

1. White Paper

The Only Clear Path to TRID Compliance

A White Paper

The Consumer Financial Protection Bureau's TILA/RESPA Integrated Disclosure was designed to provide more clarity to consumers, who have traditionally been underwhelmed with the process of closing a mortgage loan. A few have said that the new disclosures accomplish this, but others question it. Regardless of what the new rule did for consumers, its impact on the mortgage industry has been significant.

No one can argue against the fact that the mortgage industry has always had a problem communicating with its borrowers. Under federal law intended to provide more complete information, the industry has been driven to deliver pounds of paper disclosures to the borrower, few of which are ever read and even fewer of which are understood by consumers.

The fact is that prior to TRID, borrowers did not have a clear picture of what the loan would cost them to close until they were sitting at the closing table. There were often surprises, which were never pleasant for the borrower. In survey after survey it was made clear that mistakes at the closing table were the No. 1 complaint lodged by consumers against our industry. The CFPB stepped in to change that with its TRID rule.

Under TRID, lenders are required to disclose accurate costs within days of the borrower's completion of the loan application process (as defined by CFPB). Then when the loan underwriting process is complete, lenders are tasked with disclosing again at least three days before the loan is closed. The numbers on the first disclosure, the Loan Estimate (LE), and the latter, the Closing Disclosure (CD), have to line up very well. And that's where one of the most serious problems our industry faces with TRID becomes evident.

Making the Numbers Work

Failure to offer the borrower a CD that closely resembles the LE puts the lender in a precarious position. Redislosure is only permitted if certain details of the deal change. If possible, this must occur at least three days prior to closing, possibly pushing out the close another three days. Redislosure is costly, time consuming and irritating to consumers. It can cause problems with business referral partners who need to close real estate deals on a schedule in order to better serve borrowers who are in transition between residences. Perhaps most significantly, it opens up the lender to other TRID-related problems, like botched timelines, that could render the loan unsellable. If the lender makes an error on the CD and cannot redisclose, the lender must absorb the loss.

As you would expect, lenders have worked to avoid this by making certain that every cost and fee on the CD is known in advance so that it will always match up with the LE and preserve the timeline. Providing this kind of accuracy is as easy for smaller settlement services companies as it is for larger firms, but since lenders have traditionally not included them in their fee databases they have pushed them out of some deals in favor of larger title networks for which they already know the accurate fees in advance.

The result has been the dismantling of local business referral machinery that lenders have counted on for years to generate new business. This will almost certainly hurt lenders, who will now find it more difficult to secure business in markets in which they do not have a strong business, but it is definitely very bad for smaller settlement services businesses, which could be driven completely out of the business.

Some will argue that without an alternative, it's far better to make fewer loans that you know you can sell than to make many loans that you may end up holding when TRID problems make them unsellable. The truth is that even if their loans are salable, lenders who do not have a good TRID solution will spend more money to close when they absorb losses due to incorrect LEs. Also, there is significant reputation risk from borrowers who feel that they are the victims of a "bait and switch" scam and report it to the CFPB.

What lenders really need is the ability to create "plug and play" title networks based on their own preferences that are capable of delivering guaranteed accurate fees in time for the LE that do not change when the CD is issued. Fortunately, technology currently exists to make this possible.

The Technology Required for a Workable Solution

Before we describe the technology that lenders across the country are already using to solve this new TRID-related problem, let us stress that this technology is in production

now. This is not a sketch of some future technology that “could” solve the lender’s problem and keep thousands, perhaps tens of thousands, of settlement agents at work. The technology we’re describing in this paper is real today. It’s in use today by top lenders and it has been embraced by thousands of title and closing agents around the country.

Too often in our industry, we hear from bright mortgage technologists about the tools they would like to build, if they only get the right investment or the right backing or the time or the personnel. This is not that kind of technology. We’ll tell you what it is and then show you where it works and how it can work for you. But we digress.

For many years, Ernst has served the nation’s lenders with its Title Fee Engines, which enable lenders to connect directly to title underwriters and easily import and manage title premiums. This has allowed them to maintain up to date rates from the title providers they choose to work with. The service provides guaranteed lender’s title premiums, guaranteed endorsements, guaranteed owner’s title premiums and guaranteed title service fees.

Through this service, Ernst has long employed a professional team that manages connections with title underwriters, displaying their rates and endorsements for lenders around the country, enabling local loan officers to maintain parity with the title relationships they have today, regardless of where they are working. Ernst created custom title networks with granularity down to the local municipal level, type of loan or any lender preference. The service has been delivered for years through the web, XML or DLL solutions and delivered response times in less than 1/4 second.

Ernst programs process an average of 150 million real estate transactions every year, industry-wide. Since the company was founded 27 years ago, Ernst has processed over 1 billion transactions. We estimate that our technology is in use for 90% of the nation’s new loan originations and refinance transactions.

But prior to TRID, this service was used to connect the big title underwriters to the nation’s top lenders. What about all of the smaller settlement services agents who, under TRID, are now unable to deliver guaranteed fees in time for the lender to issue the Loan Estimate? This required new technology, which Ernst’s technologists went to work building over 18 months ago.

The Ernst Settlement Agent Gateway

Ernst’s answer to this problem is the Settlement Agent Gateway, a collaborative fee management technology that allows settlement agents to work with lenders to negotiate fees and then manage these fees in a web-based tool through which they certify the

accuracy of their fees and then make them available to lenders who need to provide Loan Estimates under the new requirements. This ensures full TRID compliance, protects the lenders from having to re-disclose later for quoting the wrong fees and protects smaller settlement agent firms from being pushed out of the market due to non-compliance concerns.

The tool allows lenders to create their own proprietary network of approved settlement agents. Lenders can easily approve and migrate all settlement service fees and providers into a software solution that integrates with their LOS, closing portal and internal programs. Lenders control all naming conventions for their required settlement service fees so there is never confusion.

Simultaneously, settlement agents can easily load their service fees, importing spreadsheets if needed, certify their accuracy and become immediately networked into the lender's system. The technology is simple to use and uses MISMO data standards to allow the settlement agent to enter pre-negotiated fees online, including values for the required services by geography, fee type multipliers and more. They then certify that the fees are accurate with a single click.

Once on board, settlement agents can change and re-certify their fees at any time based on their lender agreements. Lenders are instantly notified of fee changes and have immediate access to the new rates and integrate the changes as they apply to new loan quotes. With a Lender's approval the settlement agent fees will seamlessly be integrated into that lender's production process and automatically loaded into the required disclosures.

For auditing purposes, complete logs are made available, including reports for all fee changes. Historical fee values can be retrieved and reapplied at any time for audit purposes. Rules can be created to approve fees or that apply to specific agents. Fee types can vary by fee, loan type, line of business, location and many other classifications. Monitoring programs are built in to alert the lender if a fee change would impact an existing transaction.

This technology is not a closing portal. Because fees must be disclosed accurately to borrowers long before they get to the closing table, both lenders and settlement agents need a tool that will allow fees to be negotiated far in advance of the close and then locked into the lender's closing cost search engines. This software makes that possible today.

The Gateway provides lenders access to 100% accurate fees from the partners they choose to work with from their first quote, keeping them in full compliance with TRID and providing a better experience for their borrowers.

Best of all, the solution gives lenders this power at little to no extra cost.

Advantages Available to Lenders Now

It only takes minutes for authorized users to enter information into the Ernst system, storing fees that can be accessed by lenders at any time. Settlement agents can also store their vendor information for reporting on the Loan Estimate and SSPL listings, as required by the CFPB.

There are many advantages lenders and settlement agents are enjoying today, thanks to the Ernst Settlement Agent Gateway, including:

- ✓ Lenders: Your fees are always accurate and 100% guaranteed.
- ✓ Settlement Agents: Become quickly networked within a lender's proprietary program.
- ✓ Ernst manages the complete process.
- ✓ It's CFPB compliant.
- ✓ Our programs are fast and easy to use; it takes minutes to enroll.
- ✓ All programs are lender specific.
- ✓ The cost is minimal!

For lenders, there is no fee to integrate this service into an existing Ernst platform. In fact, there is no technology implementation to perform or complete. The technology simply works and is available now. Lenders can expect to continue to pay the currently negotiated click rate for the fees, exactly as they do today. If the lender chooses to work with a settlement agent that is not currently using the Settlement Agent Gateway to provide 100% accurate fee quotes, it only takes a few minutes to get them signed up to use the system.

While there is no cost to the lender, there are many benefits loan originators will enjoy, perhaps the most significant of which is the ability to work with the partners they choose without fear of non-compliance. The Ernst Settlement Agent Gateway minimizes lender cures by quoting fees from a local provider that apply to the area where the property is located with 100% accuracy. The lender can create their own custom network of

settlement agents or they can use the network already established by Ernst and its partner eLynx.

This technology allows loan officers to provide accurate quotes to borrowers provided by the local settlement agents they typically work with, allowing them to maintain the relationships that bring them more business. Ernst manages the network for the lender, requiring settlement agents to certify/guarantee their fees and then recertify the accuracy of their fees periodically, typically quarterly.

While others will claim that a solution to TRID-related problems is possible or could be constructed, Ernst is already delivering it. Find out more by contacting the company today.

About the Ernst Publishing Company

The Ernst Publishing Company has been the leading authority on land recording requirements for more than two decades. In fact, Ernst's recording fee, transfer tax and title data have been integrated throughout the title and lending industries. Legal requirements have made accurate recording fees and taxes for recording documents more important than ever. Ernst excels at creating solutions for their clients to manage not just those fees—but also all vendor fees—with unparalleled precision. As a company, our goal is simple: Enable clients to not only meet CFPB's new compliance regulations for the Loan Estimate, but set the industry standard for client satisfaction, an attainable goal due to our patented technology, impeccable data standards, expertise at creating custom solutions, and network of partners. Ernst's patented solutions are trusted and used by 9 of the nation's top 10 mortgage servicers, all 5 of the top title underwriters and 9 out of 10 mortgage originators nationwide, including 9 of the 10 largest banks.