

<b>Overview</b>	
<b>Topic</b>	<b>Key points</b>
<b>The Regulation</b>	<p>The Consumer Financial Protection Bureau (CFPB) issued a final rule amending Regulation Z (Truth in Lending Act) and Regulation X (Real Estate Settlement Procedures Act) to integrate mortgage loan disclosures.</p> <p>When the TRID rule becomes effective with applications taken on or after October 3, 2015, four familiar disclosures will be replaced with two new disclosures:</p> <ul style="list-style-type: none"> <li>▪ The Good Faith Estimate (GFE) and initial Truth-in-Lending (TIL) will be replaced with the LE.</li> <li>▪ The Final TIL and HUD-1 Settlement Statement will be replaced with the CD.</li> </ul> <p>The rule applies to most closed-end consumer credit transactions secured by real estate. Just as we do today, Sierra Pacific Mortgage considers all residential mortgage loans, including investment properties, to be consumer credit transactions and applies the consumer lending laws to all loans that we purchase.</p>
<b>The Loan Estimate (LE)</b>	<ul style="list-style-type: none"> <li>▪ The LE integrates and replaces the existing GFE and the initial TIL disclosure and helps the consumer understand the key features, costs, and risks associated with the loan for which they are applying.</li> <li>▪ It must be delivered (provided or placed in the mail) within three business days of the receipt of the consumer's loan application and at least seven business days prior to consummation.</li> </ul>
<b>The Closing Disclosure (CD)</b>	<ul style="list-style-type: none"> <li>▪ The CD integrates and replaces the existing HUD-1 Settlement Statement and the final TIL disclosure and helps the consumer understand all of the costs associated with loan.</li> <li>▪ It must be received no later than three business days before consummation of the loan.</li> </ul>

<b>Loan Estimate (LE)</b>	
<b>Topic</b>	<b>Key points</b>
<b>Application Date</b>	<p>An accurate application date is needed to determine which disclosures are required and will be utilized to monitor compliance with the applicable disclosure timing requirements.</p> <p>Under the rule, an application has been defined as being received and requires the issuance of the loan estimate (LE) within three days receipt of:</p> <ul style="list-style-type: none"> <li>▪ Consumer name</li> <li>▪ Consumer income</li> <li>▪ Social Security Number</li> <li>▪ Property address (required for purchase)</li> <li>▪ Estimate of value of the property (required for refinance)</li> <li>▪ Loan amount</li> </ul>



## Loan Estimate (LE) Continued

Topic	Key points
<b>LE Timing Requirements</b>	<ul style="list-style-type: none"> <li>▪ The initial LE must be provided within three business days of the application date (as described in the Application Date section above).</li> <li>▪ The initial LE must be provided no less than seven business days prior to consummation.</li> <li>▪ A revised LE must be provided within three business days of Lock Date.</li> <li>▪ A revised LE must be provided within three business days of knowledge when there is a valid changed circumstance that results in charges to increase more than is permitted under the rule.</li> <li>▪ The last revised LE must be received no later than four business days prior to consummation.</li> <li>▪ LE must not be provided after the CD has been provided to the consumer(s).</li> </ul> <p><b>Note:</b> A lender or other person may not impose any fee on a consumer in connection with the consumer’s application for a mortgage transaction until the consumer has received the loan Estimate and has indicated intent to proceed with the transaction. The only exception to this exclusion is for a bona fide and reasonable fee for obtaining a consumer’s credit report.</p>
<b>Verification / Documentation</b>	<p>A lender is prohibited from requiring the consumer to submit documents verifying information relating to the consumer’s application until the LE has been provided.</p>
<b>Intent to Proceed</b>	<p>The lender is responsible for evidence of compliance for intent to proceed. Sierra Pacific Mortgage does not have specific requirements on how the lender documents intent to proceed outside of what is specified under the rule. Lenders should ensure they have processes in place to document the consumer’s intent to proceed.</p>
<b>LE Signature Requirements</b>	<p>Sierra Pacific Mortgage will not require the consumer(s) to sign the LE unless the signature is being utilized as alternative documentation to evidence consumer receipt prior to the three business day presumption (See Receipt of LE and CD).</p>
<b>Service Providers List</b>	<p>When applicable, no later than three business days after receiving the application, lenders must provide a list of services for which the consumer may shop and identify at least one provider for each service. Lenders must include a copy of the written list of services/providers in the loan file to Sierra Pacific Mortgage.</p>
<b>Discount Points</b>	<p>Points paid to the lender to reduce the interest rate must be disclosed as a separate line item on page 2 “Origination Charges”. In addition, they must be listed as both a dollar amount and as a percentage of the amount of credit extended, labeled: “__% of Loan Amount (Points).”</p>
<b>Other Considerations Section</b>	<p>Sierra Pacific Mortgage will accept the appraisal and servicing disclosure language which has been integrated into the Other Considerations section on LE in lieu of separate disclosures, provided the LE has been completed and disclosed with the model form verbiage per the rule.</p>

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## Closing Disclosure (CD)

Topic	Key points
<p><b>CD Timing Requirements</b></p>	<ul style="list-style-type: none"> <li>▪ The CD must be received no later than three business days prior to <i>Closing Date</i>.</li> <li>▪ The CD reflecting the actual terms/costs of the transaction must be provided to the consumer.</li> <li>▪ If the CD becomes inaccurate before consummation, a corrected CD at or before consummation must be provided. (<b>Exception:</b> <i>APR tolerance violation and Loan product change as described in Changes to the CD (prior to consummation)/Impacts to wait period section and Fee Tolerance</i>). Under the rule, the consumer has the right to inspect the CD one business day prior to consummation.</li> <li>▪ If the CD becomes inaccurate due to an APR tolerance violation or a change to the loan product, a corrected CD containing all changed terms must be received by the consumer no later than three business days before consummation. (See APR Tolerances prior to or at consummation section.)</li> <li>▪ To meet the prior to close timing requirement, Sellers may deliver the CD to a consumer electronically (provided there is an audit trail). (See Email/E-Sign section of the Receipt of LE and CD for Sierra Pacific Mortgage Email/E-Sign requirements.)</li> </ul>
<p><b>CD Signature Requirements</b></p>	<p>The consumers should sign in the CD "Confirm Receipt" section at Closing (page 5 or addendum for multiple consumers); on the final CD that accurately discloses the loan costs and terms.</p> <p><b>Note:</b> For rescindable transactions, the CD must be given to and signed by each consumer who has the right to rescind.</p>
<p><b>Seller* CD</b> *Seller here means the person selling the subject property.</p>	<p>For Loan transactions involving a seller, our purchase requirements include file evidence of the CD relating to and reflective of the actual terms of the seller's transaction.</p>
<p><b>APR Tolerances (prior to or at consummation)</b></p>	<p>As we do today, Sierra Pacific Mortgage requires re-disclosure when there is an APR increase outside of tolerance and a new three day waiting period applies. (See Receipt of LE and CD, CD Timing Requirements, Changes to the CD prior to consummation /Impacts to wait period, and Fee Tolerance sections).</p> <p>Please review APR and Finance Charge tolerances with your legal and/or compliance groups.</p>
<p><b>Changes to the CD (prior to consummation) /Impacts to wait period</b></p>	<p>The requirements governing changes made to the terms/costs on the CD vary, dependent on the change and timing of the change.</p> <p>With the exception of APR tolerance violations, product type changes, and the addition of a prepayment penalty, the lender is not required to provide the consumer with the revised Closing Disclosure until the day of consummation. However, the consumer has the right to inspect the CD one business day prior to consummation. (See Receipt of LE and CD, LE Timing Requirements and CD Timing Requirements sections.)</p> <p>Changes that require re-disclosure and a new three business day wait period prior to consummation:</p> <ul style="list-style-type: none"> <li>▪ Change in the APR outside of the tolerance</li> <li>▪ Change in the Loan product (See Product field section.)</li> </ul>

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<b>Closing Disclosure (CD) Continued</b>	
<b>Topic</b>	<b>Key points</b>
<b>Escrow Account table (Page 4 of the CD)</b>	<p>The regulation requires that the amounts the consumer is likely to pay during the first year after consummation be disclosed. In some instances, the amount disclosed for the estimated taxes, insurance, and assessments could include escrow and non-escrow related items and would need to be considered in determining the non-escrowed property costs over Year 1 amount.</p> <p>Sierra Pacific Mortgage will accept the amount disclosed for non-escrowed Property Costs Over Year 1 on the Closing Disclosure as long as the amount disclosed is based upon the amount the customer is likely to pay during the first year after Closing.</p>
<b>Closing Date field</b>	<p>Lenders should apply the rule’s definition of consummation date and enter that date on page 1 of the CD in the <i>Closing Date</i> field. Sierra Pacific Mortgage will consider the consummation date as evidenced by the later of the Note Date, or Security Instrument Notary Date.</p>
<b>Post Consummation Corrected CD - Changes to Amount Paid by Consumer</b>	<p>If, during the 30 calendar days following consummation, an event in connection with the settlement occurs that causes the CD to become inaccurate and the inaccuracy results in a change to an amount actually paid by the consumer (e.g., the fee charged by the recorder’s office after closing for recording the security instrument differs from the amount disclosed and paid at closing), the lender must provide to the consumer a corrected CD within 30 calendar days of receiving information sufficient to establish the event.</p> <p>If the CD contains non-numeric clerical errors, the lender may provide to a consumer a corrected CD no later than 60 days after consummation.</p>
<b>Partial Payments Section</b>	<p>The CD must reflect the option that is applicable to the lender on the note at the time of consummation. Sierra Pacific Mortgage does not have a purchase requirement dependent upon which option is selected. We do require this section to be completed and disclosed to the consumer per the lender’s policy.</p>
<b>Lender and/or Seller Credits*</b>	<p>If the credit is attributable to specific fees, then the disclosures should reflect the credit as itemized fees listed in the <i>Seller-Paid</i> or <i>Paid by Others</i> column on page 2 of the Closing Disclosure.</p>

\*Seller here means the person selling the subject property.

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Loan Estimate AND Closing Disclosure							
Topics	Key points						
<b>GFE/HUD/TIL vs. LE/CD</b>	<ul style="list-style-type: none"> <li>For a loan with an application date prior to October 3, 2015, the LE/CD cannot be used to comply with RESPA and Reg Z requirements.</li> <li>For a loan with an application date on or after October 3, 2015, GFE/HUD/TIL forms cannot be used to comply with TRID requirements.</li> </ul>						
<b>LE/CD</b>	Lender name and loan ID# must remain consistent from initial LE through final CD.						
<b>Receipt of LE and CD</b>	<p>Sierra Pacific Mortgage will presume receipt of the disclosures by the consumer three business days after the <i>Date Issued</i> on the disclosure, if not otherwise indicated by evidence of alternative documentation supporting earlier receipt.</p> <p>Examples of alternative documentation to evidence earlier receipt:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"><b>Hand Delivery or Fax:</b></td> <td>Disclosures hand-delivered or faxed to the consumer(s) will be considered "received" by the consumer(s) on the date they sign and date the disclosure.</td> </tr> <tr> <td><b>Overnight delivery:</b></td> <td>Disclosures shipped overnight, will be considered "received" on the date the consumer(s) sign for receipt of the overnight delivery.</td> </tr> <tr> <td><b>Email/E-Sign:</b></td> <td> <p>Per the rule, lenders may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign).</p> <p>Per our purchase requirements, lenders must be authorized in advance to deliver Mortgage Loans containing Electronic Application Documents. Please refer to Section 508: Electronic Delivery and Electronic Signature of the Sierra Pacific Mortgage Seller Guide for detailed requirements.</p> <p>For authorized lenders who deliver electronic disclosures, file evidence of the consumers consent to receive disclosures electronically must be provided along with the audit trail document evidencing receipt.</p> </td> </tr> </table> <ul style="list-style-type: none"> <li>Ensure processes are in place to provide file evidence of the consumer's receipt if not relying on the three business day presumption.</li> </ul>	<b>Hand Delivery or Fax:</b>	Disclosures hand-delivered or faxed to the consumer(s) will be considered "received" by the consumer(s) on the date they sign and date the disclosure.	<b>Overnight delivery:</b>	Disclosures shipped overnight, will be considered "received" on the date the consumer(s) sign for receipt of the overnight delivery.	<b>Email/E-Sign:</b>	<p>Per the rule, lenders may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign).</p> <p>Per our purchase requirements, lenders must be authorized in advance to deliver Mortgage Loans containing Electronic Application Documents. Please refer to Section 508: Electronic Delivery and Electronic Signature of the Sierra Pacific Mortgage Seller Guide for detailed requirements.</p> <p>For authorized lenders who deliver electronic disclosures, file evidence of the consumers consent to receive disclosures electronically must be provided along with the audit trail document evidencing receipt.</p>
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<b>Evidence of Compliance</b>	<p>Lenders continue to be responsible for maintaining and providing evidence of compliance with all areas of the rule. In some instances, the rule allows flexibility in how lenders document compliance. When allowed, lenders should examine the rule and choose the option that best fits their business practices.</p> <p>All LEs and CDs disclosed to the consumer must be provided to Sierra Pacific Mortgage as part of the Closed Loan file.</p>						
<b>Waiver of Wait Periods</b>	Per current policy, Sierra Pacific Mortgage will not purchase Loans where the consumer has waived any of the required wait periods as defined by the rule (e.g. initial seven day LE, three day CD prior to consummation).						

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**Loan Estimate AND Closing Disclosure Continued**

Topic	Key points
<b>Fee Tolerances</b>	<p>Similar to today’s rules under RESPA, there are three tolerance buckets that apply to the new disclosures under the TRID rule. The rules have changed slightly however, particularly with the treatment of fees:</p> <ul style="list-style-type: none"> <li>▪ when the consumer is allowed to shop for a service provider,</li> <li>▪ when they are not allowed to shop for a service provider, and</li> <li>▪ at Closing, whether they did or did not shop for a service provider.</li> </ul> <p>As a result, fees may “move” between different sections on the LE and/or CD, and may be subject to a different tolerance throughout the application process. It is critical that you maintain a detailed record of each fee included in the transaction, appropriately track its applicability to the tolerances set forth under the TRID rule, and lenders are encouraged to provide a copy of that tracking to Sierra Pacific Mortgage with all loans submitted for purchase.</p> <p>Under the TRID rule, evidence of compliance with Changed Circumstances should be provided, just as is required today under RESPA.</p> <p>Lenders are permitted to issue revised LEs only in certain situations such as when changed circumstances result in increased charges. Changed circumstances permit a revised LE or CD that permits a charge to be changed. (See LE Timing Requirements and Changes to the CD (prior to consummation)/Impacts to wait period section).</p> <p>If the estimated costs disclosed on the LE increase beyond the permitted levels and the consumer pays those amounts at consummation, then no later than 60 days after consummation the lender must:</p> <ul style="list-style-type: none"> <li>▪ refund the excess payment to the consumer; <i>and</i></li> <li>▪ provide a corrected CD reflecting the refund</li> </ul>

<b>Purpose field</b>	<p>In general, the following definitions can be applied to the disclosure of the Loan Purpose:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0070C0; color: white;">Purpose field</th> <th style="background-color: #0070C0; color: white;">Definition</th> </tr> </thead> <tbody> <tr> <td><i>Purchase</i></td> <td>Loan for the acquisition of property</td> </tr> <tr> <td><i>Refinance</i></td> <td>Loan to pay off an existing lien (if no existing lien payoff, see Home Equity)</td> </tr> </tbody> </table>	Purpose field	Definition	<i>Purchase</i>	Loan for the acquisition of property	<i>Refinance</i>	Loan to pay off an existing lien (if no existing lien payoff, see Home Equity)
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**Resources**

<b>Consumer Financial Protection Bureau</b>	<p><b><i>Your Home Loan Toolkit</i></b></p> <p>As a reminder, the CFPB released <i>Your Home Loan Toolkit</i> in late March that guides consumers through the process of shopping for a mortgage and buying a house. Developed as part of their “Know Before You Owe” mortgage initiative, the toolkit will help consumers take full advantage of the new LE and CD forms that lenders are required to begin providing in October.</p> <p>This toolkit effectively replaces the HUD Settlement Cost Booklet. Lenders must provide the toolkit to mortgage applicants as a part of the application process. It is recommended lenders determine if this toolkit will print with other initial disclosures or if they will have to provide it manually to ensure it is provided on each loan.</p>
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Remember, lenders retain direct liability under the TRID rule and are representing and warranting to Sierra Pacific Mortgage that they have fully complied with the rule. We recommend that you continue consulting with your own legal and compliance groups.

**If you have any questions, please contact a member of your regional sales team.**