



***matchbox (Op)erations (Ed)itorial Page***  
***Thoughts and Observations on the Mortgage Industry***  
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'Hello' from reality TV land. Bravo has contacted matchbox in hopes of filming the events this summer where the two lands of TRID wars will collide. In one corner, we have the Lenders, Vendors, Title Companies, Realtors, and Technology Companies that vow that all is good in 'Lending Land' and that August 1st will just be another day in the life of mortgage world USA. On the other side, we have another group of Lenders, Vendors, Title Companies, Realtors, and Technology Companies that are claiming there is no way they will be ready or even if they are, they are claiming that their clients will not be by August 1st. So Bravo wants an all access pass to film how these companies are preparing (or not preparing) for the August 1st deadline and what ensues after that date. Some of these internal meetings could be legendary. And just wait for the "tell all" show which will undoubtedly be filled with whatever is left over from the carnage of TRID. What will result is a blockbuster series called TRID WARS. We need something to look forward to now that we wrapped up another season of Game of Thrones.

In all seriousness, we have all been bitten by the TRID bug and it is a powerful one at that. The changes that are coming are substantial and will have a dramatic impact on the 3rd and 4th quarters of 2015. Q1 and Q2 were unbelievable for most but with rates up and TRID approaching, things can quickly turn. We want to lay out some of our thoughts and concerns (T&C) about the upcoming changes from an operational standpoint and hopefully speak to some of the issues that have not be presented in the onslaught of daily TRID related articles blasted out over the web every day.

### **T & C # 1 - TRID is not going away.**

Even with last week's vague announcement that the enforcement will be lenient if firms are acting in "good faith." What exactly does that mean and what is the barometer for such? If you think you've been given some additional time to work out the finer details, you are kidding yourself and putting yourself in greater danger. Will correspondent investors really even care? They're certainly not going out on a limb, assuming a lender "acted in good faith." And who can really be confident with the CFPB's current track record that their internal actions will meet the bureau's burden of compliance.?

### **T & C #2 - Although this is being presented and discussed as a Compliance rule, it is really a business and workflow rule and needs to be addressed as such.**

The upcoming changes affect all departments and in some cases are requiring the creation of new departments. Although this has deep compliance roots and compliance departments will have a big role to play, the bigger concern is that firms are not realizing the far reaching effects and how their workflow is going to be affected come August 1st. For example, every department will have to manage their TRID and non-TRID pipelines to ensure compliance. How exactly will the separate workflows be managed? We've got six weeks to figure it out. Now when speaking to most clients we come to find out that there are only two departments that are working on TRID-Compliance and Technology teams, yikes!

### **T & C #3 - TRID will not be solved with technology.**

The various changes all will have some technology component to assist in new world of Post-TRID, but many firms have been waiting to see how the technology is going to handle the changes before even discussing the impact. As with any compliance item, a firm needs to have its understanding and interpretation of the rule completed and supported, and THEN, look to its technology to see how it can support those guidelines. Lenders cannot wait for technology to provide the answer and interpretation of these rules; that's a risky proposition.

### **T & C #4 - If you are waiting for answers, you will be waiting a long time.**

These rules have nuances that are subject to interpretation without a definitive answer on how to handle. There are certain areas which have been issued as clear, but leave room for interpretation. For example, the rule states that a new CD has to be issued if any fee changes by more than 1/8 point, but does not speak to whether that is just up 1/8th or up or down 1/8th, and it is not clear. There have been discussions that have stated that it only applies if fees increase by an 1/8th, but if you ask 10 people, you will get multiple answers. Our advice is to get your answers in writing and potentially clear them with your largest investors; ultimately if they disagree you'll have a 'kick' or unsaleable loan. My translation of a good faith effort is a fully documented policy and procedures manual with process flows based on your interpretation of the rules, with ability to document the process that is stated. If you are taking the same position as your largest investor and they change multiple times, that is not a good faith effort.

### **T & C #5 - This requires training.**

As an industry, training is typically a struggle (vague and complex regulations do not help) and based on history of prior changes of this magnitude, firms will wait to the last minute and put together some training in the midst of month-end when everyone is distracted. There are a lot of new terms, documents, procedures, and guidelines that are changing. Even if you do not have all of the rules finalized by now, you should be training your staff on the new terms and business flow. They should understand that the GFE and TIL are now going to be called the LE (Lender Estimate) and the Final TIL-HUD1 will become the CD (Closing Disclosure). They should understand the new timing and document delivery requirements, and how your system or process is going to be tracking them. They should know how to explain these items to clients as

they will be asked many questions about the new forms and process. They should understand how this will likely delay closings, eliminating the same-day close and impact lock terms, extension fees, and setting expectations. The firms that nail the client interaction will have huge gains over their competition.

#### **T & C #6- The calendar is not your friend.**

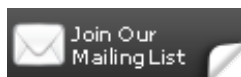
At a very high level, most technology updates have come out within the last two weeks. Assuming this is the first time that you have real access to the updated software, it is going to be first reviewed by your technology and compliance teams. This will take a few weeks assuming you have all your changes documented and business decisions made; which puts you at the end of June (which is month and quarter end) to begin testing your intended solution and workflow. Assuming the system is ready for testing by late June, we hit the July 4th holiday weekend. So in most cases, the first time the business units will be looking at the system will be on July 6th; this leaves a few weeks for testing, training, and development by August 1st. (Side note: Early August is one of the busiest vacation weeks of the year; the last week in July is the other). Have lenders checked their vacation schedules? Not a good time for ops, closing or compliance personnel to hit the beach. So when you add it all up, there is not much time to get all these changes implemented, tested, developed, and ready for training. Oh and this is also the height of the purchase season as well.

#### **T & C #7- What ifs.**

Firms are having enough trouble in identifying the new changes and how to incorporate them into their process. This leaves no time for companies to really dig into the "What if" scenarios that will be appearing post August 1st. There will be a Pre-TRID process and there will be a Post-TRID process. In the latter, we'll see the unique scenarios come up, such as, "I had a client apply on June 25th and they did not proceed, and they just called me back on August 3rd and want to move forward. Or, "My TPO disclosed a processing fee instead of our application fee, what should I tell them?" How these and many other similar scenarios will be handled is anyone's guess right now, but be prepared for the 'What ifs' to slow down an origination and require a meeting and research before a file can potentially move forward (or backwards.)

Many lenders are not taking these TRID implications seriously enough and are going to be exposed. The exposure could be compliance based or lean more toward inefficiencies and a stalled pipeline. Even if a lender has been working on this for months, there is still a lot to do and our hope is that these topics open your eyes to that.

For all of our Encompass clients, we have a [TRID based Encompass program](#) that we have put together to assist lenders in navigating this stressful time. If you have any questions or concerns please let us know. We are happy to help you work through the issues.





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