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Beginning in August, a new reality will set in for residential mortgage closings

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As August 1st approaches, you have probably heard about how the changes to the Truth-in-Lending Act/RESPA Integrated Disclosures (TRID) will impact the residential real estate space. As a result, buyers' and sellers' agents alike need to think more deeply about how the timeline of a purchase or refinance will be affected. It will be very important to help your clients understand that as a result of the new disclosures, transactions will most likely take longer.

Scheduling back-to-back closings could present challenges for real estate professionals. Issues will need to be resolved well in advance of the closing table, and any attempts at last-minute negotiations could jeopardize the transaction from taking place as originally scheduled. Loan officers will need to understand the importance of gathering the client's financial paperwork early. It will be the real estate professional's responsibility to educate the client on why a closing will not likely be able to happen in less than 30 days.

Here's a brief review as to why the life of a transaction will be extended. In most cases, if the Closing Disclosure is being sent to the consumer via regular mail or e-mail, it must be dated and sent the same day of the week, one week prior to closing. The reason for this is driven by the fact that the delivery methods used in this scenario most likely cannot confirm receipt of the Closing Disclosure by the consumer. Based on these delivery methods, three days are provided for transit time plus three days for the consumer to review, as required.

What's the most important thing you can do as an agent to help mitigate delays in closing? Avoid calculating your timeline based upon the closing (or consummation) date. Instead, calculate it based upon seven business days prior to the closing date. Most importantly, be realistic with your clients every step of the way.

Remember, if major changes occur such as increased APR (1/4 for ARM, 1/8 for Fixed), addition of a pre-payment penalty or basic loan product change (e.g., Fixed to ARM), the three-day period for the client to review the document must start all over.

What happens if a buyer's agent presents a contract to close within 30 days? With the requirement to present the closing disclosure to the consumer three days prior to closing, most lenders are establishing a clear-to-close "drop-dead date" when all requirements and information for the closing disclosure form must be received. This "drop-dead date" will vary by lender, but many of the major lenders have already communicated a 10-day clear to close timeline.

If a 10-day clear to close becomes the norm, this leaves only 20 days total for inspections and the mortgage and the title process, which leaves very little room for error. NAR has even suggested adding 15 days to your local market's normal real estate closing cycle to accommodate the new rules. The lesson? Making sure your clients are prepared at an earlier date will be imperative for a smooth closing.

How we are preparing

Market Street Settlement Group's underwriter, Title Resources Guaranty Company (Title Resources) is positioned as a boutique offering to the title insurance space as one of the largest underwriters in the country, with the smallest number of title agents. Having high-caliber agents helps make Title Resources one of the most secure underwriters in the industry.

Title Resources has been working diligently over the past year to ensure that Market Street is prepared for what's to come. Our agents are receiving in-depth training on the new legislation. Soon, all parties involved in the transaction will have to adjust to a new set of rules. Collectively, Title Resources and Market Street are making sure that each agent will be ready to tackle the changes the real estate world will face after August 1st.

Business Summary

Market Street Settlement Group was founded in 1984, as Landmark Title. Its headquarters are now located in the historic executive mill housing section of downtown Manchester. In 2005, Market Street joined Title Resource Group (TRG), as a wholly owned subsidiary. While it is locally staffed, Market Street is also national in scope, empowered by a national title insurance and settlement company.

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