Mortgage reform's three-day window 'calmer' than expected

By Carla Vianna

Photos by Maxine Usdan

"The biggest change is that everybody has to be participating," said founding partner Tom Ringel of Markowitz, Ringel, Trusty & Hartog.

"It appears that every title company, mortgage broker and bank seemed to have been very well prepared," said Christopher Zoller.

Brokers and mortgage lenders are pushing to close deals on time in a mortgage lending arena that was recently hit with new regulation.

The TILA-RESPA Integrated Disclosures (TRID) reform promised to make mortgage lending more consumer-friendly. It did so by replacing older, complicated forms with simpler ones and by changing the closing process. Since the law took effect Oct. 3, borrowers have three days to review a closing statement before they actually close on a mortgage – a colossal change for an industry that traditionally allowed a borrower to receive a statement and close on a mortgage in the same day.

"The biggest change is that everybody has to be participating," said Tom Ringel, founding partner at Markowitz, Ringel, Trusty & Hartog. "The lenders have to be a lot more organized, as they must disclose the final figures to the buyer or borrower three days before closing. All the parties involved in the real estate transaction have to be working in advance to make sure that everything is in order three days prior to closing."

During those three days, the figures can't be changed. Any change triggers another three-day waiting period.

While the local residential market is humming again, brokers feared the new regulations would delay closings far beyond the three-day period. If the waiting period surpasses the closing date outlined in the initial contract, the seller must agree to extend the closing date while the buyer risks losing the locked-in mortgage rate given by the bank.

Duff Rubin, senior VP of Coldwell Banker Residential Real Estate's Southeast Florida region, said the TRID aftermath has been "calmer and smoother than we expected."

Because Coldwell Banker has an in-house mortgage and title company, he said, communication between all parties has been key.

Due to one- to two-week delays, the real estate firm's numbers were slightly off in October and November.

"We saw a large spike in deals getting pushed back, and that was all attributed to TRID," Mr. Rubin said.

The buyer, the seller, the mortgage and title companies – all parties involved are affected if a closing is delayed, said Gary Zimmerman, a mortgage loan originator with CMG Capital.

"It adds another layer to the process," Mr. Zimmerman said. CMG reported more delayed closings than timely ones since Oct. 3.

Christopher Zoller, an associate with Esslinger Wooten Maxwell Realtors, has completed four closings since then with no delays.

'In terms of closing timeline, it will never get shorter. There's a new normal in terms of how long it takes to close a loan.'

Duff Rubin

"At the moment it appears that every title company, mortgage broker and bank seemed to have been very well prepared," Mr. Zoller said. "It's all about preparation. Everyone needs to be prepared in advance, because if there are any last-minute changes to a closing statement that involves a mortgage, it will trigger another waiting period."

The federal government is protecting the consumer, he said, in that all parties involved need to be notified of any changes well in advance of a closing.

It's too early to measure the impact of TRID on lending, said Enrique "Henry" Villaronga, senior VP and manager of the residential lending department at TotalBank. The bank has completed about 10 closings since the law took effect, he said, and is now working more closely with the involved attorneys and settlement companies to ensure accurate final figures.

"For the most part, banks and settlement agents and attorneys are pretty much in line with this," Mr. Villaronga said.

To avoid delays and having to request an extension, Mr. Villaronga said, brokers should prepare 60-day contracts rather than the traditional 30- to 45-day contracts.

"The delays will eventually smooth out, I would imagine," Coldwell Banker's Mr. Rubin said. "It might take six to 12 months. In terms of closing timeline, it will never get shorter. There's a new normal in terms of how long it takes to close a loan. Now with TRID, [which has] thrown an extra week or two into the closing process, I think that's here to stay."