

The background of the entire page is a repeating pattern of paper cutouts of people in various poses, some holding hands, set against a light blue background. The cutouts are arranged in a way that creates a sense of movement and community.

WHITE PAPER

TRID IMPLEMENTATION READINESS CHECKLIST

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March 2015

**COMPLIANT &
ORGANIZED WORKFLOWS:**

- Increase production
- Increase efficiency
- Lower the cost to originate
- Lessen examiner scrutiny
- Control data and who can access it
- Organize data for easy recall
- Let the process drive your business, not the business drive your process
- Quickly provide information at the point of need

TRID IS NOT JUST NEW DISCLOSURES

New regulatory scrutiny has changed the way business must be done! By not making the necessary changes, a lender's ability to demonstrate strong compliance management systems to the examiner population becomes problematic. The TILA-RESPA Integrated Disclosure (TRID) rule implementation includes new disclosures and new rules, as well as new workflow requirements. How will you manage TRID disclosure rules and the triggers within the workflow required of this new regulation?

Multiple triggers and alerts will be required of your workflow as part of this new regulation, and not getting it right is not an option with the new TRID disclosure rules. When a loan does not comply with TRID, it can result in huge monetary penalties for your company, representation and warranty issues, and buyback scenarios. This pass or fail conundrum has left many lenders scrambling to figure out exactly how they are going to lock down pipeline management to ensure that the proper disclosures, and the timing of those disclosures, are adequately met. Additionally, will compliance with new regulations create a financial burden? Just the opposite has actually proven true - structuring a business based on the requirements of regulatory entities can ultimately reduce the cost to originate by making you more efficient.

To assist your company in planning for the August 1, 2015 implementation date, Optimal Blue worked with well-known RESPA attorney Howard Lax, of Bodman PLC., to compile an implementation checklist. Also included are workflow considerations to assist your company in automation planning, reducing your burden while monitoring the triggers necessary to be compliant, and increasing compliance efficiency.

Optimal Blue's Enterprise Lending Services platform offers pipeline and compliance management throughout the entire mortgage process, thereby providing the following benefits to the lender:

1. Automation of the Loan Application Process

- The lender decides what information is important for a complete loan application.
- Accurate pricing is presented to the consumer based on the organization's internal pricing policy.
- Seamless integration between the LOS and pricing platform keeps data accurate, and per company policy.
- Marketing messaging and Open House Flyers send a consistent and compliant message.

2. Origination Level and Consumer-facing Information

- Real-time, accurate pricing data from PPE for all rate/price data shared with consumers.
- Data provided to consumers includes all rules, pads, and margins applied by lenders.
- All investors represented within the PPE account are included in the data provided to consumers.
- Single point of pricing administration and analysis for lenders.
- Historical trail of data provided to consumers.
- Consistent processes that are easily implemented and updated throughout a lender's organization.

3. Pricing and Pipeline Management

- Manage product selection, pricing, and change requests.
- Manage and enforce pricing policies in real time.
- Automation of pricing policy and procedures:
 - Pricing is distributed to each originator based on company policy.
 - Manage and distribute compliant pricing policies through all origination channels.
 - Consistently priced mortgage quoting.
 - Pricing exceptions are documented.
 - Central information management ensures that policies are applied consistently through all distribution channels.
 - Loan originator discretion is eliminated or significantly reduced, enforcing compliant behavior.
 - Loan originator commission is managed for compliance.
 - Each loan can be locked from a central location.
 - Compensation is managed compliantly, and change requests managed per policy.

4. Real-time Fair Lending Analysis over Pricing Disparity and Pricing Exceptions

- Monitor and address pricing disparity or exceptions at the time of lock – not after a loan closes.
- Access live and/or historical pricing data, for exam preparation or during the exam.
- Make exam preparation easier, and the actual examiner faster.
- Demonstrate a strong compliance management system over pricing disparity.
- Run graphing and reports to illustrate and prove pricing parity.
- Product disparity details are at the lender's fingertips, and aid in redlining or disparate impact detection.
- Optimal Blue's patent-pending Equivalent Rate Formula equalizes a loan to highlight those with the highest probability of catching regulatory scrutiny.

5. Market Competitiveness and Fair Lending Diversity Analysis by Understanding Your Market

- Understand the market.
- Access real-time pricing intelligence for existing and potential markets.
- Research or immediately detect disparate impact based on product type and credit quality.

6. Hedging

- Scrub data for logical and eligibility issues throughout the post-lock process to ensure compliance before loan is shipped.
- Identify leakage sources and fix them.
- Actively manage and automate policies.

The Optimal Blue enterprise-level, end-to-end information-driven mortgage banking automation software offers lenders solutions from capital markets to consumers – and back.

Contact Optimal Blue today to further discuss how our comprehensive services can improve efficiencies and assist in the management of compliant workflows.

| | ACTION ITEM | ASSIGNED TO | DRAFT POLICY OR PROCEDURE COMPLETION DATE | FINAL EDITS COMPLETION DATE | STAFF, BROKER, & CORRESPONDENT TRAINING DATE |
|--|---|-------------|---|-----------------------------|--|
| #1 | RETAIL & WHOLESALE: Brokers and Correspondents CONSISTENT & ACCURATE DISCLOSURES | | | | |
| | Implement central processing or central control of processing for retail production, if not currently in place. | | | | |
| | Determine which mortgage brokers are trusted to complete the initial TRID. | | | | |
| | Insist that brokers and correspondents use centrally controlled processing procedures to minimize errors and coordinate procedures. | | | | |
| #2 | RETAIL & WHOLESALE: TITLE COMPANIES & CLOSING AGENTS | | | | |
| | Determine which title agents/attorneys are trusted to complete the closing TRID. | | | | |
| | Determine whether a written contract is necessary for title agent. | | | | |
| | Prepare test materials and vendor oversight manual for TRID preparation. | | | | |
| | Compile lists of approved closing agents for TRID preparation. | | | | |
| #3 | RETAIL & WHOLESALE: STAFF & SALESFORCE TECHNICAL TRAINING | | | | |
| | Prepare training materials to define: | | | | |
| | TRID | | | | |
| | Business day | | | | |
| | Total interest percentage | | | | |
| | 6 items of an "Application" (removal of 7th catch-all item) | | | | |
| | Loan Estimate (LE) | | | | |
| | Closing Disclosure (CD) | | | | |
| | Other new terms | | | | |
| | Time frame changes in which lenders must provide the Loan Estimate. | | | | |
| Time frame changes in which lenders must provide the Closing Disclosure. | | | | | |

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| #4 | RETAIL & WHOLESALE: STAFF & MORTGAGE OPERATIONS GROUP TRAINING- TRID DISCLOSURE | | | | |
| | Prepare staff and operations group training materials to distinguish which loans require a TRID and which loans use legacy disclosure forms. | | | | |
| | Assign operations group member to be gatekeeper for delivery of proper disclosure formats. | | | | |
| #5 | RETAIL & WHOLESALE: STAFF TRAINING - RATE LOCKS | | | | |
| | Prepare staff training materials for offering and collecting rate lock agreements, and issuance of a revised TRID. | | | | |
| | Research state-specific requirements for commitment letters. | | | | |
| | Prepare or purchase a written rate lock agreement form that is useable in all states. | | | | |
| | Assign staff member to be gatekeeper for delivery of timely and proper disclosure within three days of borrower execution of lock agreement. | | | | |
| #6 | RETAIL & WHOLESALE: RATE LOCK POLICY | | | | |
| | Draft a company-wide policy for offering (or not offering) rate locks to applicants. | | | | |
| | Draft a policy for the date, time, and time zone in the TRID rate lock disclosure. | | | | |
| | Draft procedures for determining that correspondents and brokers are using a consistent policy for disclosing the date, time, and time zone in the TRID rate lock disclosure. | | | | |

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| #7 | RETAIL & WHOLESALE: STATE-SPECIFIC ISSUES | | | | |
| | Draft a list of states that permit and prohibit deficiency judgments. Ensure that this information is coded into your LOS, as well as the LOS of each correspondent and broker, so that the information is properly disclosed in the TRID. | | | | |
| | Research State Fee Disclosure issues and create list of fees permitted in each state. | | | | |
| | Establish standard nomenclature for the names of fees. | | | | |
| | Establish that the closing agent is using the same nomenclature in their software as is used in the TRID (i.e., don't allow the closing agent to designate the "broker fee" as a "yield spread premium"). | | | | |
| | Assign staff member to track and update state and local legislation changing, limiting, or imposing fees and deficiency judgments. | | | | |
| | Determine who is responsible for identifying specific housing costs that are escrowed and are not escrowed, and establish a procedure or hire a vendor to identify each of these costs for each loan. | | | | |
| #8 | RETAIL & WHOLESALE: APPROVED VENDORS TITLE & CLOSING AGENT POLICY | | | | |
| | Draft a list of approved vendors and their fees for inclusion in the attachment to the initial TRID prepared by your staff, your mortgage brokers, and your correspondent lenders. | | | | |
| | Develop a policy regarding permitted shopping and approved vendor lists for each settlement service. | | | | |
| | Assign staff member to update this information daily. | | | | |

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| #9 | RETAIL & WHOLESALE: MLO CONTACT & LICENSING LISTS | | | | |
| | Select a vendor to provide contact and licensing directories for MLO's, mortgage brokers, correspondents, title agencies, escrow agencies, closing attorneys, and real estate brokers. | | | | |
| | Assign a staff member to notify staff, mortgage brokers, and correspondents of changes and keep information current and accurate. | | | | |
| #10 | RETAIL & WHOLESALE: PARTIAL PAYMENT & ESCROW POLICIES | | | | |
| | Review servicer and sub-servicer policies regarding receipt of partial payments and establishing escrow accounts. | | | | |
| #11 | RETAIL & WHOLESALE: RECORD RETENTION POLICIES | | | | |
| | Review adequacy of current record retention policies and procedures. | | | | |
| | Review record retrieval procedures. | | | | |
| | Research and identify new document management systems if current systems are not adequate for retrieval of large numbers of documents. | | | | |
| #12 | RETAIL & WHOLESALE: SOFTWARE VENDORS | | | | |
| | Ensure software vendors are working toward incorporating the critical changes to keep you compliant with new requirements. | | | | |
| | Schedule regular meetings and communications with software vendors to track progress toward resolving glitches and weaknesses in the software, and updates to comply with revised regulations. | | | | |
| | Set up a test platform and test pipeline to beta test new software, and arrange for appropriate personnel (lead or training staff) to participate in operating the test platform and testing new software. | | | | |

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| #12 Cont. | Establish forms for beta testers and staff to comment on new software and software updates, and to record glitches. | | | | |
| | Arrange to run old and new software side by side for a test period in July 2015 to locate any remaining bugs in the software or in TRID and other procedures. | | | | |
| | Update loan checklists (if appropriate). | | | | |
| #13 | RETAIL & WHOLESALE: TOLERANCES / VARIANCES | | | | |
| | Evaluate current tolerance levels to determine the impact of new variance rules on profitability, and revise pricing accordingly. | | | | |
| | Review current Loan Originator contracts (with Loan Officers and Brokers) to determine whether changes should be imposed to shift the cost of unforeseen changes in fees to the Loan Originator. | | | | |
| #14 | RETAIL & WHOLESALE: | | | | |
| | Arrange regularly scheduled meetings with senior management to explain changes that might impact production and sales efforts, and to evaluate new sales programs for compliance with TRID and other rules. | | | | |
| #15 | RETAIL & WHOLESALE: UPDATE FORMS | | | | |
| | Update Welcome Packets / Welcome Letters. | | | | |
| | Evaluate current stock of Settlement Costs Booklets and Servicing Disclosures to determine whether sufficient stock exists to last until August, 2015 for all loans, and beyond that date for a smaller number of loans. | | | | |
| | Order new Settlement Costs Booklets for distribution after August 1, 2015. | | | | |
| | Determine where to segregate old Settlement Costs Booklets and Servicing Disclosures, and assign a staff member to control the remaining stock of old disclosures so that they are not used inappropriately. | | | | |
| | Consider implementing an agreement with consumers for receipt of electronic booklets to save the cost of printing and mailing booklets. | | | | |

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| #16 | RETAIL: TRAIN REAL ESTATE PROFESSIONALS | | | | |
| | Confirm that real estate professionals received CE training on the new TRID disclosures for buyers and sellers. | | | | |
| | Sponsor TRID training through trade groups for real estate professionals. | | | | |
| #17 | SERVICING | | | | |
| | Determine who is responsible for sending notices of termination of escrow accounts to borrowers. | | | | |

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