

Provident Bank Mortgage Wholesale Operations – FAQ’s on TRID

General

- 1) **Q:** Can an email or other communication to the borrower provide a list of standard items that will be needed for the application (income/asset documentation)?
A: The rule prohibits a lender or any other party from requiring additional verifying documentation as a condition for providing a loan estimate. To eliminate any confusion on what is required to obtain a loan estimate, we suggest that you wait until after the Loan Estimate is provided before communicating the list of standard items needed.
- 2) **Q:** Can a PCE be used after application, but before issuance of an LE?
A: Yes, a preliminary cost estimate can be used prior to issuance of an LE. Just make sure you the LE is delivered within 3-business days of receipt of the application.
- 3) **Q:** Is the preliminary cost estimate verbiage required on marketing material that provides general closing cost estimates?
A: If the marketing material provides transaction specific information that is the subject of an open house, it should include the statement “Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan” in 12-point font on the top of the front page.
- 4) **Q:** When doing an “Application” (receipt of the six pieces of information) can the DU be run prior to LE being issued?
A: As a rule, the loan estimate should be completed as soon as you are in receipt of an application. We request that you issue the LE or complete the PBM LE process in the portal prior to DU submission. Our concern is that DU submissions often include all six pieces of information, which would trigger the LE to be issued within 3-business days of receipt of an application (which would be the date of the DU if it occurred first).
- 5) **Q:** What is the preferred method of documenting a verbal “Intent to Proceed” from the borrower?
A: Provident does not have specific requirements on how to document the consumers “Intent to Proceed”, however, we will review the file for the presence of acceptable Intent to Proceed documentation. Keep in mind that the intent to proceed must be expressed to the loan officer. Silence is not indicative of the applicant’s intent to proceed.
- 6) **Q:** Please confirm we are allowed to order the appraisal in advance of getting the credit card information?
A: The rule prohibits charging a consumer for the cost of an appraisal until the consumer has received the Loan Estimate and has provided the intent to proceed. If the appraisal is ordered prior to the LE and obtaining the intent, the cost must be charged to Lender/Broker.
- 7) **Q:** At what point should we order the FHA & VA loans case #'s?
A: There is no change in the process for ordering FHA/VA case #'s. The rule is the case number is required to be obtained prior to ordering the appraisal.
- 8) **Q:** Who is responsible for providing the special information booklet “Your Home Loan Toolkit” to the consumer when the transaction involves a mortgage broker?
A: The broker is responsible for providing the special information booklet “Your Home Loan Toolkit” to the consumer within 3-business days of receipt of the application.
- 9) **Q:** Can we email borrower after initial LE is issued with different P & I payment amounts when the borrower requests just that – not costs – without doing a revised LE?
A: The rule looks at preliminary cost estimates as a written estimate of terms or costs specific to the consumer. Since a preliminary cost estimate cannot be provided once a LE is issued, we

suggest verbal discussions with the consumer to assist them in making the decision to change programs or terms.

- 10) **Q:** What is the “mailbox rule” and what impact can it have on disclosure delivery?
A: The mail box rule states “If the notice is not provided to the consumer in person, the consumer is considered to have received the disclosure three business days after they are delivered or placed in the mail”. This rule is used for the LE and CD, if delivery is not otherwise indicated by evidence of alternative documentation supporting earlier receipt.

Hand Delivery	Hand-delivered disclosures are considered received by consumer on the date they sign and date the disclosure.
Overnight Delivery	Disclosures shipped overnight, will be considered “received” on the date the consumer signs for receipt of overnight delivery. Receipt can also be documented by having the consumer sign and date the disclosure.
E-Delivery	File evidence of the consumers consent to receive disclosures electronically must be provided along with the audit trail document evidencing receipt from a compliant pre-approved vendor.

Loan Estimate

- 1) **Q:** How does Provident’s portal system default the First American’s fees since they vary significantly by region? Will the system determine which fee chart to use?
A: The determination will be made based on the zip code of the subject property. As a reminder, TRID rules require the disclosure of the full premium rate for Lender’s Title Insurance (without any discount for simultaneous issuance of owner’s coverage). The new higher fees will be defaulted in Empower.
- 2) **Q:** Is there a standard that should be used when disclosing “Estimated Taxes, Insurance and Assessments?”
A: The amounts disclosed in the Loan Estimate must be based on the “best information reasonably available to the creditor at the time the disclosure is provided to the consumer”. To comply with this requirement, the creditor may rely on third parties, such as hazard & flood insurance companies for standardized calculations or realtors and others for local tax rates and HOA fees. PBM uses a .35% default for the calculation of hazard insurance. For taxes and assessments (including HOA) we must do our due diligence in obtaining the information, however, the charges may increase without limitation or triggering the need to issue a revised Loan Estimate.
- 3) **Q:** If we disclose property taxes on the LE and later learn that there was an error or omission of a special assessment, are we required to reissue the Loan Estimate.
A: No. Taxes may increase without limitation or triggering the need to issue a revised Loan Estimate. Keep in mind that there is still an expectation that your estimates be consistent with the best information you have available at the time of disclosures.
- 4) **Q:** How do you complete the Loan Estimate when the purchase agreement reveals the use of an outside escrow or title company (settlement provider not on PBM’s SSP list)?
A: The rule sets tolerance levels based on whether a consumer is permitted to shop for a settlement service or not. If we allow the consumer to shop for a service, we are required to provide a list of Settlement Service Providers with a least one available provider of that service. So, to answer the question, we would complete the Loan Estimate based on the defaulted charges provided by our service provider – First American Title. At a later point we can update fees obtained by the outside escrow or title company and include these changes with subsequent

revisions to the Loan Estimate. Keep in mind that a COC does not apply since the use of an outside service provider that the borrower shopped for has an unlimited tolerance.

- 5) **Q:** If the contract states that a termite or other inspection will be performed (not lender requirement), where is the fee located on the loan estimate?
A: Fees for inspections not required by the lender are disclosed in the "Other Costs-H. Other" section of the Loan Estimate.
- 6) **Q:** What lock period should be used to estimate the rate/pricing for a float loan on the LE?
A: Generally 30 days.
- 7) **Q:** How does the CFPB address over-estimating fees (HOA Certification, title, escrow, etc.) on the Loan Estimate?
A: Creditors are responsible for ensuring that the figures stated in the Loan Estimate are made in good faith and consistent with the best information reasonability available to the creditor at the time they are disclosed. Generally speaking the loan estimate is considered to be in "good faith" if the creditor charges the consumer less than the amount disclosed on the Loan Estimate without regard to tolerance limitations. But be careful, a pattern of over-estimating a fee is not a supported practice and may cause scrutiny by regulators.
- 8) **Q:** Can we issue a Loan Estimate on a Saturday?
A: Of course, just keep in mind that delivery and timeline requirements are based on the date the application was received. As an example if the application was received on Friday, the LE must be delivered or placed in the mail by Wednesday (day count: Monday, Tuesday and Wednesday).
- 9) **Q:** If we order an appraisal and the value of the home is significantly less than expected, at what point would the change of circumstance (COC) event occur, upon receipt of the appraisal or when the parties determined what to do about it?
A: The CFPB did comment on this, however, the problem is if we wait until the parties have determined what to do about a low appraisal we could be out of the timeline requirement for a COC. Documenting the file to satisfy an investor or examiner would also be a challenge. For these reasons we will be using the receipt of the appraisal and advising branches to obtain a determination from the parties within 48 hours. This will give us time to provide a change of circumstance if increased transaction costs apply.
- 10) **Q:** In what instances would we allow a LE to expire if no intent is given during the 10 day period?
A: We want to provide as much flexibility on this as possible, however, if there is something along the lines of a government MI premium increase, we would need to exercise our right to this COC and provide a new loan estimate with newly updated fees. LE Expiration cannot be used to correct omissions or fee errors in the initial LE. Contact your Wholesale Office for direction.
- 11) **Q:** Is there a Loan Estimate given on 2nd mortgages?
A: The TRID rule applies to most closed-end consumer purpose credit transactions secured by real property – which includes second trust programs like our portfolio seconds. There is an exemption for HELOC's and subordinate financing that is associated with housing assistance loan programs for low-and moderate-income consumers.
- 12) **Q:** How is LPMI disclosed on the Loan Estimate?
A: Right now we are not disclosing the premium on the LE, although there is a question as to what extent lender-paid fees must be disclosed. If it is determined that the LPMI must be disclosed on the LE we will make this change in the system.

The MI premium paid by Provident will show on the Closing Disclosure as a fee paid by others.

- 13) **Q:** Do we have to re-issue the LE if the Loan Amount or interest rate goes up or down?

A: Yes. The events described would likely cause settlement charges to change due to a consumer requested revision, or a lender change related to eligibility (i.e. Change of Circumstance). The revised LE must be provided or placed in the mail within 3-business days of receiving information sufficient to establish that an event permitting re-disclosure has occurred. Also note that a change of interest rate due to a rate lock or expiration of rate lock is a COC requiring re-issuance of the Loan Estimate.

14) **Q:** How are loan level price adjustments displayed on the Loan Estimate?

A: Generally speaking, any charge imposed to pay for a loan level price adjustment (LLPA) that is passed on to the consumer as a cost should be itemized separately in the Origination Charges on page 2 of the Loan Estimate. However, if the transaction also includes a cost for a discount in interest rate, it is acceptable to combine the cost of the discount (points) and the LLPA's and disclose the total as "points". Currently PBM reflects any remaining pricing cost as points.

15) **Q:** On TRID TIDBITS page 2 under Tolerance Categories – ZERO TOLERANCE – It states "Services required by creditor for which the creditor permits a consumer to shop but fails to provide a written list of providers or does not include this specific service on the written list." What is this referring to?

A: This comment was added to emphasize the importance of delivery of the SSP list and its impact on available tolerances. As an example, if we require a Roof Inspection as a condition of the loan but we don't list a Roof Inspection provider on our SSP list, the fee for this service on the Loan Estimate is subject to zero tolerance.

16) **Q:** Some realtors include "pre-paid law services" and items such as a "loan coordinator fee" in the purchase agreement. How are these disclosed on the LE? Is there an impact if we miss including it on the LE if we had the purchase agreement at the time the LE was issued?

A: This type of fee would be listed in the LE under H. Other, and would normally have unlimited tolerance. But be careful, if this fee is listed in the purchase agreement and we have it when the Loan Estimate is provided we are required to disclose.

17) **Q:** How are HOA and other community development fees disclosed on the LE?

A: HOA certification fees are disclosed on the LE under Section B "Services you Cannot Shop For", a zero tolerance fee. All other fees imposed by or paid to the HOA at consummation would be disclosed in Section H. Other, and would have unlimited tolerance (since PBM does not require these services). Other HOA fees include: Capital Contribution Fees, HOA processing fee, Transfer of Ownership and the fee to include Provident as a loss payee on the master policy.

Keep in mind that the general rule is to disclose "best information reasonably available to the Creditor at the time the disclosure was provided". A call to the HOA would be a reasonable approach.

18) **Q:** Is there a 3-day waiting requirement on delivery of the initial or revised Loan Estimates?

A: The timing requirements on the LE and revised LE revolve around delivery based on an event (receipt of application or COC). There is no additional waiting period after receipt. Keep in mind that the Closing Disclosure must be received 3-days prior to consummation (loan signing).

19) **Q:** How do I complete the contact information section on the top of page 3 of the Loan Estimate and the bottom of page 5 of the Closing Disclosure?

A: We must complete all fields in applicable columns. The system will automatically populate known information for the PBM (lender) and the Mortgage Loan Originator (contact). If the loan was originated by a Mortgage Broker, information previously selected in the portal will populate. Information provided on the LE (lender and mortgage broker) will auto-populate on to the CD. Page 5 of the CD could have multiple additional columns, as applicable for the Real Estate Broker (Buyer), Real Estate Broker (Seller) and Settlement Agent. Information to complete this section will need to be obtained by the branch and/or broker and identification on

purchase agreements. The contact name refers to the agent associated with the transaction. The Bureau of Real Estate and NMLS websites can assist in the validation process.

General Rules: If the creditor (lender), mortgage broker and loan officer has not obtained an NMLS ID, state or regulatory licensing information is required. The loan officer's email address and phone number or a general number or email address for the LO's lender or mortgage broker (if LO information is not available) is required. In addition, we are required to identify and disclose all parties involved with the transaction. If there are two sellers real estate brokers splitting commission the form must accommodate both. Contact information for each party includes; name, address, NMLS ID or State License ID, email and phone number. All information must be provided unless it does not apply (i.e. contact –settlement agent may not be required to be individually licensed). If column does not apply, it is left blank or can be removed.

Closing Disclosure

- 1) **Q:** Will the rule of thumb be to issue the CD when all UTR's (underwriter to review) conditions are completed?
A: We need to make sure that the file is complete before initiating the pre-closing CD process. Although, a CD cannot be delivered with outstanding "Underwriter to Review"* conditions, this type of loan condition is not the only condition that could cause the scheduled consummation date to be delayed. The file should be as complete as possible prior to advancing to pre-closing. Work that needs to be completed, additional inspections or appraisal reviews can also cause delays. Note: *The underwriter to review requirement of the Alta Settlement Statement can follow CD delivery.
- 2) **Q:** Please confirm it is acceptable to forward the Title Company ALTA Settlement Statement to the borrower as part of our PRE- CD review process with the borrower to make sure everyone is on the same page with loan amount, terms and figures.
A: Our closing administrators are currently developing a Pre-CD review process. The process is still being created, but generally speaking it will require the branch to obtain an estimated ALTA Settlement Statement from escrow, review the status of outstanding conditions and perform a validation of the remaining lock period based on anticipated funding date. After these steps are taken, the Alta Settlement Statement will be given to the closer for review and to update costs as required for the preliminary review of the Closing Disclosure. Loan Officers will be given the tools needed to discuss the status of a transaction including cost updates with the borrowers although it is unlikely that we would want to provide the Closing Disclosure until pre-closing process has been fully completed (i.e. formal delivery of the CD to the borrowers). We will not provide a copy of the ALTA Settlement Statement to the borrower.
- 3) **Q:** If the CD is printed, is it considered mailed in the system? If the LO identifies an error prior to delivery and we fix it, can we correct it?
A: The CD will be mailed/e-delivered to the consumer by the closing department after the pre-CD closing process (checklist) has been completed. If changes are revealed after delivery you would need to contact PBM Operations for available options.
- 4) **Q:** If there is an under disclosure on a zero tolerance fee how does it show on the CD? How do you list "cures" for variance violation that are being cured at closing?
A: The rule requires a statement in the "Calculating Cash to Close" section on page 3 of the CD that states "an increase in closing costs exceeds legal limits" by the dollar amount of the excess and a statement directing them to lender credits.
- 5) **Q:** Our most common problem at funding is that the borrowers bring in money from an account that was not part of the assets verified. Any ideas on how to resolve this problem?
A: We are creating a "tips for consumers" that will be provided with the advance disclosure package. This is also something that should be communicated during initial application

discussions with the consumer. The Loan Officer needs to make ensure there is sufficient time in the lock period to cover last minute hiccups.

- 6) **Q:** What is the best practice for concurrent closings? Time delays with the first scheduled closing can impact our closing date.
A: The Mortgage Bankers Association is recommending that real estate agents coordinate back-to-back closings carefully, so it is a known problem. Communication with all parties involved with the transaction is crucial. As soon as we are advised of a problem, we need to act. Determine if we could delay disbursement of the CD or closing documents or just don't have the documents signed (delay consummation). The Loan Officer needs to ensure there is sufficient time in the lock period to cover last minute hiccups.
- 7) **Q:** Is it possible to get the seller forms needed on government loans, prior to docs being drawn?
A: Yes, it is possible. We are checking into this further.
- 8) **Q:** What must be disclosed in the "escrow waiver fee" box on page 4 of the CD?
A: We have recently been advised that if the cost of the escrow waiver fee is absorbed in a lender/pricing credit, it does not need to be reflected on page 4 of the CD. We are working on this change.
- 9) **Q:** In other disclosures on page five of the CD, what box is checked under "Liability after Foreclosure"
A: The answer to this question is from State Law. In California, we will always check the first box – "State Law may protect you from liability for the unpaid balance".
- 10) **Q:** What types of program changes require an additional 3-day waiting period for a revised CD?
A: The rule requires an additional 3-day waiting period for the following changes reflected in a revised CD: 1) Change in APR (outside of tolerance); 2) Change in Loan Product; or 3) the addition of a pre-payment penalty. The change of program refers to concepts requiring specific disclosure, such as changes in loan features (negative amortization or interest-only) and those requiring specific product disclosure (fixed to an ARM, or a change in ARM program 5/1 to a 3/1 ARM).
- 11) **Q:** When the borrower is using a Power of Attorney to sign Closing Docs to whom is the CD issued? The borrower or the person signing on behalf of the borrower.
A: We prefer to have the CD issued to both the borrower and the POA, although, we are required to provide and prove receipt of the CD to the POA.
- 12) **Q:** If we have to cancel a loan after generation of the CD and start over, can the lock be transferred to the new loan?
A: Each situation involving the cancellation of a loan would need to be reviewed on a case-by-case basis by Wholesale Operations. Continuation (transfer) of the lock would be determined in accordance with Secondary Marketing policy.
- 13) **Q:** If a lock expires after the CD has been provided and consummation (loan signing) has occurred, will the branch be required to absorb the fee to extend the lock?
A: Once the loan has been consummated, any lender loan cost and/or extension pricing adjustments cannot be passed on the borrower, so the branch will absorb the additional cost. After consummation additional lender fees cannot be passed on to the borrower, even if the charge is a result of unforeseen circumstances.
- 14) **Q:** If a COC occurs after the first CD, would we have to add a day to the waiting period.
A: Allowable changes to the CD pre-consummation are limited and challenging because of limited guidance provided by the CFPB. Any change to the CD must be approved by PBM Operations. An approved revised CD must be made available to the consumer at least one business day prior to consummation.

- 15) **Q:** If repair requirements are noted during the final walkthrough, what should we do?
A: We are requesting that walkthroughs occur as early as possible in the process, preferably before we issue the CD. However, if you are notified that repairs are required we should try to determine if it will have an impact on our scheduled closing and remaining lock period. Contact Wholesale Operations for direction.
- 16) **Q:** If the seller decides to give the buyer a credit at the time of loan docs, what is the impact on our transaction?
A: The addition of a seller credit at the last moment would require an underwriter review of allowable contributions and a revised CD. The revised CD must be available at least one day prior to consummation. If consummation (loan signing) has already occurred, refer the situation to Wholesale Operations.
- 17) **Q:** What impact does the TRID rule have on rescindable transactions? Does a CD need to be given to a non-applicant person on title (such as a non-borrowing spouse) in a rescindable transaction?
A: The rescission section of regulation was not modified with the TRID rules, however, when applying rescission requirements (signing the note, receipt of TILA disclosure and right to rescind), the CD delivery rules (3-day prior to consummation) are applicable. This means that we are required to provide all borrowers and non-borrowers with the right to rescind with the initial CD and any subsequent closing disclosures within the required time-frame.