



# It's all bad. So, now what?

## 5 Things the Industry Got Wrong with TRID

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The industry is discovering the hard truth about the impact of TRID, and it's not pretty. As I stated in previous discussions, the impact of TRID may cause a mini-housing recession as closings grind to a halt. In recent articles we've all seen, it's clear this confusion and slowdown is having a tremendous impact in getting business done, and to date, little in the way of relief is in sight.

Before I shed light on what can be done about it, let's discuss why this is happening. Let's start with an understanding that it's not necessarily the ruling that caused the issue, but the implementation and approach of it. Here are five points on what the industry got wrong to illustrate what I mean:

- 1. Perfecting the First Loan Estimate.** The first loan estimate issued is not accurate, will never be accurate, and is no different than its predecessor the GFE. That's why there are tolerances allowed between the LE and the CD, not to mention the ability to issue another LE during the process. Quit trying to make it something it's never going to be. All the systems in the world will not make it anything other than an estimate, and waste too much time for something that is simply going to change.
- 2. Continuous Loan Estimates.** Lenders are issuing LE after LE every time they find the first one was bad. The only thing that is happening is an exercise in futility. The second and final LE comes to light once the deal starts, after a clearer understanding of what needs to be done changes the fees. The industry needs to quit worrying about the first LE and focus on the second.
- 3. The value of Title's role was underestimated.** Over 40 years of experience in producing HUDs was thrown out the window, and then replaced by Lenders with no experience in producing CDs. During all that time, your Title partners have been dealing with the issues you are experiencing now, and they are good at it. Let Title do the CD, and Lenders simply approve it before it gets sent to the Consumer.
- 4. Working together.** Yes the Lender has all the liability, but a Lender must understand there are two parts to a transaction: the financial side and the property side. To get this deal done you need to work in one place, exchange information in one place, and share that information with Consumers and Realtors. This leads us to my last, and the most important, point.
- 5. Consumers were ignored.** By not focusing on them to begin with, the industry has done nothing but make the experience worse for the Consumer. It's going to cost more and be more confusing, simply because no focus was placed on making it better. You cannot operate a business with complex forms by

sending them through mail or email. You must have a place for the consumer to go and work with everyone – one place to exchange information, communicate, and get educated about what's going on.



The industry is in chaos. So, now what? Maybe that just means we can finally get to a reasonable level of business with the right focus. After all, this suffering is completely unnecessary when there are solutions right now that can get us back to where we were, and even take it even further. Here is a plan to start getting back on track, with a little on how we can help you mixed in:

- 1. Let the first Loan Estimate be just that – an estimate.** Do the same thing you were doing with the GFE. It's an estimate and you aren't going to know what the truth is until the deal gets started. Stop using systems that force extreme detail on this first LE and be prepared to communicate what you'll find out during the deal.
- 2. Focus on the second Loan Estimate.** Issue a second and final LE when you know what the deal is. This second LE comes to light after title has had time to see what it is. There is no system that can help you with this. It is work produced from Title's actions, reliant on what they find out. As soon as they do, they will tell you.
- 3. Leverage Title's expertise for the CD.** Let Title do the CD just like they have done the HUD for 41 years, they are good at it. When they say the CD is ready, you can review it and bless it for sending.
- 4. Tighten up communication.** Lenders, if anything changes on the deal you must tell the Title group immediately, as fast and as automated as possible because every change impacts the CD.
- 5. Educate and engage the Real Estate Agents and Consumer.** Stop dragging everyone through the mud to get a deal done. Use a platform like Pavaso that puts everything in one place, in context, and provides education and consolidated communication. Stop using email and mail. Secure or not, they don't work and nobody wants them. By keeping everything and everyone on schedule, and educated about what's going on, the Pavaso Platform speeds up the process.
- 6. Refine and improve.** Lenders, Title, and Real Estate Agents need to work together in refining new tools that help speed it up. Pavaso hosts different advisory groups on suggesting improvements and changes together that are coordinated, and in the best interest of, the Consumer first and business second.

We understand your pain and we understand the industry cannot work this way. My advice, don't waste time on blaming the ruling, and on systems that will never work. It won't get you where you need to be. Fall back to what you know will work, and start from there. There is not only hope, but the opportunity of a foundation for being much better than we ever have but this industry has to come together to get it done.

If you are going to do one thing, it should be starting to face the facts before it's too late. This all can be fixed quickly.





## About Mark McElroy

After starting in Fortune 100 application development in 1984, McElroy moved to a partnership in 1996 at the multi-national SAP firm IT Services, Inc., where he helped grow the business to \$40M in annual revenues by 2000.

In May 2001, McElroy purchased RamQuest, Inc. with several other investors. During his tenure there as President and CEO, revenue increased 28 fold for 50 consecutive quarters of profitability, the user base exploded to 30,000 users nationwide, and several new products were developed and launched for the title industry.

In 2011, under McElroy's direction, RamQuest began to widen its focus and develop products and services for vertical real estate markets under the Guardian Consumer Services brand, which officially launched and separated in 2014 as Pavaso, Inc.



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