Nothing in life is perfect, and no amount of magic potions or diet pills can change that. Mortgage professionals understand this all too well. Despite all the regulations and requirements that dictate how to do business, an unlimited number of things still can go wrong in the mortgage process. Meanwhile, every attempt to “fix” what ails the industry often yields a new set of imperfections to wrestle with.

The Consumer Financial Protection Bureau’s TILA-RESPA Integrated Disclosure (TRID) rule is a great case in point. Although the consumer-disclosure requirements may have achieved the enviable goal of providing consumers with greater transparency in the mortgage process, from its earliest rollout through the subsequent revisions, TRID continues to create trouble.

One example of the continuing troubles caused by the TRID consumer-disclosure regulations is that even though TRID has been through three revisions, the recently finalized amendments published by the Consumer Financial Protection Bureau (CFPB) still did not address the so-called “black hole” that prohibits using the Closing Disclosure to reset fee tolerances. This continues to generate frustration in the industry.

All the frustration with TRID has done one good thing, however: It has driven more lenders and mortgage companies toward adopting automation than any other regulation. This automation also should help smooth out TRID’s ongoing rough spots — of which there are bound to be more.

**Need for automation**

Although the recent set of amendments to TRID didn’t appear to increase regulatory risk in any significant way, mortgage companies must nonetheless come to grips with the changes. As we’ve seen, failure to adhere to TRID can result in significant penalties.

Among the current revisions, the CFPB has established tolerances for the total of payments disclosure; changed the scope of TRID to cover loans on cooperative units; and provided clarification on how to provide separate Closing Disclosures to borrowers and sellers. The bureau also updated the partial exemption for certain downpayment and related assistance loans by excluding recording fees and transfer taxes from the fee limitation that applies to the exemption.

Amid these changes, timely and accurate delivery of the Loan Estimate (LE) and Closing Disclosure (CD) to borrowers remains the main challenge the mortgage industry faces in complying with TRID. By now, most companies have leveraged automation to deliver...
disclosures within the required timelines specified under TRID.

What’s more, by implementing the right mix of technology to deal with TRID, many mortgage companies have improved their communication with borrowers and among their staff. Ultimately, this leads to increased borrower satisfaction and fewer complaints — which is critical because the CFPB monitors its Consumer Complaint Database specifically for TRID violations.

As is the case with most financial regulations, however, TRID is likely to see additional amendments and clarifications over time. As such, mortgage companies and their technology partners must be ready to adjust their systems to accommodate minor “tweaks” in the rules and how they are interpreted.

Looking forward, timeliness and accuracy of fee data, plus workflow automation, are two important areas where technology will play a crucial role in helping the industry achieve TRID compliance, while at the same time improving the borrower experience.

**Timeliness and accuracy**

One of the biggest ongoing challenges faced under TRID is fee accuracy in both the LE and CD. This is particularly true on fees for credit reports, titles, appraisals and recording. The problem is there are often many additional fees that may be required during the process, such as a credit supplement, additional appraisal work or even a disaster certification.

What’s more, there could be sudden changes to a loan program that require fees to be recalculated and updated. Through automation, these changes in fee data can be applied nearly in real time to the disclosure documents, thus ensuring compliance, speeding the process and reducing the risk of human error.

It is important that mortgage companies use the right technology for automating changes in fees, however. If an automated system creates an error, and that error is repeated across multiple loans, a company and its originators could quickly have a catastrophe on their hands.

On the other hand, when a system performs consistently (i.e., it always delivers disclosures in a timely manner and with accurate data), it reduces errors and the risk of noncompliance, including penalties and fines. In other words, it pays for itself.

Here are four tips mortgage companies should consider to ensure they get timely and accurate fees to meet the requirements of TRID.

1. **Only work with compliant vendors.** Make sure vendors have completed certifications or audits that demonstrate their commitment to secure processes, such as SSAE 16 Type II. Meeting such a standard will ensure a vendor’s services and controls have been tested and that its data is securely maintained and controlled.

2. **Choose vendors committed to improving accuracy and efficiency.** Vendors should be able to show they are committed to improving their technology and internal systems, such as providing technology to automate fees and changes to the loan file.

3. **Fully understand your own workflows.** Be willing to automate the pieces of the process that make sense. A mortgage company should be able to set up automated alerts for loan-amount changes or program changes within their loan origination systems (LOSs). Further, they should be able to run daily reports, manage any changes of circumstance and receive automated alerts when redisclosures are needed. Proper LOS implementation and configuration and staff training are critical.

4. **Standardize how you charge fees.** In most cases, a credit-report fee is $18, for example, but if a processor ends up needing a credit supplement or credit update for a loan, the company would end up paying the incremental cost, unless it had already disclosed the cost. To standardize fees, some companies disclose a higher credit report fee to include possible contingencies.

**Workflow automation**

Mortgage companies should not wait until the last minute to handle TRID-related disclosures. Fortunately, most LOS providers have done a great job of interpreting the many facets of TRID and have provided the necessary alerts to signify redisclosure requirements. An important question remains, however. Who is responsible for managing these alerts? Is it the loan originators, the processors or the disclosure desk? Without a clearly defined workflow and communication process, these alerts can go unheeded, which will result in compliance issues.

The first step toward addressing these questions, obviously, is to define the workflow. The workflow should clearly spell out the responsibilities of every team member. It also should have built-in redundancies so that nothing gets overlooked or lost, and it should include an outline for management oversight.

Of course, having a well-defined workflow will not guarantee success if it is not followed consistently, nor if it cannot prevent missed deadlines, absences or other obstacles. Therefore, the second step is to use available technology to automate the workflow.

Fortunately, emerging technologies exist that can automate workflow while minimizing risk and exposure. An LOS could, for example, send an alert when a change of circumstance requires a disclosure. If a lead-management system is properly integrated with the LOS, it could simultaneously send a notification to the disclosures clerk, processor and manager and assign the right person to address that change of circumstance. If no one addresses the change, a manager could then be notified to take action.

By automating the escalation of a change in this way, mortgage companies not only achieve compliance, they also improve the borrower experience by being able to respond quickly, preventing any unnecessary delays on the way to the closing table.

The mortgage process will never be perfect, but as the immortal Vince Lombardi once said, “if we chase perfection we can catch excellence.” Proof of these words can be found in the way technology has already made selling loans significantly more accurate and efficient. In other words, automation hasn’t let us down yet. When it comes to current and future TRID revisions, there’s no reason to think it will.