

How Technology Is Shaping Real Estate Closings under TRID

The TILA-RESPA Integrated Disclosures (TRID) Rule has changed the way the mortgage finance industry does business. Never has it been more crucial for lenders to supply accurate data, rates and fees upfront. Lenders must meet strict new timeframes. For example, lenders are now required to submit disclosure forms to borrowers within a certain amount of time or risk non-compliance. Non-compliance comes with heavy fines and penalties including loan buybacks, consumer reimbursements and civil penalties and may require the lender to re-submit the application entirely. TRID leaves no margin for error; charges and fees that fell under RESPA's 10% tolerance category are now in the "zero-tolerance" category.

In short, Closing Disclosure form must be completed sooner than before, more accurately and must be given to borrowers within a shortened period so that they can have more time to understand their home loan obligations before signing on the dotted line. Together, these conditions require a faster and more accurate way of doing business, which means enhanced use of technology and automating processes in order to adhere to TRID requirements.

How Technology Improves the Process and Benefits Transactions

Technology improves the closing process in many ways that benefit the transaction, borrowers, settlement agents and lenders.

- **Automates Processes.** The real estate industry is very transactional in nature. Closings require completion of many forms; the forms contain a significant amount of duplicate information, which is tedious and time consuming to enter, when done manually. Real estate closing software can automate much of the data entry, saving time and reducing errors.
- **Reduces Errors.** Manual data entry is prone to errors that can derail the transaction. Technology eliminates the errors by utilizing centralized databases; all information is entered into the database one time and forms are then auto-populated with the data. There is no risk of omitting important information or mistyping data from one form to the next, —very is important under TRID, which has practically eliminated

any margin for error.

- **Speeds Up Delivery.** Technology makes it possible to share sensitive data electronically, greatly speeding up delivery times. Data is safe and secure with encryption and cross-platform communication features that ensure data can be accessed and read by only those who are authorized to view it. Nor is there is any need to rush to meet the post office pickup deadline, hire a courier or hand-deliver paperwork to meet the new TRID deadlines when you transmit data electronically.
- **Tracks the Transaction from Start to Finish.** To evidence TRID compliance, real estate transactions must be tracked from start to finish. Simply producing the correct documents isn't enough; lenders and settlement agents will need to be able to track all changes that occurred during the transaction. Tracking doesn't just provide a "paper trail;" if the right software is used, lenders and settlement agents will receive alerts anytime a non-compliant action is requested or data is missing.
- **Guarantees TRID Compliance.** Real estate closing software's automatic data population, reduced chance of errors and electronic delivery capabilities help lenders and real estate closing agents comply with TRID. The software's step-by-step process ensures each and every form is filled out completely while built-in task and due date reminders keep the process on schedule.

Increased Lender Use of Technology Forces Settlement Agents to Adapt

In some cases, real estate settlement agents and closing attorneys won't have a choice but to adopt the use of technology as part of their new closing processes. If the lenders they work with are making the move to automated processes, electronic delivery and software instead of manual solutions, real estate closing attorneys and settlement agents will need to do the same.

MISMO compliance is where software certification becomes particularly important. MISMO stands for Mortgage Industry Standards Maintenance Organization. It is the leading technology standards development body for residential and commercial real estate finance and is a subsidiary of the Mortgage Bankers Association. The organization creates, promotes and maintains voluntary electronic commerce procedures and standards for the

real estate industry. The standards allow mortgage lenders, investors, servicers, vendors, borrowers and others to exchange real estate finance-related information and eMortgages across different platforms, while ensuring data security. MISMO is so far-reaching and well respected that its standards are accepted routinely in the real estate finance industry, most major lending institutions and government agencies, including the Consumer Finance Protection Bureau (CFPB), for their own electronic exchange of data.

MISMO has set a common language through which software from different computing platforms can communicate - so long as both solutions are MISMO compliant. This helps save time, reduce costs, improve accuracy and increase data transparency without sacrificing data security. Data consistency is assured throughout a transaction, which boosts transparency as well as consumer and investor confidence. The data sharing and data protection features of MISMO compliant software can further ease the fears that lenders and real estate settlement agents have about the electronic submission of data and using technology to process transactions.

Data Security Responsibilities of Real Estate Settlement Agents and Attorneys

In regards to data security, anyone involved in a real estate transaction has a responsibility to protect that data. Real estate settlement agents, mortgage lenders and real estate attorneys already have a duty to protect non-public information (NPI) such as social security numbers, birth dates or banking information. In light of the new TRID-compliant ways of communicating and sharing data, your firm may need to implement new best practices related to data security.

How to Safeguard Sensitive Customer Data

Real estate settlement agents and real estate attorneys can take the following precautions to safeguard sensitive customer data:

1. **Don't Collect Unnecessary Data.** Including more data or personal information in transaction materials only increases the possibility of data loss and adds unnecessary risk to the transaction.
2. **Save Data Only As Long As Is Necessary.** Once data is no longer needed, you should delete it. The longer sensitive data is accessible,

the greater the chance it may be compromised. Under CFPB rules, the creditor must retain copies of the Closing Disclosure and any related documents for five years after consummation of the loan. The creditor or servicer of the loan must retain the Escrow Closing Notice and the Post-Consummation Partial Payment Policy disclosure for two years. The creditor must retain other records, including the Loan Disclosure for three years after the close of the transaction.

3. **Restrict Access to Sensitive Data.** Sensitive data should only be made available to those who absolutely need it to process the transaction. Further protect data by making it available only when it is needed, not all the time. Employee background checks should be conducted on anyone who handles sensitive information. Restrict the use of removable data devices like thumb drives to protect data from leaving the premises and only send data electronically, if it has been encrypted safely.
4. **Update Password and Authentication Procedures.** Part of data protection is restricting access to it. Your firm can maintain data integrity by adopting strong passwords and requiring multiple steps (authentication) to access the data. Routinely updating passwords can help prevent data leaks or hacks.
5. **Take Time to Test Systems and Security.** Crucial elements of data security include regular security testing, development and implementation of a disaster management plan and establishing and following procedures that meet CFPB compliance. In addition, systems should be tested for hacking and data loss.

Real estate closing software can aid your data security efforts through encryption, password protection and safe electronic data storage.

Software Solution Research

There are many real estate closing software choices on the market today. Real estate settlement attorneys can start their research by contacting the lenders they work with most frequently to find out what software they use. It's possible the software will be suitable for the real estate settlement attorney too.

While high-volume lenders may have developed custom solutions for their

real estate closings, attorneys who handle a lesser number of closings need software that meets their budget, IT capabilities and business needs.

Software used with TRID Needs to be Agile and Flexible.

There are so many variables possible in each real estate transaction that software must be able to populate or not populate the correct line items and forms, based on need. Agile software provides the correct forms. For example, in some transactions, the HUD-1 Statement will still be used; truly effective software can differentiate between forms that are needed and those that are not, based on the transaction type. Flexible technology makes it possible to communicate across platforms and in different formats regardless of the systems used another reason why MISMO compliant software is so highly recommended.

When researching available software, real estate attorneys would do well to seek out programs that:

1. Are TRID compliant
2. Are MISMO compliant or MISMO certified
3. Auto-populate data from a central database
4. Have built-in task reminders and alerts
5. Are capable of electronic signatures, communication and data delivery
6. Contain updated Closing Disclosure forms.
7. Provide an audit trail
8. Provide records retention capabilities

Software that meets all the above criteria will help real estate attorneys and settlement agents meet their obligations under TRID and the demands of their lender partners.

About Easy Soft: A leading legal software provider for over 30 years, Easy Soft offers specialized software for commercial and residential real estate closings, family law and divorce settlements. Thousands of attorneys and legal professionals nationwide use Easy Soft products to increase their office productivity. For more information and a free trial, visit www.easysoft-usa.com.