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Life Under TRID

Little Immediate Impact From TRID So Far, Survey Finds

It may just be a matter of time before CFPB Director Richard Cordray accuses the mortgage industry of "crying wolf" again, this time over inflated warnings about the damage to the housing markets the industry said would result from the bureau's much-ballyhooed integrated disclosure rule.

The CFPB's Truth in Lending Act/Real Estate Settlement Procedures Act Integrated Disclosure rule kicked in Oct. 3, 2015. And even though some industry vendors were scrambling to deliver software updates into the evening the night before, it looks like the rule has had little immediate effect on the markets, according to the results of the latest *HousingPulse* survey sponsored by *Inside Mortgage Finance*, an affiliated publication, along with Campbell Surveys, which performed the survey.

"While there was apprehension about TRID, so far, impacts are minor," said Tom Popik, research director at Campbell Surveys.

Drilling down into the details of the findings, one real estate agent in Arizona said, "I have two transactions where the buyers' loans were approved early and having to wait the three days to close was kind of disappointing to them. They both could have closed on a Friday and could have used the weekend to move in. Other than that, it's been seamless."

Another, in California, said, "Sellers chose a lower, all-cash offer versus facing a 45-day or longer escrow from buyers who needed to use financing and weren't sure how TRID would affect their ability to fund as scheduled."

A third, in Florida, said, "We have two new TRID closings scheduled for late this month ... both are already approved, and ready to close ... if anything, TRID and CFPB hype have forced everyone to pay attention; loans are getting done in record time."

However, there has been cautionary scheduling due to TRID, in that some lenders are preemptively allowing an extra 15 to 30 days for closings. And for some, it's even longer.

"Nothing has really changed to disrupt the process except for making the closing period a bit longer. I used to be able to do 30 days. Now I am asking 45 just to be safe," said one agent in Illinois.

One Maryland agent said, "Settlements will be extended to a minimum of 45-60 days to accommodate my lenders and allow time for growing pains in the next few months."

And one agent in Florida said, "We were told to write contracts with a 60-day close day unless it was cash."

Further, there have been isolated instances of adverse impacts from the TRID. "Negotiations for cash back in lieu of repairs at the last minute prior to closing have caused buyers to forego repairs," one California agent recounted. "Rather than risk a delayed recording, buyers are unable to accept cash for recurring or nonrecurring closing costs at last minute."

Further, "Many buyers aren't pre-approved for financing and need to be educated rather than delay closings from 30 to 45 days for conventional financing or 45 to 60 days for FHA or other downpayment assistance programs," he added. "A 30-day loan lock is nearly impossible as closing dates are unpredictable depending upon lender underwriting, appraisal processes that have caused delays, etc."

Positive Comments Too

Some real estate professionals were pleased with the new rule and praised the CFPB for instituting it. "It has not altered or disrupted the closing process for my homebuyer clients at all yet," said one agent in Illinois. "I think that the most significant element is that there are no surprises for the homebuyers at the closing. This is a great thing. And, it forces the lender, attorney and the real estate agent to keep the process moving along in a timely manner."

One agent in North Carolina said, "So far, TRID seems to push us to be more prepared for closings rather than waiting until the last minute for everything."

Another agent in North Carolina said, "The CFPB has benefited the buyer with the required early disclosures."

And an agent in Utah said, "It's been great. The closing settlement statement is easy for the home buyer to understand."

An Echo of Y2K?

Recent press coverage elsewhere suggested that the new TRID rule spurred a mortgage industry anxiety attack – and a related public relations blitz – akin to the technology-related hype associated with the year-2000 transition into the 21st century.

"I think it was a Y2K analogy where expectations of the worst happening just weren't there," David Stevens, president and CEO of the Mortgage Bankers Association, told CNBC last week.

CFPB chief Cordray raised more than a few eyebrows in recent weeks when he complained about some in the mortgage industry "foaming at the mouth" with hyperbolic concern over the bureau's other big recent mortgage rule-making, the ability-to-repay rule with its qualified-mortgage standard.

Cordray noted that the dire predictions some in the industry made about the ATR rule cutting mortgage origination volume by 25 percent, driving a huge number of lenders out of the business, or causing a flood of litigation, did not come to pass.

However, one industry veteran later asserted that Cordray took "the disingenuous position that since no lawsuits have been filed, all the concerns about legal liability were groundless. No, Mr. Director. Those concerns have eliminated non-QM loans, which come without protection against frivolous lawsuits. That's why no one except a perfect borrower can get a loan."

Nevertheless, given the industry has made as much fuss about the TRID rule as it had the ATR rule, some observers won't be surprised if Cordray makes a similar criticism. The danger for the industry is that the next time it sets off alarm bells, they will be downplayed or even disregarded. ►

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