

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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UPDATE TO FAQS CONCERNING **DELIVERY OF Les** **(Pre-approvals and Prequalification)**

The Consumer Financial Protection Agency has published modifications to the TRID FAQs addressing issues involving the delivery of the Loan Estimate to borrowers.

As we know a creditor is required to deliver the LE when the borrower submits 6 items of requested information.

These are:

- ✚ Name,
- ✚ Income,
- ✚ Social security number,
- ✚ Property address
- ✚ Estimate of the value of the property, and
- ✚ Loan amount.

QUESTION: When is a creditor required to provide a Loan Estimate to a consumer?

ANSWER: Generally, a creditor is responsible for ensuring that a Loan Estimate is delivered to a consumer or placed in the mail to the consumer no later than the third business day after receipt of the consumer's "application" for a mortgage loan subject to the TRID Rule. If the consumer submits these six pieces of information, the requirement to provide a Loan Estimate is triggered, and the creditor must ensure that the Loan Estimate is delivered or placed in the mail within three business days. The creditor or, if a mortgage broker receives a consumer's application, either the creditor or the mortgage broker may mail or deliver the Loan Estimate. Because the definition of application refers to the "submission" of the six pieces of information, merely maintaining such information from a previous transaction or business relationship does not constitute receipt of an application (unless the consumer indicates that the information maintained by the creditor should be used as part of an application). Additionally, if a consumer starts filling out a form online, enters the six pieces of information that constitute an application for purposes of the TRID Rule, but then saves the form to complete at a later time, the consumer has not submitted the six pieces of information that constitute an application for purposes of the TRID Rule.

QUESTION: Is the requirement to provide a Loan Estimate triggered if the consumer submits the six pieces of information in order to receive a pre-approval or pre-qualification letter?

ANSWER: Yes. If a consumer submits the six pieces of information that constitute an application for purposes of the TRID Rule to obtain a pre-approval or pre-qualification letter for a mortgage loan subject to the TRID Rule, the creditor is responsible for ensuring that a Loan Estimate is provided (emphasis added) to the consumer within three business days of receipt of the last of the six pieces of information. The fact that a consumer submits the six pieces of information to obtain the pre-approval or the pre-qualification letter does not change the obligation to ensure a Loan Estimate is provided. The consumer has submitted the six pieces of information that constitute an application for purposes of the TRID Rule and, thus, the requirement to provide the Loan Estimate has been triggered. However, if the consumer does not submit all six of the pieces of information that constitute an application for purposes of the TRID Rule (i.e., does not submit the sixth piece of information, for example, the property address), a Loan Estimate is not required. The creditor may simply provide a pre-approval or a pre-qualification letter in compliance with the creditor's practices and applicable law.

The complete FAQs may be found at:

https://files.consumerfinance.gov/f/documents/cfpb_TILA-RESPA-integrated-disclosure_frequently-asked-questions.pdf

ABOUT ALT & ASSOCIATES

Alt & Associates publishes the *Lenders Update* via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Over the past three decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their business operations. Legal counsel provided to the mortgage industry includes, but is not limited to:

- ✚ Regulatory assistance, both state and federal
- ✚ Compliance advice
- ✚ Operational advice
- ✚ Compensation and Employment Agreements
- ✚ Litigation services

You may direct any questions or comments directly to:

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