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Mortgage industry gives mixed messages on TRID readiness

Lenders are sending mixed messages about their readiness to handle new consumer-disclosure rules by the looming Aug. 1 deadline as the mortgage industry continues to call for an enforcement grace period.

Many banks and mortgage companies have not yet had software systems delivered that will enable them to produce the new disclosure forms under The Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA), known as TILA-RESPA Integrated Disclosure, or TRID, according to the American Bankers Association (ABA).

In April, an [**ABA survey of 800 bankers**](#) found that 58 percent of the banks didn't expect to have their systems in place until at least July. Of those, 36 percent reported that they didn't have a firm delivery date from their vendors.

"We haven't surveyed again, but I have anecdotal evidence that things are getting worse, not better," said Robert Davis, ABA's executive vice president of mortgage markets. "Through April we knew that 9 percent of banks had received systems one way or another.

"Fully 58 percent of banks said they wouldn't get it until July or they hadn't been given a date, which is not a good sign."

Davis also said that lenders have told him that vendors are missing deadlines or have installed systems that initially failed.

"It looks like the vendors are going to be slipping in their delivery dates, which is going to give precious little time to test these systems," Davis said. "They might be plugged in, they might work if you dump data into one end [and] something will come out the other end, but they likely, in many cases, won't be tested."

TRID mandates that the mortgage industry produce two rounds of streamlined forms for consumers that reveal mortgage costs within three days after the application and three days before the closing, making those costs easier for consumers to understand. Another major change is a mandatory waiting period of at least three days before closing. Changes to the loan within this window could also trigger another three-day waiting period.

Some lenders, including the large Detroit-based nonbank Quicken Loans, say they are ready. In a public statement on Tuesday, Quicken said it "has the technology in place, and the new forms ready, to implement TRID on Aug. 1."

"Due in large part to our centralized structure and our technology infrastructure, we are able to quickly and nimbly make changes, even those being billed as monumental like TRID," the company said. Quicken noted, however, that TRID has "a number of moveable parts" and it is continuing to work with its partner title companies and other real estate professionals to handle the changes.

Matt Ostrander, chief executive officer of Parkside Lending, said his San Francisco-based company is ready for TRID.

"We don't have any knowledge of any problems that we would anticipate at this point," Ostrander said. "Although it is a pretty big change in some regards, it is definitely something that Parkside can manage. This has been in the works for quite awhile now."

Congress weighs bill for formal grace period

Earlier this month, Consumer Financial Protection Bureau (CFPB) Director Richard Cordray indicated that the agency would work with lenders that have shown a good-faith effort to comply with the new rules. The industry says it needs more clarity, and has pressed Congress to pass a bill that would force the CFPB to hold the industry harmless

for any mistakes through the end of the year. Ostrander said that Cordray's letter didn't assure him that his company won't be exposed to penalties.

"We are treating it as though you have to be ready on Aug. 1," Ostrander said. "If the Congress enacted some sort of five-month grace period, a phase-in, I think that would be very wise."

Davis, however, said there is a tight window to pass such a bill. He said the industry has more hope in getting the Federal Financial Institution Examination Council (FFIEC), comprised of all the bank regulators including the CFPB, to issue a legally binding letter that spells out the enforcement standards.

"We are not asking for an enforcement holiday," Davis said. "We are saying you need to recognize that this is going to be hard to do to a perfect degree of accuracy. Early on, there needs to be a legitimate transition period that we understand, and there ought to be a legal document that gives greater comfort than [Cordray's] letter."

Davis also expressed skepticism about the readiness of the industry to comply with TRID.

"If you are a regulated entity, nobody is going to say, 'I am not ready, I am not in compliance,'" he said. "The question is how securely are you compliant. That is going to vary by companies."

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