



SCHWARTZ *Report*

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ATTACK OF THE TRID-ITES

Who are the TRID-ites and where did they come from? You might think I am referring to a terror attack by the followers of some obscure Middle Eastern religious sect or the replay of a 1950's Japanese horror movie about invaders from outer space. In fact, TRID-ites have come to us from closer to home, 1700 G Street N.W. Washington, DC and are our friends at the Consumer Financial Protection Bureau (CFPB) here to help us. Back in August of this year, your intrepid Schwartz Reporter wrote that this latest iteration of G Men (and ladies) would be coming to a settlement table near you in October. Now that we have passed Halloween, I think it is appropriate to report further on how their effort to help real estate buyers understand financial obligations is going a month and a half after this latest assault on common sense and individual responsibility has hit the market place.



Alpha-Bits at breakfast this morning and am just throwing some random letters together on the place mat.

They say that timing is everything. While TRID places primary responsibility for notification and disclosure compliance on lenders and secondarily on settlement service providers such as real estate attorneys or title companies; it is the timing of such disclosure

to borrowers which affects buyers, sellers and real estate practitioners in the market place. Potential buyers will need a lender with a strong local presence, such as Fairway Independent Mortgage, who understands how TRID's intricacies will affect the lending and closing process in THIS market place. A commitment from a less tuned in entity, say an internet lender, might not be worth the paper it is printed on when settlement time draws near. How would that affect the negotiating process if a buyer has a no name lender in mind? Will sellers be taking more of a leap of faith than they were prior to October 3, 2015? Changes in price range, down payment, loan amount, property taxes, insurance, etc. which happen all the time to potential borrowers, could trigger a Change of Circumstance (COC) requiring a revised Loan Estimate or Closing Disclosure (CD). The Closing Disclosure is now a combination of the final Truth in Lending disclosure and the old beloved HUD-1 settlement sheet. Revised LE's or CD's may be issued within three business days of the lender receiving notice of a COC. The bureau has also mandated an extra day off as "business days" are now defined as not to include Saturdays, Sundays or legal holidays. Such occurrences as a change in the borrowers' interest rate of more than .125% or .25% for adjustable-rate-mortgages, trigger a mandatory re-disclosed CD which means that the loan cannot close until the third business day after re-disclosure. Try that with a moving truck waiting outside.

While I'm usually not put off or too dense about real estate or lending terminology, after all I've been at this for a while, the TRID-ites have blended so many different acronyms into TRID that it doesn't really stand for any one thing. It took me some time to decode the message that TRID actually is shorthand for Truth in Lending Act-Real Estate Settlement Procedures Act Integrated Mortgage Disclosures. But never mind, TRID is the new buzz term whose name is now on every lip.

The CFPB's intent with TRID is to administer an additional dose of protection through heightened disclosure to mortgage borrowers. "Know before you owe" is their slogan. All of this is in hopes of sufficiently inoculating borrowers against the epidemic of predatory lending and other financial abuses that the bureau, in its infinite wisdom, deems were the root causes of the 2008 financial crisis. So documents such as the Loan Estimate (LE) now combine the Truth in Lending (TIL) and Good Faith Estimate (GFE) disclosures in use prior to October 3, 2015. To the Loan Estimate is added a new disclosure, the Total Interest Percentage (TIP). No, I did not spill my

The three critical skills of an outstanding real estate agent are product knowledge, negotiating skill, and process skill.

One impact of TRID will be to bring process skill more to the fore. A real estate transaction has been likened to an iceberg in the ocean. The buyers and sellers only see the top tenth of what goes on. The other nine tenths floats unnoticed beneath the waves, unseen but critical enough to sink your transaction if you do not have a skillful pilot at the helm. Now more than ever when a property sells is when the work begins. Navigating the intricacies of the new normal of the mortgage and closing process will be a key part of an agent's successful transaction. The TRID-ites have seen to that.

Will the espoused benefit to borrowers outweigh the cost? As economist Milton Friedman said: "One of the great mistakes is to judge policies and programs by their intentions rather than their results. We all know a famous road

that is paved with good intentions. The people who go around talking about their soft heart...I admire them for the softness of their heart, but unfortunately it very often extends to their head as well. Because the fact is that the programs...almost always have effects exactly the opposite of those which their well-intentioned sponsors intend them to have...." Cass Sunstein, President Obama's first-term regulatory czar, put it this way in his 2002 book The Cost Benefit State: "As government controls get more severe, the benefits of increasing severity diminish, to the point where 'the last 10 percent' may do very little at all." We will see if those statements bear out with TRID. Oh, and one more thing, TRID-ites no longer recognize the terms settlement or closing; it is now to be called a "consummation". Imagine that.

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