# Preparing for Regulatory Change

## Successful implementation of new disclosure rules will require more than just training

By Kari L. Karas

Mortgage lending has probably seen more regulatory changes in the last five years than in the previous 25, and another significant change is right around the corner. Come August, originators will need to follow the Consumer Financial Protection Bureau (CFPB) regulations that combine Truth in Lending Act (TILA) forms with Real Estate Settlement Procedures Act (RESPA) forms. These regulations will implement several significant changes when they go into effect Aug. 1.

Among other changes, the TILA-RESPA Integrated Disclosure (TRID) rules introduce two new forms. The Loan Estimate form will replace the Good Faith Estimate and the initial TILA forms. The Closing Disclosure form will replace the old HUD-1 RESPA statement and the final TILA forms. The rules surrounding the completion and timely delivery of these forms are numerous.

Although these changes are needed to help clarify and simplify aspects of the loan process for consumers, the impact to lenders and their business partners will be substantial. To successfully implement the many far-reaching changes these new regulations bring, forward-looking lenders have been planning for TRID since early 2014. These plans include deciding what internal and external process changes must be made as well as creating training and marketing resources.

### Getting Ready

Real estate agents, builders, settlement agents, title companies and third-party vendors will all be impacted by the new integrated disclosure rules, but lenders must quarterback process changes needed for TRID because they will be responsible for timely document delivery and full compliance. In short, lenders will bear the risk of noncompliance. Here are three steps lenders can take to ensure successful TRID implementation:

**1. Establish a broad culture of compliance.** To be competitive and sustainable, a company cannot merely have a compliance department that operates independently of other departments. Major regulatory changes such as TRID must be top company initiatives, not just compliance initiatives. Federal and state regulations should be considered and integrated into every area of the company, including sales, operations, marketing and technology.

**2. Create a Compliance Change Management Program (CCMP).** An effective CCMP for a major change like TRID typically includes early scheduling for coming changes, involvement of executive team members to ensure informed support and adequate resources for full and timely implementation, and assembling a project team with representatives from all departments within the company.

**3. Produce TRID training resources for internal and external use.** The ultimate goals are to ensure that borrowers and property sellers understand the mortgage loan transaction and that loans close on time. In addition to making necessary changes in operations and technology for TRID, lenders that spend time training employees, loan officers and referral partners are more likely to make the transition successfully. Internal and external Web pages are flexible tools for sharing TRID information with referral partners and the public.

### Training your partners

Training and communication resources are critical to successfully implement any major change. These resources might include videos, marketing materials and PowerPoint presentations for loan originators and referral partners. For example, here are some suggestions for holding a successful TRID training session for your referral partners:

- **Learn about TRID.** Research TRID regulations online and in industry publications. The CFPB TRID page (sctsm.in/CFPB_TRID) is an excellent starting point. You can also search for YouTube videos about TRID, although the quality varies.

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■ **Create a PowerPoint presentation.** The presentation should discuss key features of the Loan Estimate and Closing Disclosure forms, the new TRID waiting periods, how TRID will impact your referral partners and new home construction and key differences in the new loan-origination process. In addition to providing technical details, however, it is important to emphasize that improved planning, communication and coordination among all parties will be necessary to ensure a successful TRID implementation.

■ **Send e-mail invitations.** Invite partners at least two weeks prior to your session and send subsequent reminders before the event. Ask people to RSVP at least a week in advance. For the best response, follow up with a phone call and ask everyone to invite a friend as well. For example, invite title and settlement company employees and ask them to bring a real estate agent with them.

■ **Make your presentation over lunch.** If you set up your training session as a lunch event, you will greatly improve your response. Look for a local hotel or location where you can control costs per person.

■ **Follow up with a personal phone call.** Reach out to thank everyone who attended afterward. Don't forget to ask people if they still have questions or need additional resources. The point of these sessions is to educate your partners before August, so make TRID educational resources available to all referral partners.

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Change is difficult, but with proper foresight and planning, it doesn't have to be. It has been said that "Change is inevitable, but growth is optional." Proactive lenders have the chance to embrace change and growth by learning about TRID and educating their referral partners about its many changes. A successful implementation demands nothing less. In the past, sales and operation groups could rely on loan origination systems to take care of compliance. Today, everyone must be mini-compliance officers and understand the regulations nearly as well as full-time compliance staff. ■