

2. The applications process begins with a loan estimate.

The application process typically begins after your client has identified a property.

Lenders must provide Loan Estimates within 3 business days after your clients have provided:

- their name
- their income
- Social Security number (so the lender can check credit)
- address of the home they hope to purchase
- estimate of the home's value (typically the sale price)
- amount they want to borrow

3. Client needs to indicate their Intent to Proceed.

Once your clients have compared Loan Estimates and determined which loan best meets their needs, they need to let the lender know. If your client is silent, the lender cannot assume an intent to proceed.

After 10 business days without that indication, the lender is no longer required to honor the terms initially offered in the Loan Estimate.

4. Once the client has indicated their Intent to Proceed, lender can charge additional fees.

Until your clients indicate their intent to proceed, lenders can't charge any fees in connection with a mortgage application, including an application or appraisal fee. The only exception is a reasonable fee for the credit report.

Additional resources can be found on the CFPB website at
http://www.consumerfinance.gov/know-before-you-owe/

5. A changed circumstance may mean a revised Loan Estimate or a revised Closing Disclosure.

A lender is responsible for providing accurate pricing information for the loan requested, based on the best information reasonably available to the lender at the time the disclosure is provided. However, if the information about your client, the proposed loan, or the property was incorrect or changes, a revised Loan Estimate may be issued. This can be referred to as a changed circumstance. A new Loan Estimate can reflect changed rates and terms caused by the new information.

Not all changes require the lender to issue a revised Loan Estimate. Minor changes, for example when the seller agrees to pay for a specific cost not included in the original agreement, do not require the lender to issue a revised Loan Estimate. Significant changes most likely do.

Common reasons why a Loan Estimate may be revised include:

- Your client decided to change loan programs or the amount of the down payment.
- The appraisal on the home came in higher or lower than expected.
- Your client's credit status changed, perhaps owing to a new loan or a missed payment.
- The lender could not document overtime, bonus, or other income provided on your client's application.

6. Your client must receive the Closing Disclosure at least three business days prior to closing.

Lenders need to make sure that your clients receive the Closing Disclosure at least 3 business days before closing. This gives your clients time to review a summary of the final loan terms. Clients should no longer be faced with significant changes from the lender and be pressured to sign on the same day.

7. Extra three-day reviews are unlikely.

Your clients should never be faced with major changes to their loan terms on the day of closing and be forced to make such an important decision under pressure. While most changes that come up in the last few days before settlement will not delay a closing, there are three major changes to loan terms that will require the lender to issue a revised Closing Disclosure and will trigger a new 3 business-day review period.

- The APR (annual percentage rate) increases by more than 1/8 of a percent for regular loans (most fixed-rate loans) or 1/4 of a percent for irregular loans (most adjustable loans).
- A prepayment penalty is added, making it expensive to refinance or sell.
- The basic loan product changes (such as a switch from fixed rate to adjustable interest rate or to a loan with interest-only payments).

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