



The Good, The Bad and The TRID

David A. Shean, CSEO/CEI/CNSA
First Class Signing Services
Escrow Essentials
Sessions: 124 & 234



NATIONAL NOTARY ASSOCIATION

Last Year October 3, 2015



The TRID is Coming!



The TRID is Coming!



The TRID is Coming!

What is TRID?



This Year ~ June 5, 2016



We Prepared!

We Trained!



**It's Just Not That Big A Deal
For Notary Publics!**



Significant Document Changes with TRID

The Loan Estimate (LE) and the Closing Disclosure (CD) replaced :

- Good Faith Estimate (GFE),
- Truth-in-Lending Disclosures (TILA), and
- The HUD-1 Settlement Statement
- Closing Disclosure required to be delivered to the Consumer/Borrower at least three (3) business days prior to Consummation (Signing of the Loan Documents)





Your TRID Signing Appointment



From the creditor's standpoint your signing appointment concentrates on these critically significant documents:

1. Updated **at or before "consummation"** Borrower's Closing Disclosure.
2. Seller's Closing Disclosure created at or before consummation for table closing or separate signing appointment for Escrow States.
3. Final Transactional Settlement Statement prepared by the settlement agent.
4. Lender's Closing Instructions (**the settlement agent is responsible for interpretation and compliance**).
5. All other settlement agent and/or creditor closing and loan documents.



EXPECTATIONS

REALITY

TRID Expectations What We Anticipated

1. Consumer and Signing Agent problems understanding the new forms
2. Receipt of loan document packages earlier
 - a. Fewer last minute Signing appointments
 - b. Shorter Signing appointments
3. Fewer consumer surprises at signing
4. Fewer "No Sign" appointments



Confusing Forms?



- It appears that Signing Agents spent quality time reviewing and understanding the new Closing Disclosure forms.
- Consumers do not seem to have issues with the new Closing Disclosure forms.
- Consumers still seem to gravitate to the Settlement Statement for easy reference to itemized costs and charges.



Check the Cash to Close Numbers !

CLOSING DISCLOSURE

SETTLEMENT STATEMENT

Costs of Closing	\$2,698.45	Includes \$2,123.20 in Loan Costs + \$575.25 in Other Costs - \$950.00 in Lender Credits. See page 2 for details.
Closing Costs	\$2,698.45	
Cash to Close	\$95,813.87	Includes Closing Costs. See Calculating Cash to Close on page 3 for details. From 20 to Borrower

BEFORE YOU "ASSUME" TRY THIS CRAZY METHOD CALLED "ASKING."

Total Refund	\$7,231.40
TOTAL	\$ 385,192.21 \$ 385,192.21

THIS IS AN ESTIMATE ONLY AND FIGURES ARE SUBJECT TO CHANGE

Bob B. Borrower

Cash to Close Differences

CLOSING DISCLOSURE

SETTLEMENT STATEMENT

THIS IS AN ESTIMATE ONLY AND FIGURES ARE SUBJECT TO CHANGE

Cash to Close Differences

If you do not know you can always ask



- **Always** check the Cash to Close numbers upon receipt of your loan document package.
- If there are differences **ALWAYS** ask how you are to address this confusing issue with the Borrower.
- Remember you are the facilitator or messenger. They are **NOT** your numbers!



"Optional" Owner's Title Policy Closing Disclosure on Page 2

AMAZING MATH MAGIC

Loan Costs	Borrower Paid		Seller Paid	
	At Closing	Before Closing	At Closing	Before Closing
C. Services Borrower Did Shop For				
01 Past Inspection Fee	to Bugg Begone	\$ 75.00		
02 Survey Fee	to			
03 Title - ALTA Lender's Title Insurance	to My Favorite Title Co	\$ 900.00		
04 Title - Settlement Agent Fee	to The Best Escrow	\$ 1,100.00		
05 Title - Settlement Agent Doc Fee	to The Best Escrow	\$ 50.00		
07 Title - Title Company Wire Fee	to My Favorite Title Co	\$ 37.50		\$ 37.50
Other Costs				
H. Other				
01 Home Warranty	to XYZ Home Warranty		\$ 450.00	
02 Real Estate Commission	to Listing Broker		\$ 5,700.00	
03 Real Estate Commission	to Selling Broker		\$ 5,700.00	
04 Owner's Title Insurance (Optional)	to My Favorite Title Co		\$ 1,370.00	



"Optional" Owner's Title Policy Closing Disclosure on Page 3



Summaries of Transactions Use this table to see a summary of your transaction

Borrower's Transaction		Seller's Transaction	
Already Paid by or on behalf of Borrower at Closing		Due from Seller at Closing	
01 Deposit	\$ 10,000.00	01 Excess Deposit	\$ 425,000.00
02 Loan Amount	\$ 425,000.00	02 Closing Costs Paid at Closing (1)	\$ 425,000.00
03 Existing Loan(s) Assumed or Taken Subject to		03 Existing Loan(s) Assumed or Taken Subject to	\$ 274,523.00
04		04 Payoff First Mortgage Loan	
05 Seller Credit for Closing Costs	\$ 1,900.00	05 Payoff Second Mortgage Loan	
06		06	
07		07	
08 Seller Credit	\$ 2,500.00	08 Seller Credit	
09		09	
Adjustments		Adjustments	
08 Title Insurance Premium Adjustment	\$ 226.00	10 Title Insurance Premium Adjustment	\$ 226.00
09		11	
10		12	



“Optional” Owner’s Title Policy On the Settlement Statement

THE REAL
NUMBERS

Seller		Settlement Statement	Escrow No	Buyer	
DEBIT	CREDIT	Description		DEBIT	CREDIT
	550,000.00	<u>Property Address:</u>			
		Consideration/Purchase Price		550,000.00	
		New Loan - Principal amount to:			425,000.00
		<u>Title Charges</u>			
		CLTA/ALTA Homeowners Policy Fee to Title Company			
		Title Insurance Premium Adjustment			
		ALTA 1st Loan Policy Fee to Title Company		674.00	
1,596.00					



Quoted Title Policy Premiums



TITLE PREMIUM	CLOSING DISCLOSURE	SETTLEMENT STATEMENT
1. Optional Owners Title Policy	1. \$1,370.00	1. \$1,596.00
2. ALTA Lenders Title Policy	2. \$ 900.00	2. \$ 674.00
3. "Adjustment"	3. ± \$ 226.00	3. \$ -0-

CD/ \$1,370 + \$900 = \$2,270 ~ ST/ \$1,596 + \$674 = \$2,270



Earlier Receipt of Documents?

- We expected that:
 - Signing agent** would be receiving loan packages earlier and therefore be able to more efficiently orchestrate signings.
 - Settlement agents** would be able to set signing appointments three days prior to the actual signing so there should be fewer last minute RUSH signings.



Expected Shorter Appointments

Shorter Shorter Shorter

- We expected that our Notary Signing appointments would be smoother and shorter due to borrower's early receipt of closing costs and possibly copies of their loan documents.
- I do not see any evidence that this is actually happening with any frequency





Date Sensitive Documents



- More loan document packages are date sensitive under the new TRID Rules
- Settlement Agents are not always attentive to lender document dates and occasionally set appointments before or after the appropriate allowable signing date.
- Wasted signing trips if the Signing Agent does not catch erroneous signing appointment date and/or times.
- Some Lenders will allow Borrower signature and notary certificate before dated date of documents.
- **Ask the question before you travel to the Borrower for the signing appointment**



What is My Job Description?

"A Notary Public is an official of integrity appointed by a state governmental agency ~ typically by the secretary of state ~ to serve the public as an impartial witness in performing a variety of official fraud-deterrent acts related to the signing of important documents."



Why are documents notarized?

- To **deter fraud**. As an impartial witness (the Notary) ensures that the signers of documents are who they say they are and not impostors.
- The Notary **makes sure that signers have entered into agreements knowingly and willingly**.
- In a society in which business dealings between strangers are the norm rather than the exception, Notaries create a **trustworthy environment** where strangers are able to share documents with full confidence in their authenticity.



What are Your Signing Duties? What Can't I Just Do My Job?



NOTARY PUBLIC REGULATORY DUTIES (CALIFORNIA)

1. Require Personal Appearance.
2. Scan the document for completeness.
3. Identify and screen the signer.
4. **Record the transaction in the journal.**
5. Complete the Notary certificate.
6. All in the presence of the document signer

SIGNING AGENT - CREDITOR OR SETTLEMENT AGENT IMPOSED DUTIES

1. Accurately complete all Notary Public duties for notarized documents.
2. Competently oversee the signing process for all the loan documents and the settlement agent documents.
3. Avoid the unauthorized practice of law.
4. **Follow Creditor and/or Settlement Agent specific closing instructions**



Because!



- The CFPB regulates the activities of Banks, Credit Unions, Mortgage Servicing Operations and Other Financial Services Companies (including Settlement Agents)
- The CFPB is empowered to enforce laws that prevent:
 - Unfair treatment, and
 - Discrimination in consumer finance transactions.
- The CFPB has and continues to impose civil monetary penalties to the Creditors (and Settlement Agents) for violations.
- If your actions or omissions are responsible for monetary fines or penalties to Creditors and/or Settlement Agents **then you will not be signing any more loan packages!**



Who makes the “Extra” rules?

- We as Notary Publics are regulated and governed by our various State governmental code sections.
- The Creditor/Lenders and the Settlement Agents we work with/for also establish required and/or allowable activities for Notary Publics processing for them.



Identification Documents

Creditors and Settlement Agents will determine when to get a copy of ID used for notary purposes.



- Some always require copies of the ID used for notarial certificate identification with document package.
 - Always ask the Borrower when confirming your appointment to **make copies for you**.
- Some Creditors and/or Settlement Agents ABSOLUTELY **DO NOT WANT or ALLOW** copies.

NEVER TAKE COPIES OF THE BORROWER'S IDENTIFICATION WITH YOUR CELL PHONE CAMERA!



State Required I.D. to Notarize ?



Satisfactory Evidence (ID cards):

- Every state has different legal requirements for the legal documents that can be accepted for identification purposes; i.e.: Driver License, US Passport, etc.

Personal Knowledge of Identity:

- If your state notary laws do not prohibit notaries public from using "personal knowledge" to establish the identity of a signer, personal knowledge can be the easiest form of identification since it does not require any identification documents or witnesses.
- Personal knowledge usually means that the notary is certain that the signer has the identity claimed, which requires much more than a mere acquaintance.

Oath of Credible Witness(s):

- Some states allow the Notary to rely on the word of one credible witness personally known to the notary or two credible witnesses not personally known by the notary as "walking, talking" identification



Will the Creditor/Lender Identification Requirements Differ **It depends!**



Wells Fargo Home Mortgage:

- **Verification of identity:** You are required to verify the identity of all parties executing closing documents. A valid, government-issued photo identification - such as a driver's license, passport, or state ID card - is required to establish identity. You may record in your notary log the method by which identity was validated, **but do not forward photocopies of the identification to the Lender for any reason.**
- **If a document signer cannot provide valid identification, do not proceed with the signing;** immediately notify the Lender's closing contact for instructions. **Execution of a name affidavit is not acceptable to the Lender in place of valid identification.**



Will the Creditor/Lender Identification Requirements Differ **It depends!**



State Farm Bank:

- Make a photocopy of the person(s) **valid (not expired) photo ID**, including signature(s). **Must have a photo ID for all person(s) signing any of the documents.**

So what do you do when you need Credible Witness identification?



Creditor or Settlement Agent Requirements for Signing Agents



- Notary Public Signing Agents are independent contractors and must legally follow the rules and regulations for Notary Publics in their state jurisdiction.
- Creditors and/or settlement agents may dictate that an "authorized" Notary Public only accept limited identification documents for identification purposes.



What are Notary Public Areas of Concern ?

CREDITORS VET SETTLEMENT AGENTS

1. **Current Licensure**
2. Trust Accounting
3. **NPI Security**
4. Financial Law Compliance
5. Pricing, Production & Delivery
6. Liability & Fidelity Insurance
7. **Consumer Complaint Resolution**

SETTLEMENT AGENTS VET NOTARY PUBLICS

1. **Current Licensure**
2. **NPI Security**
3. **Consumer Complaint Resolution**



Vetting Starts by Notary Signing Agreements with Signing Agents and/or Signing Company



- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Services Rendered 2. Licenses, Bonds, & E&O Insurance 3. Training & Knowledge 4. Questions on Documents 5. Completion of Required Services 6. Confidentiality | <ol style="list-style-type: none"> 7. Privacy & Data Security 8. Compensation 9. Terms and Termination 10. Remedies 11. Attorneys' Fees 12. Indemnification |
|---|---|



1: Current Licensure



Expect Settlement Agents and/or the Creditors you work with to require you to submit proof:

- that your Notary Commission is current;
- that you have a valid state Driver License;
- that you have appropriate City and/or other applicable Business license(s).



2: Protecting NPI



You need to adopt and maintain a written privacy and information security policy with plans to protect and safeguard NPI as required by local, state and federal laws:

1. How do you control loan documents before and after signatures?
2. Is your mobile phone and/or laptop computer encrypted?
3. Do you have employees or sub-contractors who have access to your laptop or email address for printing documents or for fax-backs?
4. Do non employees (messengers, office cleaners, etc.) have access to NPI in your possession prior to return of documents?
5. Do you use public printers to print document packages?



The Perils of Free E-Mail Providers



Do you use a free e-mail account for work?

- If you don't, does anyone in the e-mail chain on a pending transaction utilize a free e-mail account (as opposed to a secure email account or a company issued e-mail)?
- **While free e-mail accounts offer both convenience and portability, many lack the firewalls, virus protection, and other security apparatuses of company-issued e-mail accounts.**
- **Beware:** these free e-mail accounts may have security vulnerabilities that substantially increase the risk of fraud and theft in real estate transactions.
- Everyone in the mortgage industry should be on alert for these risks.



Fraud Alert !



- In a typical scam, the criminal hacks into the e-mail account of a real estate agent **or other person involved in the transaction** and uses information that's been acquired to dupe a party to the transaction, usually the buyer, into a fraudulent wire transfer.
- The hacker will send a legitimate-looking e-mail informing the buyer of a last-minute change to the wiring instructions, and that's the last that's seen of the money.
- It's not a distant treat. Don't be the email account that gets hacked !



URL Spoofing Alert

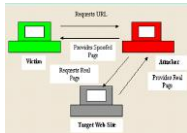


- Incidences of URL spoofing of title company Internet domain names has increased dramatically in the past several months.
- Fraudsters are registering domain names slightly different than those of companies legitimately servicing real estate transactions.
 - Including Title Companies, Escrow Companies, Signing Companies and individual accounts) to impersonate those involved.
 - All in an effort to increase their chances of misdirecting funds.



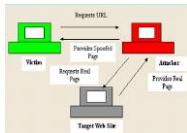
URL Spoofing

- A legitimate e-mail address might appear as:
"escrowofficer@mytitlecompany.com"
- The fraudster's e-mail address might appear as:
"escrowofficer@mytitlecompany.com"



URL Spoofing

- **The Effect:** The additional character in the spoofed address makes the fraudster's e-mail address much harder to recognize, not only because the domain name (mytitlecompany.com) looks virtually identical, but the email account name is indeed identical to that of the escrow officer.
- **This spoofed address** is much more effective than "fredxyz@gmail.com" as the more sophisticated spoofed e-mail address is much harder to recognize as that of an imposter.



Be Vigilant in Protecting NPI



- **Be aware** of the ever-increasing URL spoofing technique in use by fraudsters.
- **Be diligent** in your review of e-mail communications, especially when replying to received messages and definitely when sending or receiving wire instructions
- **Do not:**
 - Send sensitive information via e-mail. If you must, use encrypted e-mail
 - Click on unverified e-mail.
 - Conduct business over unsecured Wi-Fi.
- The party wiring money should never send money without first verifying the recipient by phone (calling only a verified phone number).
- **Contact** all parties without delay if fraud is suspected.

NPI



3: Consumer Complaint Resolution

- The term "**COMPLAINT**" is not clearly defined in any law or regulation.
- **A basic definition is:**
"A communication that expresses dissatisfaction with a product, service, policy or employee."
- Not every unhappy communication with a customer is a "**complaint**" that needs to be documented.
- It is preferable to acknowledge and address the concerns and dissatisfaction of a customer before the consumer feels the need to raise the issue with the **CFPB**.



Complaint Responsibilities for Notary Publics

- Identify what constitutes a complaint
- Learn the difference between:
complaint vs. question
- **Recognize complaints and then memorialize them for specific reference**
- Take steps to ensure perceived consumer complaints are timely forwarded to settlement agents and/or Creditors/Lenders



WHY? Why is creditor concerned about complaints?

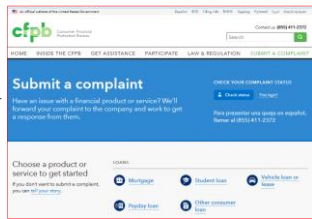


- The Consumer Financial Protection Bureau (CFPB) is the first federal agency solely focused on consumer financial protection, and consumer complaints are an integral part of that work.
- The CFPB's Office of Consumer Response hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing their complaints.



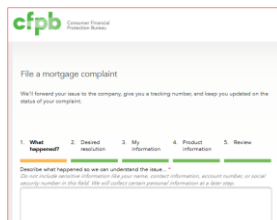
CFPB Complaint

- Any Consumer may contact the CFPB directly online without submitting a formal "complaint" to the Creditor/Lender, Settlement Agent or to the regulatory agency governing the Settlement Agent.



CFPB Complaint

1. The CFPB will notify the Creditor/Lender
2. The Creditor/Lender will notify the Settlement Agent
3. The Settlement Agent must detail the complaint and the resolution back to the Creditor/Lender.



April 2016 Mortgage Monthly Complaint Repo



- As of April 1, 2016, the CFPB has handled approximately 859,900 overall complaints, including approximately **26,500 complaints in the month of March 2016.**
- At the MORTGAGE product level there were 5,111 complaints in March running **the overall MORTGAGE product total for complaints up to 223,126.**
- Debt collection, mortgage, and credit reporting complaints continue to be the top three most-complained-about consumer financial products and services, collectively representing about **69 percent of complaints** submitted in March 2016



CFPB Will Research Each and Every Complain



- This is the means the CFPB monitors the Creditors and Settlement Agents.
- Depending on the severity or integrity of the complaint this becomes the means for fining the Creditors for poor service or protection issues.
- Those fines are **SIGNIFICANT**



Monitor Your Signings



Handling Complaints

- Design a process for identifying and addressing and reporting possible consumer complaints.
- Possibly add a "Signing Agent Comment" to the bottom of your billing invoice.

Purpose: Helps Settlement Agent and/or Creditor document and ensure reported instances of poor service or non-compliance do not go undiscovered PRIOR TO CLOSING THE LOAN.

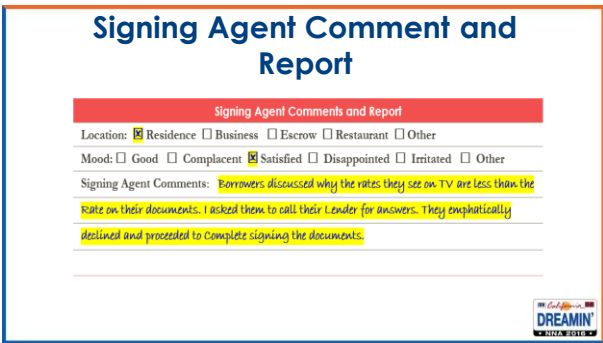


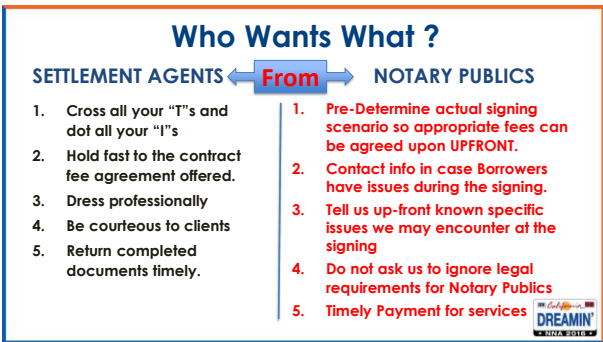


Signing Agent Comment and Report

- Where did the Signing occur?
- What was the atmosphere at the signing?
- Comments – Any possible area that might turn into a complaint for Settlement Agent or Creditor ?







Who Wants What ?

SETTLEMENT AGENTS ← From → NOTARY PUBLICS

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Cross all your "T"s and dot all your "I"s 2. Hold fast to the contract fee agreement offered. 3. Dress professionally 4. Be courteous to clients 5. Return completed documents timely. | <ol style="list-style-type: none"> 1. Pre-Determine actual signing scenario so appropriate fees can be agreed upon UPFRONT. 2. Contact info in case Borrowers have issues during the signing. 3. Tell us up-front known specific issues we may encounter at the signing 4. Do not ask us to ignore legal requirements for Notary Publics 5. Timely Payment for services |
|---|--|



Thought for the Day

“Finish each day and be done with it.

You have done what you could.

Some blunders and absurdities have crept in;
forget them as soon as you can.

Tomorrow is a new day.

You shall begin it serenely and with too high a
spirit to be encumbered with your old nonsense.”

Ralph Waldo Emerson



Thank You!

- Questions



how
where
when
why
what
whose
who

- Presenter contact info:

David A. Shean, CSEO/CEI/CNSA
(818) 517-3750

David.Shean@EscrowEssentials.com