



The Integrated Disclosure (ID) Process

It is time. The changes that the Integrated Disclosures bring mean re-writing many policies and procedures. There are entire processes that will be overhauled. Break this down into manageable pieces.

Start with a To-Do List. This will get longer every day for the next several months. That is OK – don't let any thought or idea drop. It may connect to be the proactive action needed to make implementation much smoother. Any item can always be crossed off if it isn't practical or if a better idea comes along. Here is a start:

1. Put these items in place now:

- implement an early fee estimate with the required verbiage that does not resemble the GFE or the Loan Estimate for use prior to issuing the regulatory-required estimate
- start preparing for closings using the new timing requirements
- compare all potential zero tolerance items to identify those that would create a cure
- review product names, brochures, policy and procedure references, etc. that use any terms that have new meanings (making the current references obsolete)
- review the ability to complete the Loan Estimate in its entirety with the information currently submitted. Is all information provided? If not, how will this information be obtained? Implement steps needed.

2. Send a letter to settlement agents and title companies used. Invite them to part of the ID training at your institution. Items for discussion include:

- Insured closing letter; Agreement between Settlement Agent and Lender to the following:
 - Obtaining a detailed list of their current fees and when they are good until; ensure enough notice is given to clear the pipeline
 - An explanation that this cost is a 0% tolerance fee and cannot increase without a justified Changed Circumstance (if the borrower chooses the Settlement Company reflected on the Service Providers Disclosure)
 - Lender will complete the Closing Disclosure
 - Settlement Agent must prepare Fee Worksheet that is inclusive of all fees and costs. This will be submitted to Lender by the 4th business day prior to settlement/consummation
 - How will any fee changes after the 4th business day be handled – how will cure be handled
 - Agreement and Understanding of the Lender's timing requirements and the tolerance limits
 - Warn of prohibition for charging to prepare these documents; Mandate that any Document Preparation Fee must itemize the documents that were prepared that there is a charge for and that the fee must be reasonable
 - The Lender has always been responsible for the accuracy of the HUD-1. This process clarifies that. Explain that every charge will need to reflect exactly what it is for and who the end payee is.

- The ability to handle these changes should be reflected on the Vendor Management review of each vendor
3. Send a letter to initiate communication with all approved appraisers/AMC. Invite them to part of the ID training at your institution. Items for discussion include:
 - Obtaining a detailed list of their current fees and when they are good until; ensure enough notice is given to clear the pipeline
 - Types of properties that would not be included in these fees
 - Contemplation of the need for a property questionnaire for the applicant to complete to determine the cost of the appraisal and what would be asked
 - How the cost for these other properties is determined for Loan Estimate completion
 - An explanation that this cost is a 0% tolerance fee and cannot increase without a justified Changed Circumstance
 - Ensuring that all invoices are submitted so that the final amount is reflected on the Closing Disclosure that the borrower must receive 3 business days prior to consummation
 - The ability to handle these changes should be reflected on the Vendor Management review of each vendor
 4. Touch base with realtors, invite them to part of your ID training. Send them a list of bullet points summarizing how the August changes will affect the communication between them and the creditor, etc. Emphasize the timing requirements. Discuss the potential of settlement delays.
 5. How will an ID#/Account # be issued at application that will appear on the initial and all revised Loan Estimates, Closing Disclosures, and all closing documents? How can each revision of these documents reflect a corresponding suffix to this #?
 6. How will tolerance violations (or the fact that there is no tolerance violation) be documented in the file? The Closing Disclosure does not have a section that will show that a cure is owed – there is no match-up (as is on the current HUD-1). Will the software provide a separate comparison of all fees? If not, is a spreadsheet needed to input Loan Estimate fee names and amounts vs. Closing Disclosure fee names and amounts in the appropriate tolerance category?
 7. An ID vocabulary list is needed (enclosed). Many current terms have new meanings (prepaid, balloon, etc.). There are new terms and acronyms and parameters for what certain terms include (TIP, In 5 Years, Product, Features, Term, etc.). This is something that can be continually added to.
 8. Laminate the Loan Estimate and the Closing Disclosure and keep them handy. When working through a loan scenario you will be asking yourself how this will be handled on the new forms. Pull them out and think it through. Just get familiar with how they are laid out.
 9. A Tolerance by Specific Fee Item Chart is needed (sample attached – tailor this to your institution)
 10. Loan Estimate and Closing Disclosure completed examples (by product) of fee/amount placement for your institution would be a great reference
 11. Delay of Closing procedures – when, how, why
 12. How will the Intent to Proceed be documented?
 13. Will Loan Estimate and Closing Disclosure be required to be signed by borrowers?
 14. Call to discuss and create/implement any of these – or others!