

Big changes are coming to the homebuying process

By Amy Towillis
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Effective Oct. 3, a new law will impact the real estate industry more significantly than any other regulation in the past 30 years. Born from the wake of the mortgage crisis, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or, more simply, the Dodd-Frank Act, was created to overhaul the existing agency oversight system. The Consumer Financial Protection Bureau was tasked with preventing predatory lending while ensuring that buyers truly understand what they are getting into.

There are currently three primary disclosures that have been causing some confusion; therefore the TILA-RESPA Integrated Disclosures (TRID) rule was created. The "TR" in TRID is derived from a combination of the above mortgage acronyms, TILA (Truth in Lending Act) and RESPA (Real Estate Settlement Procedures Act). Yes it's a mouthful, but the main thing consumers should understand is that a three-day waiting period will now be incorporated into a closings timeline any time a mortgage loan application or change

within a loan transaction takes place.

This is especially important because if you start looking at homes before you get pre-approved — which is a big no-no — it will become almost impossible to make an offer, because a pre-approval will not be possible until three days after the initial application. The lenders will have timelines they are required to follow in regards to when they are allowed to ask for supporting documents such as income, assets and bank statements.

In addition, any time terms such as the APR are changed or closing papers are being delivered, a three-day waiting period will begin. This means that any last-minute concessions, addendums or lender errors could delay closings by 72 hours.

TRID was created to protect consumers. The new disclosures are easier to understand and should make it easier for borrowers to compare loans among lenders.

The first of the replaced disclosures is called the Loan Estimate, which replaces the Good Faith Estimate and the Truth in Lending disclosure. The second is called the Closing Disclosure, which will replace the HUD-1

and final Truth in Lending disclosure.

The biggest downside to this act is that TRID is new. The incorporation of these rules for lenders will make short-term lender fees rise, as they generally pass the fees on to the borrowers.

The real estate industry is fast-paced, and things can and do happen at the last minute. With our low inventory, the road to getting an offer accepted is sometimes bumpy. Once you have mutual acceptance, you likely won a multiple offer and are grateful, so the last thing you want is to not close on time.

Buyers are usually ready to pounce at getting their wire transfer set up and signing at escrow, as generally these docs are delayed and everything becomes a huge rush to close on time. Those times will soon be gone, and everyone is going to need to have realistic expectations in advance of getting into a transaction.

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