

# 2019 CFPB Closing Process Rules Survey

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National Association of REALTORS® Research Group

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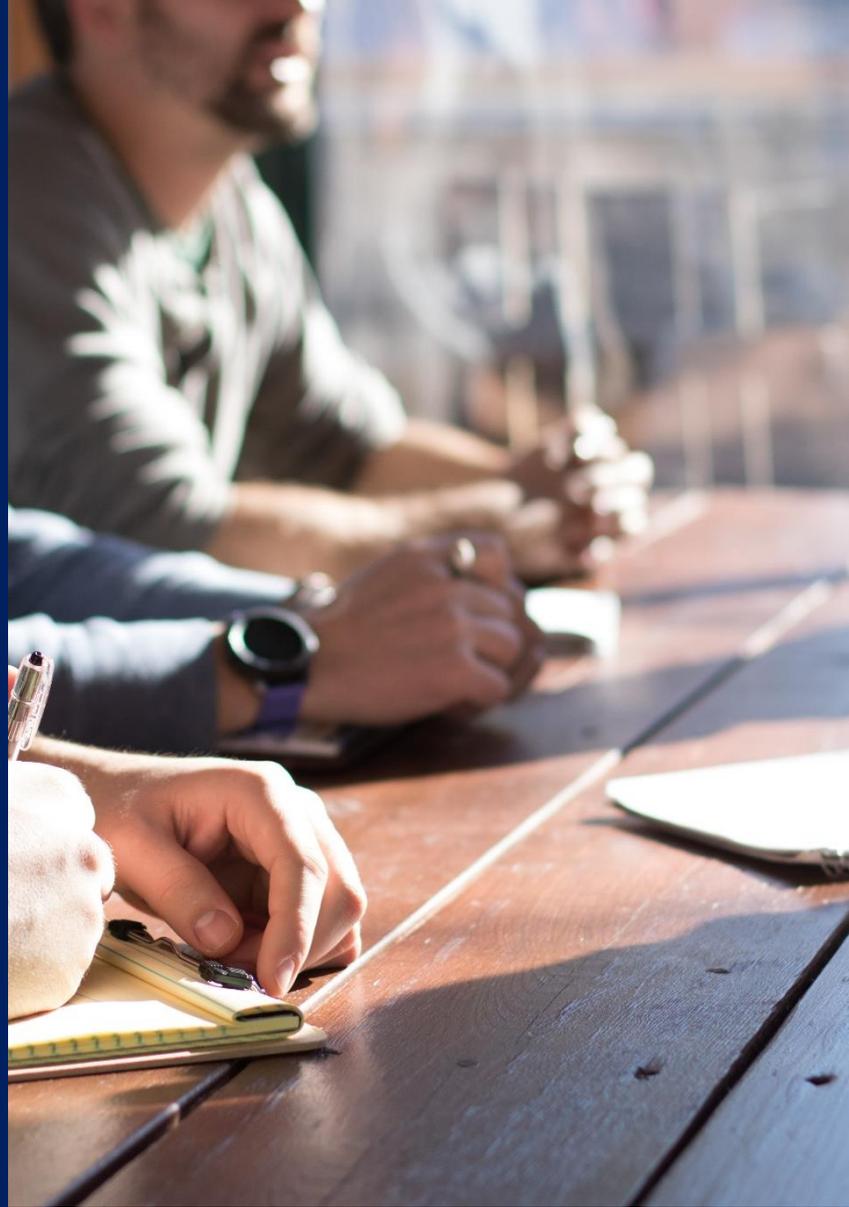
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# 2020 CFPB Closing Process Rule Survey

The Business Insights Team in NAR's Research Group conducted a survey of members to evaluate their impression of the TRID/Know Before You Owe disclosures.



## Objectives:

Understand members' current experiences with the TRID or "Know Before You Owe" disclosures, which replaced the previous HUD-1 forms in 2015.

# Methodology

## Sample



The survey was delivered to 47,924 random members, of whom 1,014 completed it, for a response rate of 2.1 percent.

## Demographics



Sixteen percent of respondents represent both the buyer and seller in a typical transaction.

## Dates



The survey was deployed on Monday, December 9<sup>th</sup>, and was closed on Thursday, January 2<sup>nd</sup>. Two reminders were sent to non-responders.

The margin of error for overall results is +/-4.01 percent. This response rate is high enough and the margin of error is low enough that the results can be considered quantitative and reflective of all committee members within this margin of error.

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# Executive Summary



## Key Questions

✓ What are members' overall impressions of the 2015 TRID disclosure changes, four years later?

✓ What are respondents' experiences with the new forms [loan estimates and closing disclosures (CD)] like?

✓ What are the primary pain points within the TRID process?



## Results

✓ Overall, respondents have not observed any change in their or consumers' general experiences or behavior. However, thirty percent reported that their ability to close a transaction on time has decreased slightly due to TRID.

✓ Respondents were undecided in regards to how the current forms compare to those of the past; the main issue that has been reported is receiving the forms in a timely manner. A third receive the CD less than three days before closing. Over half believe that the consumer would benefit from having the CD earlier.

✓ Respondents reported that the "3-Day Rule" slows and hinders the process, especially since nearly 30 percent receive the CD less than three days before closing. Forty percent also reported that transactions were delayed or cancelled due to CDs having to be reissued because of errors. Overall, respondents felt that the system is not explained properly, that there are more "hoops to jump through," and REALTORS® are less involved in the process, which causes issues. Some expressed that, although the process was confusing at first, most people have now become accustomed and it runs smoothly.



## Recommendations

✓ Although some respondents left comments that the old system (HUD-1) was simpler, ratings indicate that generally the process has not changed significantly.

✓ Many respondents expressed frustration with the "3-Day Rule" for receiving the CD, and only slightly over half are given it three or more days before closing. Overall, respondents are disgruntled with the rules around the new forms. Some felt that the system has become more complicated than necessary.



# Survey Questions

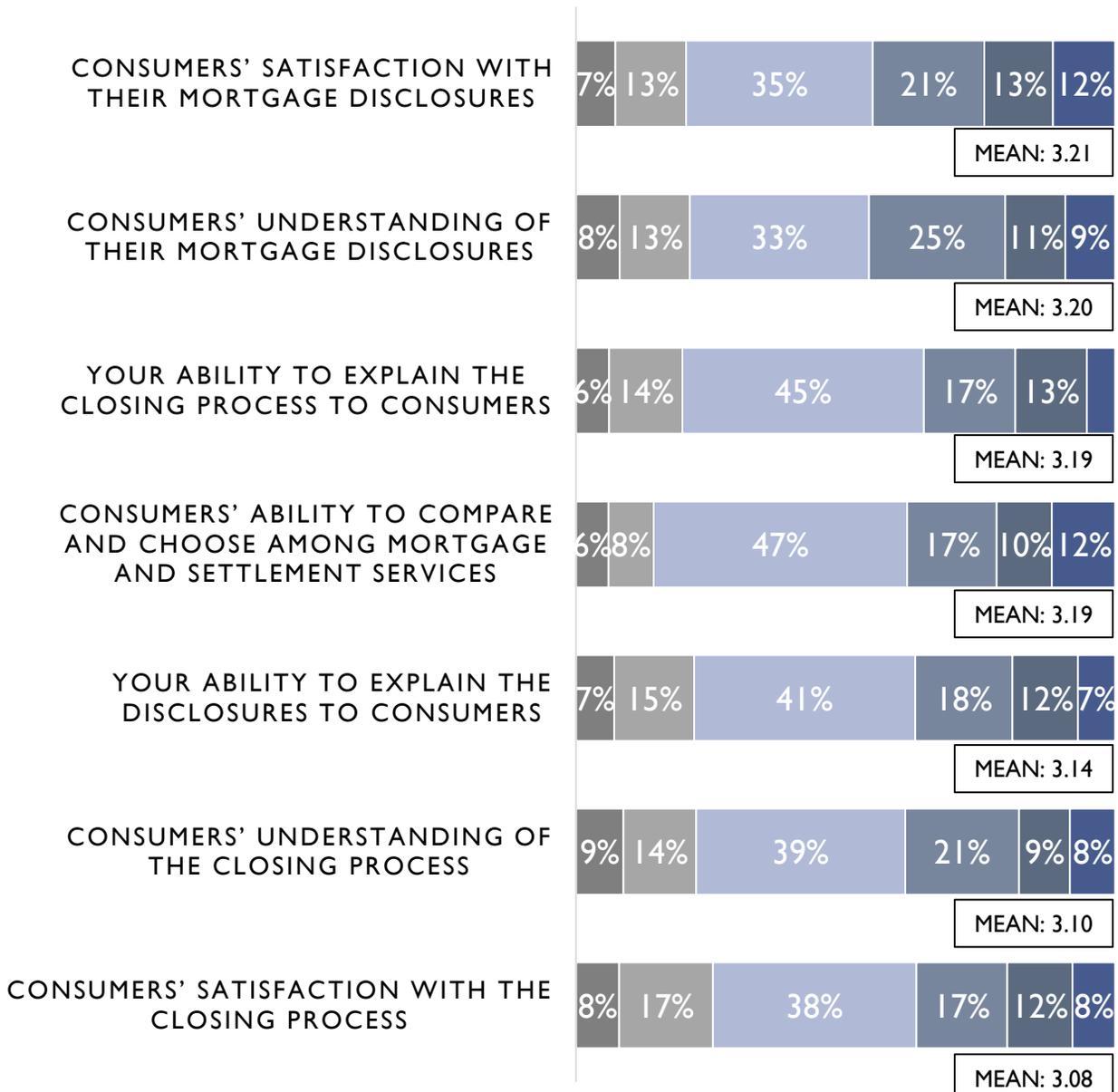
# Impact

Overall, respondents have not observed any change in their or consumers' general experiences (means closest to three on a 5-point scale).

## HOW HAS THE TRID/KNOW BEFORE YOU OWE RULE AFFECTED:

N = 1014

- 1 - Made much worse
- 2 - Made slightly worse
- 3 - No change
- 4 - Improved slightly
- 5 - Improved greatly
- N/A - Don't know

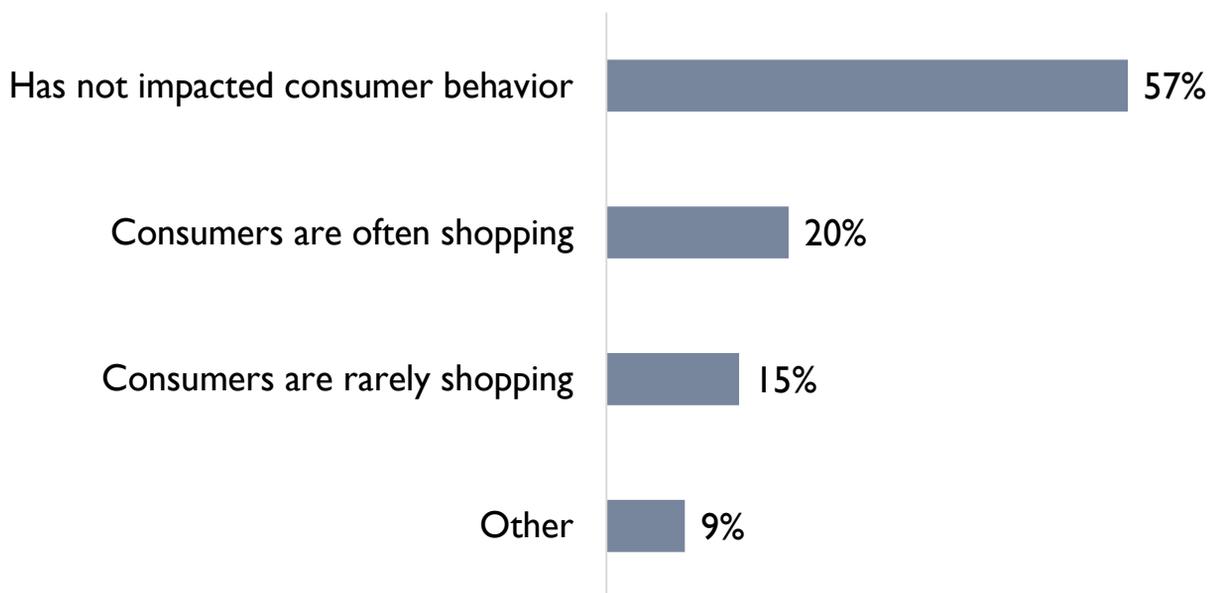


# Impact

Over half of respondents report that the TRID/Know Before You Owe Rule has not impacted consumers' shopping behaviors in regards to mortgage and settlement services.

## HOW HAS THE TRID/KNOW BEFORE YOU OWE RULE IMPACTED CONSUMERS' SHOPPING BEHAVIORS FOR MORTGAGE AND SETTLEMENT SERVICES?

*N = 1014*



Of the respondents who left comments, many reported that consumers feel confused by the TRID/Know Before You Owe Rule, or are unsure how consumers' shopping behaviors have been impacted.



# Impact

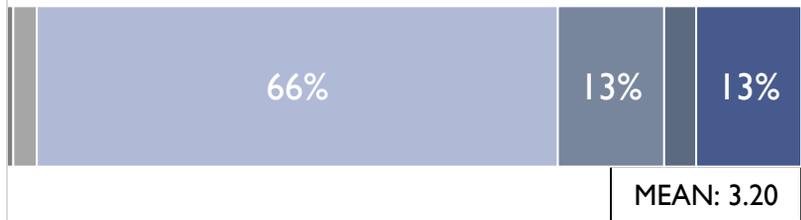
Overall, respondents are reporting no change to their costs, savings, ability to collaborate with other settlement service providers, or ability to close a transaction on time (means closest to three on a 5-point scale).

## HOW HAS THE TRID/KNOW BEFORE YOU OWE RULE AFFECTED:

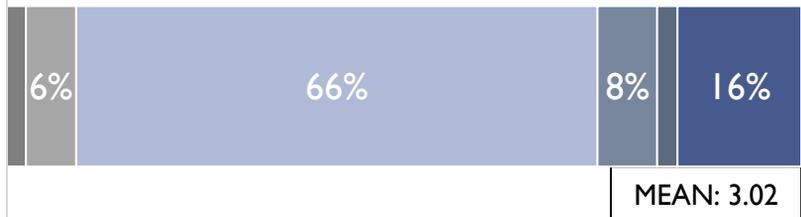
N = 1014

- 1 - Decreased greatly
- 2 - Decreased slightly
- 3 - No change
- 4 - Increased slightly
- 5 - Increased greatly
- N/A - Don't know

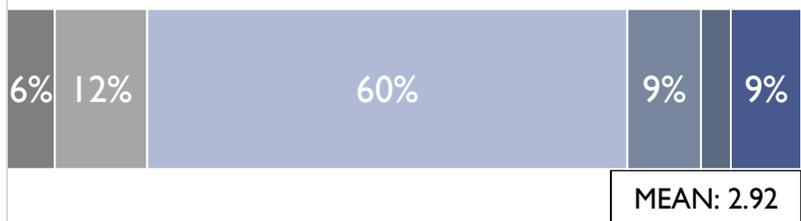
YOUR OVERALL COSTS



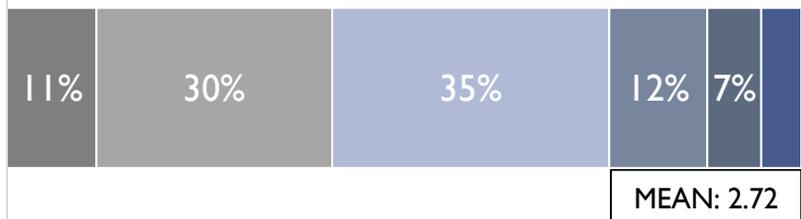
YOUR OVERALL SAVINGS



YOUR ABILITY TO COLLABORATE WITH OTHER SETTLEMENT SERVICE PROVIDERS



YOUR ABILITY TO CLOSE A TRANSACTION ON TIME

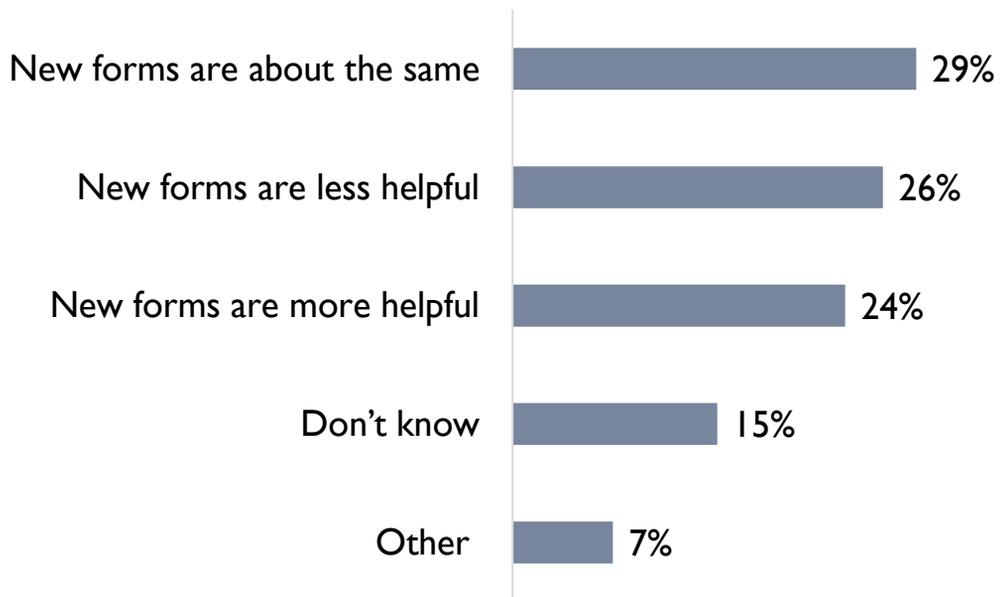


# Forms

Respondents were divided as to how the TRID forms compare to forms of the past, with nearly a third believing they are about the same.

## HOW DO THE TRID/KNOW BEFORE YOU OWE FORMS (LOAN ESTIMATE AND CLOSING DISCLOSURE) COMPARE TO FORMS OF THE PAST (I.E. HUD-I)?

*N = 1014*



HUD-I was frequently mentioned as an easier system. Others mentioned that the current forms are more difficult to understand and contain too much legal jargon.

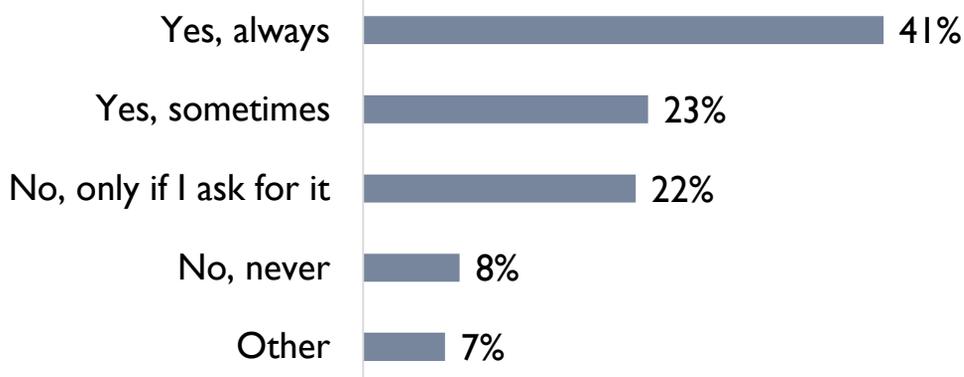


# Closing Disclosure

Sixty-four percent of respondents receive the CD during a transaction at least sometimes. Nearly thirty percent typically receive the CD less than three days before a closing, while 27 percent receive it three days before and a quarter somewhere between one week and three days before.

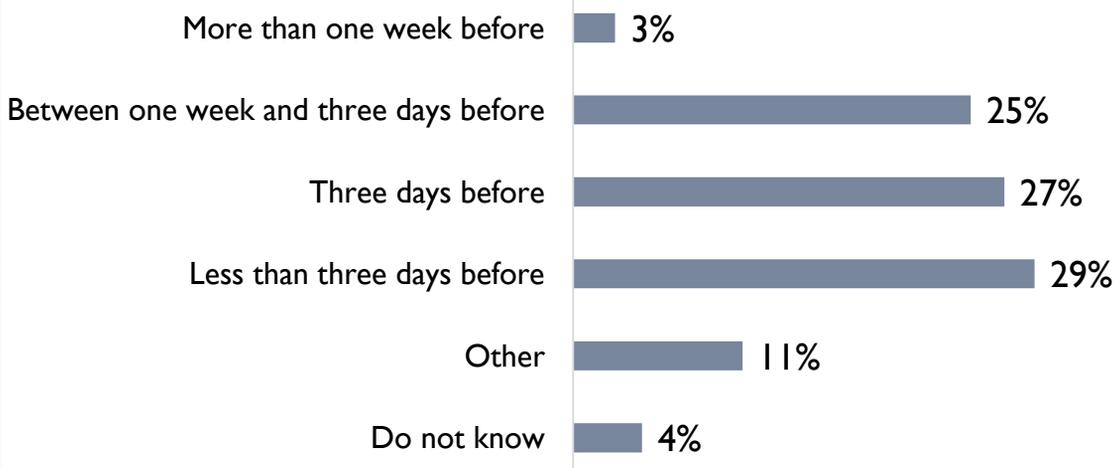
## DO YOU TYPICALLY RECEIVE THE CLOSING DISCLOSURE (CD) DURING A TRANSACTION?

N = 1014



## WHEN DO YOU TYPICALLY RECEIVE THE CD?

N = 936



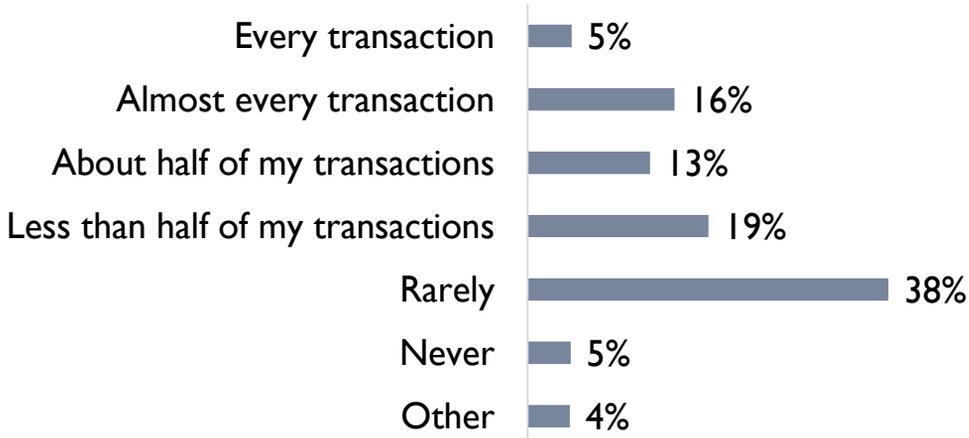
Respondents mentioned that it when/if they get the CD depends on the lender or the transaction. Respondents also commented that they sometimes receive the CD at closing or after closing.

# Closing Disclosure

According to 38 percent of respondents, CD are rarely revised and reissued. Over half reported that the transaction was not impacted in the event of a CD being reissued.

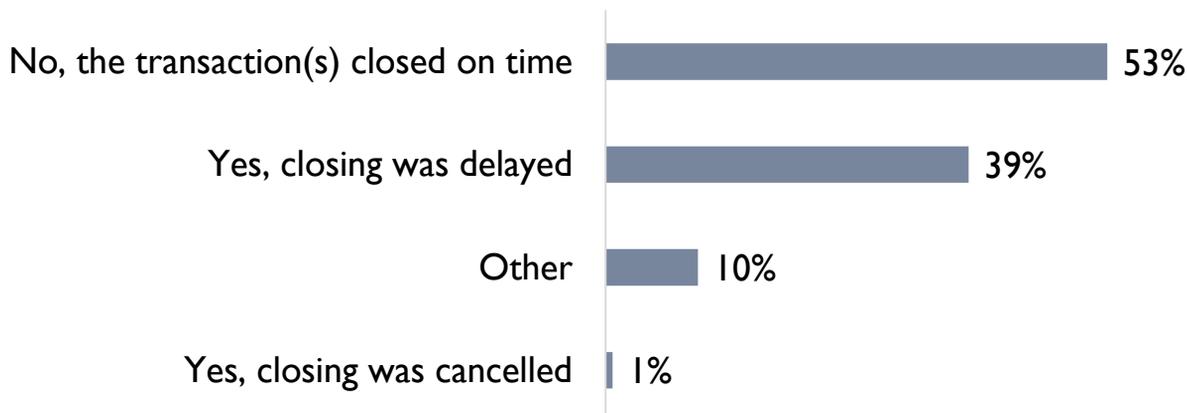
## HOW OFTEN ARE CDS BEING REVISED AND RE-ISSUED?

N = 936



## IF ANY CDS WERE RE-ISSUED, WERE THE TRANSACTIONS IMPACTED?

N = 936



Many respondents who left comments were unsure of the frequency that CDs are revised and reissued. Some respondents commented that closings were sometimes delayed, but it was rare.

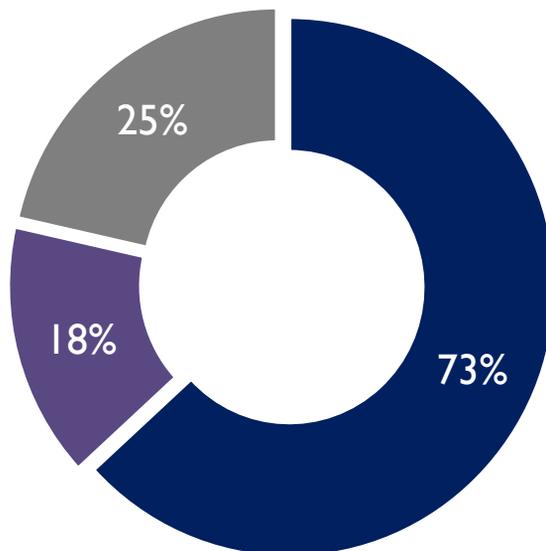
# Closing Disclosure

Of CDs that were reissued, most (73 percent) we done so due to a minor error. Respondents frequently mentioned similar errors as both “minor” and “major,” indicating the subjectivity of these terms within the current system.

## IF ANY CDS WERE RE-ISSUED, WHAT WERE THE REASONS WHY?

N = 494

■ Minor error ■ Major error ■ Other



### Minor Error

- Changes in payoff amounts, closing date, fees, buyer/co-buyer, loans, terms
- Commission issue
- Missing information
- Tax adjustments

### Major Error

- Incorrect amounts on payoff
- Same issues mentioned as minor errors by other respondents

### Other Errors

- A combination of both minor and major errors

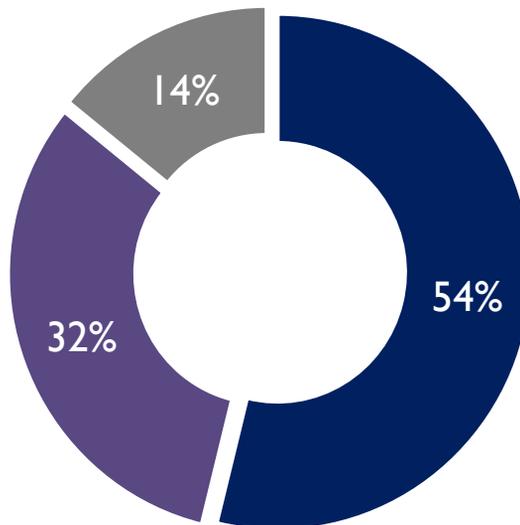
# Closing Disclosure

Over half believe it would be beneficial for the consumer to receive the CD earlier.

**IN YOUR OPINION, WOULD THE CONSUMER BENEFIT FROM HAVING THE CD EARLIER BEFORE CLOSING, EVEN IF THE CD MIGHT BE RE-ISSUED LATER WITH CHANGED INFORMATION?**

*N = 1014*

■ Yes    ■ No    ■ Don't know



Some respondents believe that “earlier is always better” because it gives consumers more time to work through the document themselves. However, others commented that it could cause more confusion since some consumers encounter issues when trying to decipher some of the jargon used in CDs.

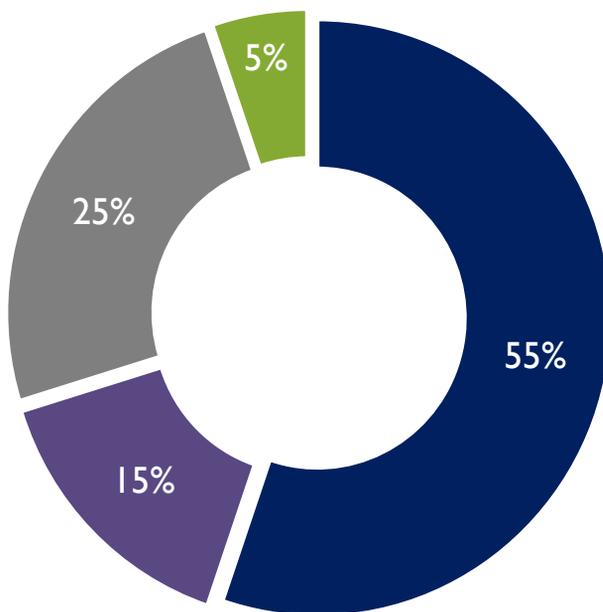
# Closing Disclosure

Most times (55 percent) the buyer and seller sides are separated on the CD.

**IN YOUR JURISDICTION, ARE THE BUYER AND SELLER SIDES OF THE TRANSACTION SEPARATED ON THE CD (I.E. BUYER ONLY SEES BUYER SIDE)?**

*N = 1014*

■ Yes ■ No ■ Depends on the lender issuing the CD ■ Other



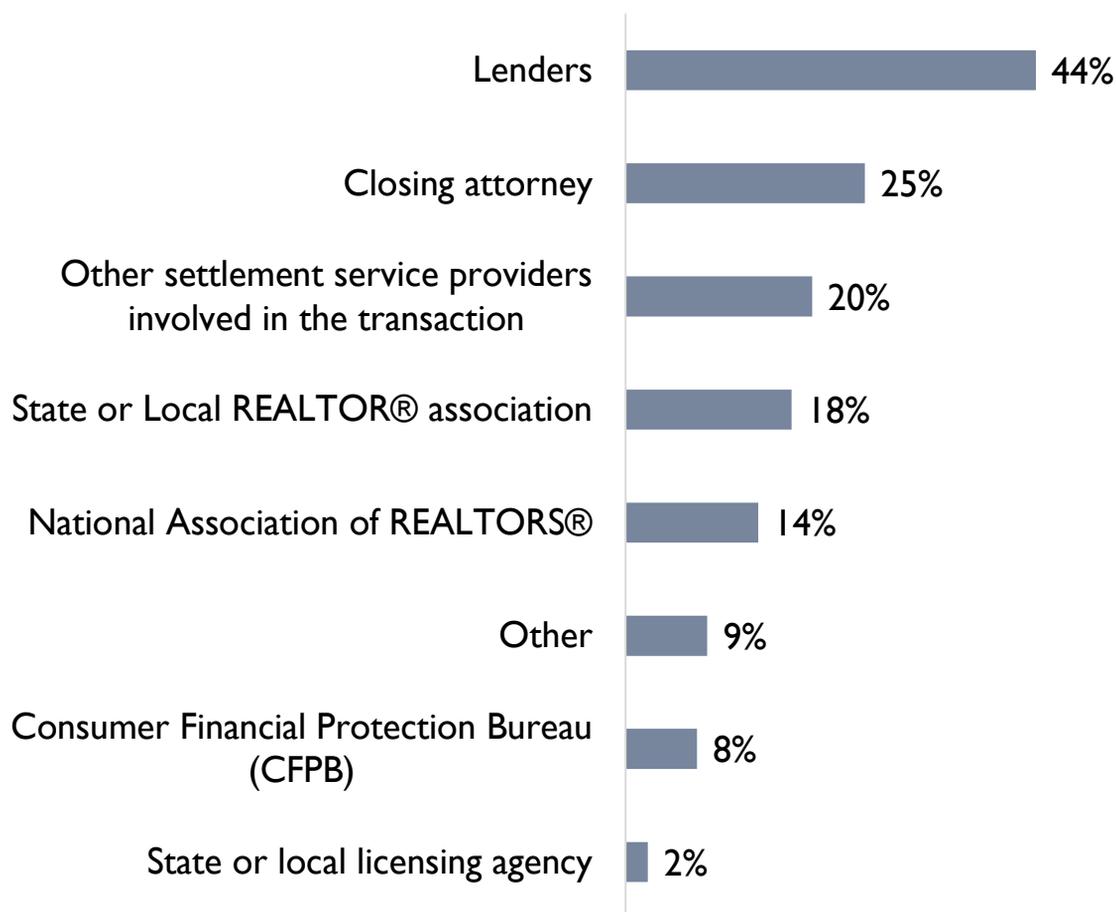
Respondents left comments that they typically see a mix of these different formats depending on the lender they are working with or the state they are in; some prefer seeing both sides, while others think the sides should remain separate.

# Resources

Lenders (44 percent) and closing attorneys (25 percent) were the two most useful resources for respondents for understanding or fixing issues regarding the TRID process. Only 14 percent used NAR as a resource.

## WHAT IS THE BEST RESOURCE FOR UNDERSTANDING OR FIXING ISSUES RELATED TO THE TRID/KNOW BEFORE YOU OWE DISCLOSURES AND PROCESS?

*N = 1014*



Other resources used are title companies and escrow services. Some respondents think that there are no resources that help them address TRID issues.

# Additional Comments

## **PLEASE SHARE ANY ADDITIONAL INSIGHTS REGARDING YOUR EXPERIENCES UNDER THE TRID/KNOW BEFORE YOU OWE RULE.**

*N = 263*

- Some respondents feel that the 3-day rule hinders timely closures and slows the process
- The rules round the system, especially the 3-Day Rule, are not explained properly and confuse many consumers
- The TRID/Know Before You Owe rule created more “hoops to jump through” for the typical agent
- Forms are more complicated and difficult to understand, especially when compared to previous HUD-1 forms
- The process was confusing at first, but now most people have become accustomed and it runs smoothly
- Not as easy at HUD-1
- Causes REALTORS® to be less involved in the process, which has caused consumers to be less satisfied

*“While the forms are simpler, the rules concerning timelines of the forms are problematic.”*



# Demographics

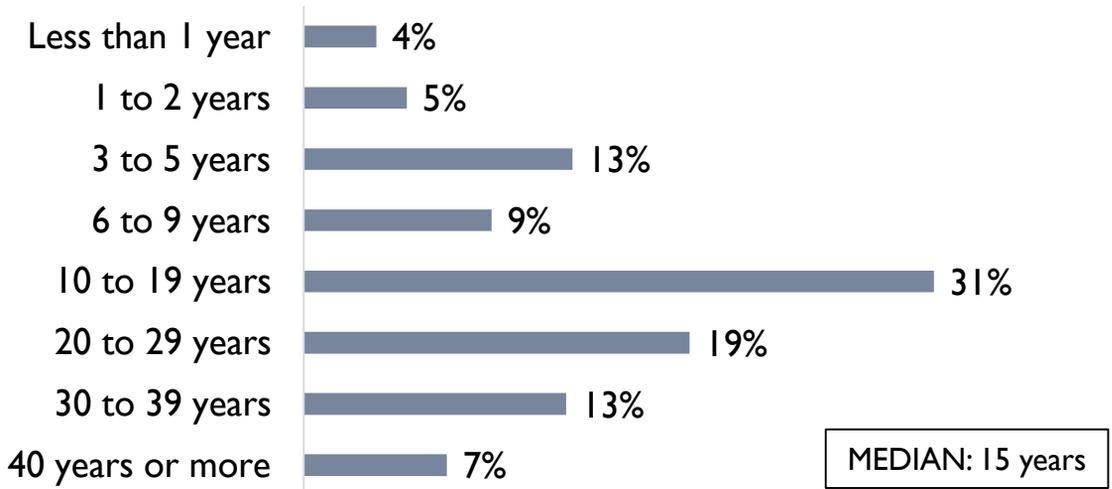
# Demographics

Respondents have been working in real estate for a median of 15 years. Two-thirds of respondents represent both buyers and sellers in a typical transaction.

## HOW LONG HAVE YOU BEEN A REAL ESTATE PROFESSIONAL?

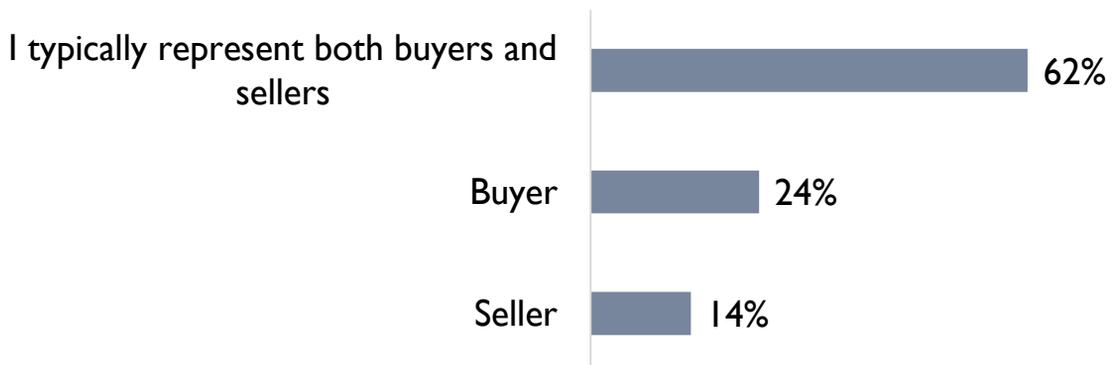
IF YOU HAVE WORKED IN REAL ESTATE FOR LESS THAN A FULL YEAR, PLEASE USE "0."

N = 1014



## IN A TYPICAL TRANSACTION, ARE YOU REPRESENTING THE BUYER OR SELLER?

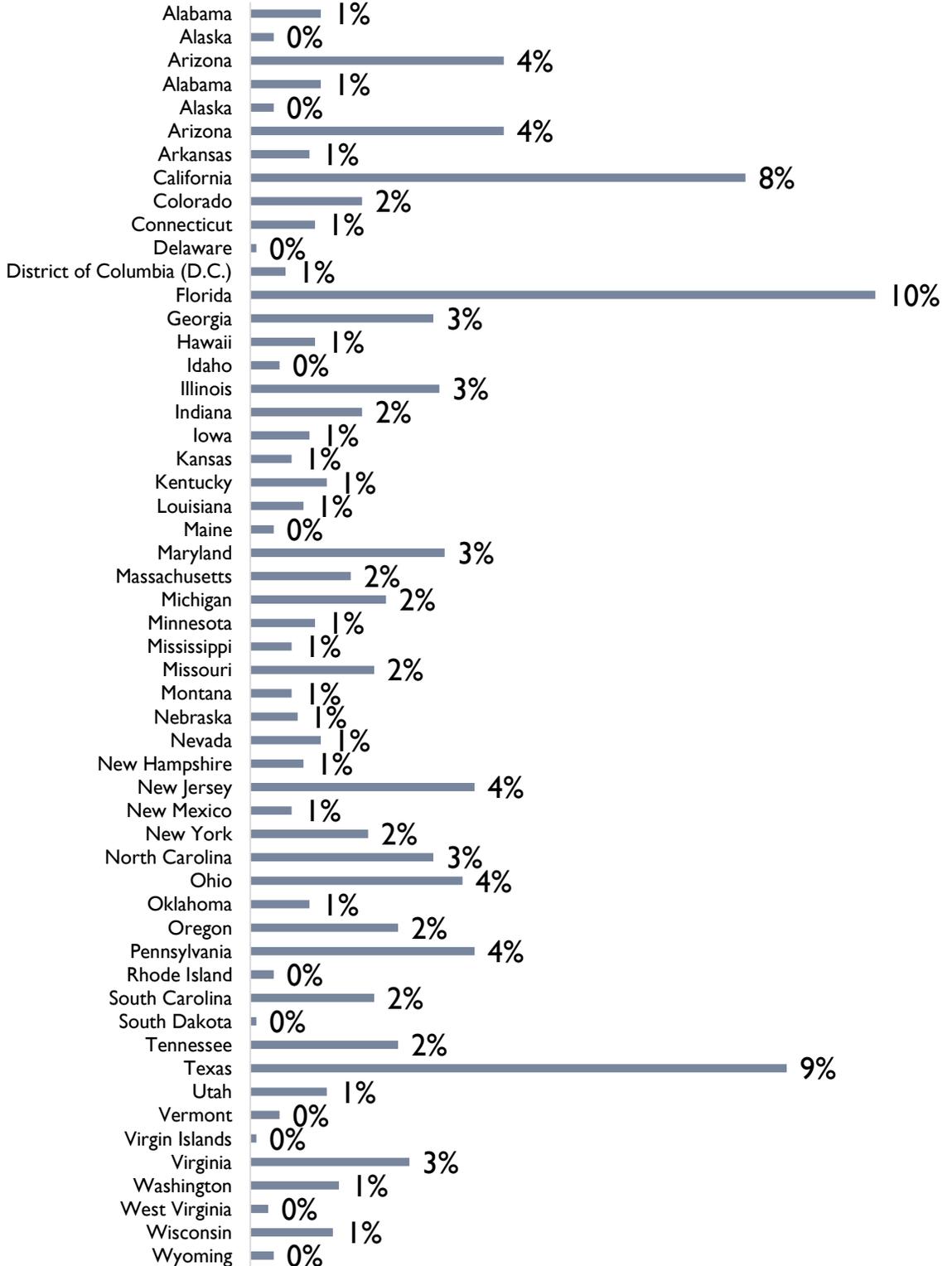
N = 1014



# Demographics

## IN WHICH STATE OR JURISDICTION IS YOUR OFFICE/PLACE OF WORK LOCATED?

N = 1014





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