

2023 Mortgage Loan Originator Compliance



Mortgage Loan Regulation Summary

Topic	Law/Regulation	Citations	Summary
Fair Lending	<ul style="list-style-type: none"> The Equal Credit Opportunity Act Regulation B 	<ul style="list-style-type: none"> 15 USC §1691, <i>et seq.</i> 12 CFR 1002 	To promote the availability of credit to all creditworthy applicants without regard to certain prohibited factors.
	Fair Housing Act	42 USC § 3601, <i>et seq.</i>	To regulate a number of practices in the area of housing, including a prohibition against unlawful discrimination in housing-related lending activities based on certain factors.
	NCUA Nondiscrimination Requirements	12 CFR §701.31	Prohibits discrimination in real estate transactions based on certain factors.
	<ul style="list-style-type: none"> Home Mortgage Disclosure Act Regulation C 	<ul style="list-style-type: none"> 12 U.S.C. 2801, <i>et seq.</i> 12 CFR 1003 	Provides the public with loan data that can be used to: <ul style="list-style-type: none"> Help determine whether financial institutions are serving the housing needs of their communities Assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and Assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.
Fair Credit Reporting	<ul style="list-style-type: none"> Fair Credit Reporting Act Regulation V 	<ul style="list-style-type: none"> 15 USC §1681, <i>et seq.</i> 12 CFR 1022 	Rule and restrictions regarding obtaining, using, sharing and furnishing information about consumers to determine eligibility for products, services and employment.
Flood Insurance	<ul style="list-style-type: none"> Flood Disaster Protection Act NCUA Flood Hazard Regulation 	<ul style="list-style-type: none"> 42 USC §4001, <i>et seq.</i> 12 CFR 760 	Under federal law, the purchase of flood insurance is mandatory for all federal or federally related financial assistance for the acquisition and/or construction of buildings in high-risk flood areas (Special Flood Hazard Areas or SFHAs).
Mortgage Insurance Rules	<ul style="list-style-type: none"> Homeowner's Protection Act 	<ul style="list-style-type: none"> 12 U.S.C. §4900, <i>et seq.</i> 	Permits a borrower to cancel or requires termination of Private Mortgage Insurance when the level of equity in the home reaches a certain level.
Mortgage Loan Originator Registration	<ul style="list-style-type: none"> S.A.F.E. Act Regulation G 	<ul style="list-style-type: none"> 2 U.S.C. 5101 <i>et seq.</i> 12 CFR 1007.101 	Aggregating and improving the flow of information to and between regulators; providing increased accountability and tracking of mortgage loan originators; enhancing consumer protections; supporting anti-fraud measures; and providing consumers with easily accessible information at no charge regarding the employment history of, and publicly adjudicated disciplinary and enforcement actions against, mortgage loan originators.
Truth in Lending	<ul style="list-style-type: none"> Truth in Lending Act Regulation Z 	<ul style="list-style-type: none"> 5 U.S.C. 1601 <i>et seq.</i> 12 CFR 1026 	To "promote the informed use of consumer credit by requiring disclosures about its terms and cost" in clear and conspicuous disclosures.
			Has morphed to cover underwriting, compensation and product

Mortgage Loan Regulation Summary

Topic	Law/Regulation	Citations	Summary
			restrictions as well.
Appraisals	<ul style="list-style-type: none"> • NCUA Appraisal Regulations • Interagency Appraisal and Evaluation Guidelines 	<ul style="list-style-type: none"> • 12 CFR 722 	To provide protection for federal financial and public policy interests in real estate-related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision
Real Estate Settlements	<ul style="list-style-type: none"> • Real Estate Settlement Procedures Act • Regulation X 	<ul style="list-style-type: none"> • 12 U.S.C. 2601 <i>et seq.</i> • 12 CFR 1024 	Requires lenders to provide borrowers with certain information about expenses involved in the real estate settlement process for “federally related mortgage loans.”
Electronic Documents	<ul style="list-style-type: none"> • E-Sign Act 	<ul style="list-style-type: none"> • 15 U.S.C. 7001 <i>et seq.</i> 	Mandates that electronic signatures and records have the same legal validity and enforceability as paper records and handwritten signatures.

Equal Credit Opportunity/ Regulation B

Introduction

- Applies to both consumer and non-consumer credit.
- Prohibits discrimination on a prohibited basis regarding any aspect of a credit transaction.

Types of Discrimination

- Regulation B prohibits both intentional and unintentional discrimination.
- A practice can violate Reg B even if there is no conscious intent to discriminate.
- A practice is discriminatory if:
 - It constitutes disparate treatment or has a disparate impact on protected groups AND
 - The credit union lacks a legitimate nondiscriminatory reason for its action, or the asserted reason is found to be a pretext for discrimination.

Protected Classes

The Equal Credit Opportunity Act (ECOA) and Regulation B prohibit discrimination on the basis of:

- Sex
- Marital status
- Race
- Color
- National origin
- Age
- The receipt of protected income
- Exercise of legal rights under the consumer credit laws
- Religion

Equal Credit Opportunity/ Regulation B

Limits on Information

Information Category	Limits
Sex	<ul style="list-style-type: none"> • A credit union may ask an applicant to designate a title on an application, such as Ms., Mr., or Mrs., only if the application states that doing so is optional. • No other questions regarding an applicant's sex are permitted.
Marital Status	<ul style="list-style-type: none"> • Inquiring about an applicant's marital status is permitted if one of the following conditions applies: <ul style="list-style-type: none"> ○ The applicant is applying for secured credit ○ The applicant is applying for joint credit ○ The applicant lives in a community property state • Only the terms "married," "unmarried," and "separated" may be used to denote marital status.
Spousal Information	<ul style="list-style-type: none"> • A credit union may not gather information on a spouse or former spouse, unless one of the following applies: <ul style="list-style-type: none"> ○ The spouse will be contractually liable for or a user of the account. ○ The member is relying on the spouse's income to repay the debt. ○ The member is relying on alimony or child support payments from a spouse or former spouse to repay the debt. ○ The member resides in a community property state or is relying on property located in a community property state. • Before making inquiries about income from a spouse or former spouse, advise the applicant that this information need not be revealed if the applicant does not wish to rely on it as a basis for repayment. • Credit unions may always ask about an applicant's obligation to make alimony, child support, and separate maintenance payments. • A credit union may request that the applicant have a co-signer or guarantor, but cannot request or require that an applicant's spouse is that person.
Childbearing Intentions or Capabilities	<p>OK to ask:</p> <ul style="list-style-type: none"> • About all applicants' ability to repay debt, including the probability of continuing employment • The number, ages and expenses of the applicants' dependents <p>Not OK to ask:</p> <ul style="list-style-type: none"> • About an applicant's birth control practices or childbearing intentions or

Equal Credit Opportunity/ Regulation B

Information Category	Limits
	<p style="text-align: center;">capabilities</p> <p>Maternity Leave</p> <ul style="list-style-type: none"> • Due to past and recent enforcement actions by the FTC, HUD and other regulators, credit unions should be careful asking about and taking in to consideration planned parental leave (even if all applicants are asked about potential leave of any kind during the repayment period). • FHA guidelines prohibit asking borrowers about future maternity leave. • If an applicant is on parental leave, consider implementing policies similar to those Wells Fargo Bank was required to implement due to allegations of violations of the Fair Housing Act (requiring loan applicants on parental leave to return to work prior to being considered for a loan): <ul style="list-style-type: none"> ○ Do not require applicant on temporary leave to return to active work status as a condition of mortgage approval; ○ Allow applicants to use their pre-leave income if the applicant’s work date precedes the date of the first mortgage payment AND the institution is not made aware that the applicant’s post-leave income will be less than the pre-leave income; ○ Applicants who will not return from temporary leave before the first mortgage payment due date may use any income received during the leave period to meet generally applicable underwriting standards; • In the event that the income received during the temporary leave period is insufficient to meet generally applicable underwriting standards, the institution will permit applicants to use verified liquid assets not otherwise required to close, in order to bridge any period in which applicant receives less than his or her full employment income while on temporary leave beyond the due date of the first mortgage payment.
<p>Race, Religion or National Origin</p>	<p>OK to ask:</p> <ul style="list-style-type: none"> • Applicant’s permanent residence • Applicant’s immigration status <p>Not OK to ask:</p> <ul style="list-style-type: none"> • Applicant’s race • Applicant’s color • Applicant’s religion • Applicant’s national origin

Equal Credit Opportunity/ Regulation B

Information Category	Limits
Age	<p>A credit union can take age into consideration when making a credit decision, but only as it pertains to other elements of credit-worthiness. For example:</p> <ul style="list-style-type: none"> • Denying credit to minors based on their inability to enter into a binding contract. • Taking into consideration the adequacy of any security offered when the term of the credit extension exceeds the life expectancy of the applicant. • Determining whether retirement income will support an extension of credit to its maturity.
Income	<p>It's always OK to consider:</p> <ul style="list-style-type: none"> • Applicant's amount of income • The probable continuance of any income • The ability to garnish income <p>Not OK to:</p> <ul style="list-style-type: none"> • Discount or exclude from consideration the income of an applicant or an applicant's spouse on a prohibited basis. • Automatically discount or exclude from consideration any protected income. "Protected income" is income that is derived from any of the following sources: <ul style="list-style-type: none"> ○ Part-time employment ○ Alimony ○ Child support ○ Separate maintenance ○ Annuities ○ Pension or other retirement plans ○ Public assistance

Equal Credit Opportunity/ Regulation B

Information Category	Limits
Credit History	<p>While looking a credit history in evaluating creditworthiness, a credit union must consider the following:</p> <ul style="list-style-type: none">• The available credit history of credit accounts designated as accounts the applicant and the applicant’s spouse are permitted to use or for which both are contractually liable• Any information presented by the applicant that tends to indicate that the credit history being considered does not accurately reflect the applicant’s creditworthiness.• The available credit history of any account reported in the name of the applicant’s spouse or former spouse that the applicant can demonstrate accurately reflects creditworthiness.• Credit information from sources other than a credit bureau when the information relates to the same types of credit history and credit references the credit union would consider if reported through a credit bureau.

Signatures

- A credit union may not require the signature of an applicant’s spouse or any other person on a credit instrument where an applicant qualifies by him or herself.
- A credit union can require the signature of a joint owner only on the instrument that enables it to reach the property in the event the applicant dies or is in default on the loan.
- If another person is necessary to support the credit, you may request a co-signer or a guarantor, but you cannot dictate who that person is.

Requirement to Evidence “Joint Intent”

- Lenders must have loan applicants affirmatively indicate their desire for joint credit at the time of application.
- Signatures on a promissory note may not be used to show intent to apply for joint credit.
- Signatures or initials on a credit application affirming applicants’ intent to apply for joint credit may be used to establish intent to apply for joint credit.
- “Safe Harbor” model forms are available in Appendix B to Reg B.

Equal Credit Opportunity/ Regulation B

Application

Definitions

Term	Definition
Application	An oral or written request for an extension of credit that is made in accordance with procedures used by a creditor for the type of credit requested.
Completed Application	An application that contains all the information the credit union normally obtains and considers in evaluating applications for the amount and type of credit requested. The creditor shall exercise reasonable diligence in obtaining such information.
Inquiry	Giving information to the consumer about a loan WIHTOUT evaluating information about the consumer.

Notification of Action Taken

Timing

The Credit Union must provide a notification of action taken on an application for credit within 30 days after the credit union receives a **complete application**.

Incomplete Application

The applicant must be notified within 30 days of the receipt of an incomplete application. This notice can be either:

- A notice of action taken (adverse action notice)
- A notice stating the application is incomplete and:
 - A request for the additional information that is needed
 - A reasonable time frame to supply additional information
 - A statement informing the member that if the information is not received in the time allotted, no further consideration will be given to the application.
- If the member supplies the information requested, you must process the application and provide the appropriate notices within 30 day of receipt of the complete application.
- If the information is not received, you have no further obligation to the member.

Equal Credit Opportunity/ Regulation B

Approval

- A credit union must notify an applicant of an approval within 30 days from the date a complete application is received.
- Notification of an approval can be oral or in writing.

Counteroffers

- An applicant must be notified when the credit union makes a counteroffer in connection with an application.
- The counteroffer must be provided within 30 days after receiving a complete application.
- A credit union must send an adverse action notice if the applicant does not expressly accept the counteroffer within the period provided, or within 90 days of the date of the counteroffer.

Withdrawal of Application

When an applicant expressly withdraws an application, a credit union is not required to provide notification.

Adverse Action Notification

- A credit union must notify an applicant when adverse action is taken on either an application or an existing account.
- The notice must be in writing
- The notice only needs to be given to one applicant
- This notice must contain the following items as applicable:
 - A statement of the action taken
 - The name and address of the credit union
 - A statement of the nondiscrimination requirements of Section 701(a) of the Equal Credit Opportunity Act
 - The address for NCUA
 - Either a statement of the specific reasons for the action or a disclosure of the applicant's right to a statement of the specific reasons within 30 days if requested within 60 days of the date of the notification

Equal Credit Opportunity/ Regulation B

Model ECOA Statement

The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A of this regulation)

Statement of Reasons

- Must be specific
- Must indicate the principal reasons for the action
- Only the principal reasons for adverse action need be stated
- No specific number of reasons is required (more than four is deemed to be unhelpful to the applicant.)
- Statements that this action is “based on internal standards or policies”, or that the applicant failed to achieve the qualifying score on a credit scoring system, are not considered sufficient reasons for the notice of adverse action.

Fair Credit Reporting Act

- The adverse action notice required for Reg B can be combined with the adverse action notice required by the FCRA when adverse action is based in whole or in part upon information contained in a consumer credit report.
- If a combined Reg B/FCRA notice is used and the credit decision was based in whole or in part on the credit score, the adverse action notice must contain the following information:
 - A statement that a credit score is a number that takes into account information in a consumer report and that a credit score can change over time to reflect changes in the consumer's credit history;
 - The member's credit score
 - The range of possible credit scores
 - The key factors that adversely affected the credit score (can't exceed four)
 - The date on which the credit score was created

Equal Credit Opportunity/ Regulation B

- The name of the consumer reporting agency or other person that provided the credit score

Monitoring Information

When to Collect?

Collect monitoring information when the following three conditions apply:

1. Application for credit primarily for the purchase or refinancing of a dwelling
2. Occupied or to be occupied by the applicant as a principal residence
3. Secured by the dwelling

What to Collect?

1. Ethnicity
2. Race
3. Sex
4. Marital status
5. Age

Disclosure

Provide the applicants a disclosure that informs the applicant that:

- The information regarding ethnicity, race, sex, marital status, and age is being requested by the Federal Government for the purpose of monitoring compliance with Federal statutes that prohibit creditors from discriminating against applicants on those bases.
- If the applicant(s) chooses not to provide the information, the creditor is required to note the ethnicity, race and sex on the basis of visual observation or surname.

Substitute Monitoring Program

This section is not applicable if you are required to gather monitoring information under the Home Mortgage Disclosure Act.

Appraisals

Requirement to Provide Appraisals and Other Evaluations

- The credit union must provide an applicant a copy of all appraisals and other written valuations developed in connection with an application for credit
- Applies only to first lien, dwelling-secured loans.

What is an Appraisal or Valuation?

The following are all Appraisals or Valuations that are subject to this rule:

- An appraiser's report
- A document your staff prepares that assigns value to the property
- A report approved by a government-sponsored enterprise

Equal Credit Opportunity/ Regulation B

- Automated valuation model reports
- A broker price opinion

Timing

Appraisals or valuations must be provided “promptly” upon completion, or **at least three business days prior to consummation** of the transaction (for closed-end credit) or account opening (for open-end credit), whichever is earlier.

“Provide” means “deliver.” Delivery occurs three business days after mailing or delivering the copies to the last-known address of the applicant, or when evidence indicates actual receipt by the applicant, whichever is earlier.



Waiver

- An applicant may waive the timing requirement and agree to receive any copy at or before consummation or account opening.
- Any waiver must be obtained at least three business days prior to consummation or account opening.

Disclosure

- The credit union must mail or deliver to an applicant a notice of the applicant’s right to receive a copy of all written appraisals developed in connection with the application.
- The notice must be delivered not later than the third business day after the creditor receives an application for credit that is to be secured by a first lien on a dwelling. (Incorporated in to the Loan Estimate)

Reimbursement

Creditors can charge for preparation of an appraisal or valuation, but not for delivery.

Withdrawn, denied, or incomplete applications

The appraisal requirements apply whether credit is extended or denied or if the application is incomplete or withdrawn.

Fair Housing

General

The Fair Housing Act (FHA) prohibits unlawful discrimination in housing-related lending activities based on:

- Race
- Color
- National origin
- Religion
- Sex
- Handicap
- Familial status

Discrimination in Financing

Prohibitions

Based on any of the prohibited factors, lenders may not:

- Express preferences orally or in writing.
- Indicate in any manner that applicants will be treated differently.
- Fail to provide information or services or provide different information or services regarding any aspect of the lending process.
- Discourage or selectively encourage applicants with respect to inquiries about or applications for credit.
- Refuse to extend credit or use different standards for determining whether to extend credit.
- Vary the terms of credit offered, including the amount, interest rate, duration or type of loan.
- Use different standards to evaluate collateral.
- Treat a member/borrower differently in servicing a loan or invoking default remedies.
- Use different standards for pooling or packaging a loan in the secondary market.

Fair Housing

- **Racial Steering:** Deliberately guiding potential buyers of housing property either away from or to specific areas because of race.
- **Redlining:** Delineating a geographic area as a poor risk area solely because of the concentration of minorities or low-income households.
- **Using or making excessively low appraisals:** Making excessively low appraisals to force minority applicants to make larger down payments than other applicants.
- **Using racially exclusive images:** Using words or pictures in advertising or credit union literature to indicate a preference of one race or class of people over another.
- **Imposing excessively burdensome standards:** The use of excessively burdensome loan qualification standards that have the effect of denying loans to minority applicants.
- **Imposing more onerous terms or conditions:** Imposing more onerous terms and conditions on minority loan applicants in any stage of the credit process.
- **Employing practices that discriminate against women:** Imposing different application processes, underwriting standards or loan terms or conditions based on the sex of a borrower.

Access for Consumers with Disabilities

Credit Unions must make reasonable accommodations for persons with disabilities when those accommodations are necessary to afford an equal opportunity to apply for credit.

Rental Housing

Based on any prohibited basis, it is unlawful to:

- Refuse to sell or rent a dwelling after receiving a bona fide offer.
- Discriminate in the terms, conditions, or privileges of a sale or rental of a dwelling, or in providing services or facilities in connection with the sale or rental.
- Make, print, or publish any notice, statement, or advertisement about the sale or rental of a dwelling indicating any preference, limitation, or discrimination.
- Indicate that a dwelling is not available for inspection, sale, or rental when in fact it is.

Fair Housing

Self-Testing for Compliance

Self-testing is any program, practice, or study a lender voluntarily conducts or authorizes that is designed and used specifically to determine the extent or effectiveness of compliance with the Fair Housing Act, including:

- Using testers or fictitious credit applicants
- Conducting surveys with loan applicants

Protected Results

A report or the results of a self-test can be protected by a statutory privilege, if:

- The self-test is thorough enough to determine the level of effectiveness of compliance with the requirements of the FHA.
- The person conducting or authorizing the self-test identifies any possible violation of the FHA and takes appropriate corrective action to address any violations.

Outside Access to Results

Access to the report or the results can be obtained in a court proceeding or civil action if:

- The self-test report or results are voluntarily released or disclosed by the credit union.
- The self-test report or results are referred to, described, or used as a defense against charges of an FHA violation.
- The report or results of the self-test are sought “in conjunction with an adjudication or admission of a violation of FHA for the sole purpose of determining appropriate penalty or remedy.”

NCUA Nondiscrimination Rules

General

- Applies only to federally-chartered credit unions.
- Applies to lending, appraisals, and advertising of real estate-related loans.
- Prohibits discrimination on the basis of race, color, national origin, religion, sex, handicap, or familial status.
- Similar to ECOA and FHA requirements

Fair Housing

Nondiscrimination in Lending

- FCUs may not consider a lending criterion or exercise a lending policy with respect to a real estate-related loan that has the effect of discriminating on the basis of protected classes.
- FCUs may not consider the following factors in connection with a real estate-related loan:
 - The age or location of the dwelling.
 - The zip code of the loan applicant's current dwelling.
 - Previous home ownership.
 - The age or location of other dwellings in the neighborhood of the dwelling subject to the loan application.
 - The income level of the residents in the neighborhood of the dwelling subject to the loan application.
- Certain factors concerning location of the dwelling can sometimes be considered in an appraisal if they are specifically documented, and accompanied by a brief statement demonstrating the necessity of using the factor.

Nondiscrimination in Appraisals

General

A FCU may not rely on an appraisal if it knows or should know that:

- The appraisal is based upon consideration of any of the protected classes.
- The appraisal is based upon consideration of a criterion that has the effect of discriminating on the basis of the protected classes.

Appraisal Copies

Upon request, FCUs must make a copy of the appraisal used in connection with a member's real estate-related loan application available to the member/applicant.

Nondiscrimination in Advertising

FCUs are prohibited from directly or indirectly engaging in any form of advertising of real estate-related loans that implies or suggests that the credit union discriminates in violation of the provisions of the Fair Housing Act or the NCUA Nondiscrimination requirements.

Use of Equal Housing Lender Logo

Advertisements for real estate-related loans must prominently indicate that the credit union makes loans without regard to race, color, religion, national origin, sex, handicap, or familial status.

Fair Housing

- Ads broadcast on the radio may indicate that the credit union is an “Equal Housing Lender” or an “Equal Opportunity Lender.”
- Television and print ads may include a copy of the Fair Housing logo with the legend “Equal Housing Opportunity” from the fair housing poster (other methods in lieu of logo may also be used)

Lobby Notice and Poster

- All FCUs are required to display a fair housing poster or notice in the lobby and in areas where real estate-related loans are made.
- The poster and/or notice must be displayed in a manner that makes it clearly visible to the general public.
- Use of model poster is required.

Fair Credit Reporting Act

Purpose and Scope

- The FCRA was enacted by Congress to serve the following principal purposes:
 - To regulate the consumer-reporting industry, and to ensure the issuers of consumer reports provide information that is fair and equitable to consumers, and fair and accurate to report users.
 - To prohibit consumer-reporting agencies (CRAs) from taking actions that are unfair or that adversely affect a consumer's credit and ability to obtain credit.
 - To restrict the availability and use of consumer reports.

Adverse Action Disclosure

- Disclosure is required when a creditor denies or increases the cost of a consumer's credit or deposit account based on third-party information.
- The FCRA notice may be combined with the ECOA notice.

Credit Bureau Information

If information related to an adverse credit decision came from a credit bureau, the creditor must disclose certain items to the applicant.

FCRA Credit Bureau Adverse Action Content

- That information from a credit bureau was used in the credit decision.
- The name, address and telephone number (toll-free if a nationwide bureau) of the credit bureau used.
- A statement that the credit bureau did not make the decision to take the adverse action.
- Notice of the consumer's right to get a free copy of his credit report from the bureau upon written request, within 60 days.
- Notice of the consumer's right to dispute with the bureau the accuracy or completeness of any information contained in his report.
- The creditor does not have to include the nature of the information contained in the report.

Fair Credit Reporting Act

Credit Score Information

Creditors must also disclose credit scores and related information to consumers in risk-based pricing and adverse action notices under the FCRA if a credit score was used in setting the credit terms or taking adverse action.

FCRA Credit Score Disclosure Content

- A statement that a credit score takes into account information in a consumer report and a credit score can change over time
- The specific numerical credit score used in making the credit decision
- The range of possible scores
- Key factors that adversely affected the credit score such as late payments and high credit utilization
- The date on which the credit score was created
- The name of the entity that provided the credit score.

Combined FCRA/ECOA Adverse Action Notice

- Both the FCRA and ECOA contain adverse action notice requirements.
- Regulation B provides model notices that allow creditors to comply with both statutes' requirements.

Information From Other Outside Sources

- If information related to an adverse credit decision was obtained from an outside source other than a credit bureau, the creditor must either disclose the nature of the information or the consumer's right to obtain the nature of the information, if a written request is filed within 60 days of the adverse action notice.
- The creditor may, but need not, disclose the source of the information.

Information From a Creditor's Own Internal Records

If the credit union uses information from its own experience with the consumer, there are no disclosure obligations.

Reporting Third Party Information to Others

- Under the FCRA, a creditor may report its own transactions and experiences with a consumer to both consumer-reporting agencies and other creditors.

Fair Credit Reporting Act

- If the creditor reports to others about information it gathers from sources other than through its own experience, it can become a consumer-reporting agency.

Negative Information Reporting Notice

Creditors are required to provide this notice if:

- They extend credit regularly and in the ordinary course of business furnish information to a nationwide consumer reporting agency, and
- They furnish negative information to such an agency regarding credit extended to that consumer.

Format

The institution must provide a “clear and conspicuous” notice about furnishing negative information, in writing, to the consumer.

Model Notice

- The CFPB’s Regulation V contains a model notice that may be used by all financial institutions.
- Creditors are not required to use the model notices.
- Creditors that use the CFPB’s model notices are deemed to be in compliance with FCRA’s notice requirement relating to furnishing negative information to credit bureaus.

When Notice Is Provided	Model Notice to Use
Before reporting negative information to a credit bureau.	“We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.”
After reporting negative information to a credit bureau.	“We have told a credit bureau about a late payment, missed payment or other default on your account. This information may be reflected in your credit report.”

Timing

- The notice must be provided prior to, or no later than, 30 days after furnishing the negative information to the CRA.
- Negative information means a consumer’s delinquencies, late payments, insolvency or any form of default.
- The creditor need not provide the notice each time the consumer is late with a payment on the same loan account.

Fair Credit Reporting Act

- The creditor generally may provide the notice about furnishing negative information on or with any notice of default, any billing statement, or any other materials provided to the consumer, as long as the notice is “clear and conspicuous.”
- The creditor may not include the notice in the initial Truth In Lending disclosures provided under the Truth in Lending Act.
- Disclosure is required when the credit union denies or increases the cost of a member’s credit or deposit account based on third-party information.
- The FCRA notice may be combined with the ECOA notice

Notice to Home Loan Applicants

- If a credit union uses credit scores in connection with mortgage loan applications, they must provide the following disclosures to applicants:
 - The “Notice to Home Loan Applicants”
 - The credit score(s) used in connection with the application
 - Key factors that make up the credit score(s)
- Mortgage loan applications include purchase money mortgages, refinanced loans, home equity loans, second mortgages, and home equity lines of credit secured by 1 to 4 units of residential real property.

Timing

- The notice and score disclosure must be provided as soon as “reasonably practical.”
- The notice is required whether or not the loan is approved.
- For privacy purposes, each applicant should receive a separate notice.

Model Notice

The following model language for this notice is provided in the statute:

<p>Notice to home loan applicants</p> <p>In connection with your application for a home loan, the lender must disclose to you the score that a consumer-reporting agency distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores.</p> <p>The credit score is a computer-generated summary calculated at the time of the request and based on information that a consumer reporting agency or lender has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in</p>
--

Fair Credit Reporting Act

determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit-scoring technologies change.

Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to you, contact the consumer reporting agency at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score.

The consumer-reporting agency plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms of the loan, contact the lender.

Risk-based Pricing Notice

Credit unions are required to provide a risk-based pricing notice when:

- The credit union uses a consumer report in connection with a consumer's credit application or extension; and
- Based at least in part on that report, the credit union grants or extends credit to the consumer on "material terms" (e.g., annual percentage rate or APR) that are "materially less favorable" (higher cost for credit) than the most favorable terms available to a substantial portion of the credit union's members.

Model Forms

The regulation includes model forms that credit unions may use to comply with these notice requirements.

Credit Score Disclosure Exception for Mortgage Loans

For mortgage loans, creditors are allowed to add supplementary information to the already required credit score disclosure for mortgage loans.

Medical Information

- Certain restrictions apply to medical information contained in consumer reports.
- Medical information includes information that was created or derived from:
 - A health provider or consumer that relates to the past, present, or future physical, mental, or behavioral condition of an individual
 - The providing of health care to an individual
 - The payment or provision of health care to an individual

Fair Credit Reporting Act

- Medical information includes consumer report information related to medical debts.
- The definition of medical information does not include the age or gender of the consumer, demographic information about the consumer, or any other information that does not relate to the physical, mental or behavioral health or condition of the consumer, including the existence or value of any insurance policy.

Prohibitions

- Credit unions may obtain and use medical information in determining credit eligibility if the following three requirements are met:
 - The information relates to debts, expenses, income, benefits, assets, collateral, or the purpose of the loan, including the use of the proceeds.
 - The credit union uses the information in a manner and to an extent no less favorable than it would use comparable information that is not medical information in a credit transaction. (Medical expenses or income may be treated more favorably.)
 - The credit union does not take the consumer's physical, mental, or behavioral, condition or history, type of treatment, or prognosis into account as part of any credit eligibility determination.
- A creditor may obtain such information in connection with determining credit eligibility if it is received unsolicited.
- Any unsolicited medical information the creditor receives cannot be used for later credit eligibility determinations.
- Additional exceptions under the rule include:
 - Determining whether the use of a power of attorney or legal representative is necessary and appropriate.
 - Complying with applicable requirements of local, state, or federal laws.
 - When such information is included in a consumer report from a credit bureau, as permitted under the FCRA, and is used for the purpose for which the consumer provided written consent.
 - For fraud prevention and detection.
 - Verifying the medical purpose of a loan and use of proceeds with regard to financing of medical products or services.

Fair Credit Reporting Act

- If the consumer or the consumer's legal representative requests in writing, on a separate form signed by the consumer or legal representative, that the creditor use specific medical information in determining credit eligibility to accommodate the consumer's particular circumstances.

Flood Insurance Requirements

Flood Insurance Rules

Applies to loans secured by buildings or mobile homes located or to be located in areas determined by the Federal Emergency Management Agency (FEMA) to have special flood hazards.

FEMA

Credit Unions are subject to the Federal Emergency Management Agency's (FEMA) regulations and guidelines.

FEMA administers the National Flood Insurance Program (NFIP) and is responsible for:

- Conducting Flood Insurance Studies to locate Special Flood Hazard Areas (SFHA)s.
- Developing flood maps.
- Providing forms and guidance on flood insurance requirements under the NFIP.

Definitions

Building

- A walled and roofed structure, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site.
- A walled and roofed structure in the process of construction, alteration, or repair.

LODR

- Letter of Determination Review, which is FEMA's official letter in response to a joint request for a review of a lender's flood hazard determination.
- A LODR does not amend a FEMA flood map.

LOMA

- Letter of Map Amendment, which is an official amendment of an effective FEMA flood map.
- A LOMA establishes that a particular property is not located in a SFHA.

LOMR

- Letter of Map Revision is an official revision of an effective FEMA flood map.
- A LOMR may change flood insurance risk zones, floodplain boundaries, etc.

Flood Insurance Requirements

Mobile Home

For the purpose of mandatory purchase requirements, a mobile home is a mobile home on a permanent foundation or a manufactured home.

National Flood Insurance Program

- Allows property owners to purchase flood insurance protection for both structures and contents.
- Provides an incentive for communities to adopt floodplain management ordinances designed to mitigate the effects of flooding on both new and existing construction.

Coverage Availability

- The mandatory flood insurance purchase requirements only apply to structures located in communities participating in the NFIP.
- If a community does participate in the NFIP, there is no mandatory flood insurance purchase requirement.
- A credit union can still require flood insurance coverage from a private insurer.

Flood Insurance Maps

- Over 95% of communities located in flood zones participate in the NFIP.
- SFHAs are represented on the flood insurance rate maps (FIRMs) by darkly shaded areas designated with the letter “A” or “V”.

Mandatory Purchase Requirements

Applicability

- Applies to all federally insured credit unions.
- Applies to all federally-regulated lenders and Government Sponsored Enterprises (GSEs) like Fannie Mae or Freddie Mac.

General

- A credit union may not make, increase, extend, or renew any loan on property located in a SFHA unless the building or mobile home and any personal property securing the loan is covered by flood insurance for the term of the loan.
- Contents coverage is not required unless personal property, in addition to the building, secures the loan.

Flood Insurance Requirements

- Acquiring a loan from a mortgage broker or another entity through table funding is considered to be “making a loan” for flood insurance purposes.
- Mandatory purchase requirements apply to both consumer and commercial loans.
- The purchase requirements apply to home equity and second mortgage loans as well as first liens on improved real property.

30-day Waiting Period

- There is normally a 30-day waiting period before flood insurance goes into effect.
- Exceptions apply when coverage is placed in conjunction with initial loan activity or the re-mapping of a community. There is no waiting period if:
 - The initial purchase of flood insurance is in connection with making, increasing, extending or renewing a loan.
 - Coverage becomes effective at the time of the loan, provided the application and presentment of premiums are made at or prior to the loan closing.
 - The initial purchase of flood insurance is made within a one-year period following the revision or update of a FIRM for an NFIP- participating community.

Required Coverage Amounts

If flood insurance is required, the amount of insurance coverage must be equal to the lesser of:

- The outstanding principal balance of the loan
- The maximum limit of coverage available for the particular type of property
- The overall value of the property securing the loan minus the value of the land on which the property is located.

Credit Union Duties

The credit union must comply with flood insurance requirements for as long as they own the loan or if they retain servicing rights to the loan.

Exemptions

Loan Balance

The flood insurance requirement does not apply to property securing a loan with an original principal balance of \$5,000 or less and a repayment term of one year or less.

Flood Insurance Requirements

Detached Structures

Any structure that is a part of any residential property but is detached from the primary residential structure of such property and does not serve as a residence will be exempt from mandatory purchase requirements.

- “A structure that is a part of a residential property” is a structure used primarily for personal, family, or household purposes, and not used primarily for agricultural, commercial, industrial, or other business purposes;
- A structure is “detached” from the primary residential structure if it is not joined by any structural connection to that structure
- “Serve as a residence” shall be based upon the good faith determination of the credit union that the structure is intended for use or actually used as a residence, which generally includes sleeping, bathroom, or kitchen facilities.

Insuring Land

- Mandatory purchase requirements do not apply to vacant land, as the NFIP does not provide flood insurance coverage for vacant land.
- Mandatory purchase requirements apply only if the subject building is actually located in a SFHA

Escrow Requirement

Credit unions must escrow premiums for any required flood insurance (exceptions apply).

Exceptions

- The loan is an extension of credit primarily for business, commercial, or agricultural purposes.
- The loan is in a subordinate position to a senior lien secured by the same residential improved real estate or mobile home for which the borrower has obtained flood insurance coverage (must meet mandatory purchase requirements).
- Flood insurance coverage for the residential improved real estate or mobile home is provided by a condominium association, cooperative, homeowners association, or other applicable group (meets mandatory purchase requirements and is paid for as a common expense).
- The loan is a home equity line of credit.
- The loan is a nonperforming loan, which is a loan that is 90 or more days past due and remains nonperforming until it is permanently modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.
- The loan has a term of not longer than 12 months.

Small lender exception

The required escrow rule does not apply to a credit union:

Flood Insurance Requirements

- That has total assets of less than \$1 billion as of December 31 of either of the two prior calendar years; and
 - Is not required to provide an escrow account for other reasons (for example, a higher priced mortgage loan)
 - Does not have a policy of consistently and uniformly requiring the deposit of taxes, insurance premiums, fees, or any other charges in an escrow account for any loans secured by residential improved real estate or a mobile home.
- **Special rules apply when you no longer qualify for the small lender exception**

Duration of Exceptions

Flood premiums must begin to be escrowed if an exception stops applying.

RESPA

Subject to RESPA disclosure and accounting rules.

Notice

Provide required escrow notice along with the initial flood insurance requirement notice. Use model form!

Escrow Requirement for Residential Loans

Federal law may require a lender or its servicer to escrow all premiums and fees for flood insurance that covers any residential building or mobile home securing a loan that is located in an area with special flood hazards. If your lender notifies you that an escrow account is required for your loan, then you must pay your flood insurance premiums and fees to the lender or its servicer with the same frequency as you make loan payments for the duration of your loan. These premiums and fees will be deposited in the escrow account, which will be used to pay the flood insurance provider.

The Flood Determination Process

Required use of the Standard Flood Hazard Determination Form (SFHDF)

- A credit union must use FEMA's standard flood hazard determination form when determining whether the building or mobile home offered as collateral security for the loan is or will be located in a SFHA.
- The credit union must retain a copy of the completed form, in either hard copy or electronic form, for the period of time the credit union owns the loan.

Use of a Previous Determination

- A previous determination may not be used for a new loan.
- If the loan involves an increase, extension, renewal, or purchase of an existing loan, the determination may be reused if:
 - It is less than 7 years old.

Flood Insurance Requirements

- No new or revised flood insurance rate map has been issued in the interim.

Disputes

- Members may contest a flood hazard determination (if it was conducted in order to comply with the mandatory federal flood insurance purchase requirements) by requesting a review with FEMA.
- Both the borrower and the credit union must jointly submit a review request to the Director of FEMA within 45 days after the borrower is notified that the property is in a SFHA.
- A member may also challenge the accuracy of a flood insurance map. However, this process is not the responsibility of the credit union.
- Regardless of the status of any ongoing dispute by a member, flood insurance coverage is still required until the dispute is resolved.

Determination Fees

- The credit union or its servicer may charge a “reasonable fee” for determining whether the building or mobile home securing the loan is located or will be located in a special flood hazard area.
- A determination fee may also include a fee for life-of-loan monitoring.

Initial Notice

When a credit union makes, increases, extends, or renews a loan secured by a building or a mobile home located or to be located in a SFHA, the credit union must mail or deliver a written notice to the member describing whether or not federal flood insurance is available under NFIP for the collateral securing the loan.

Contents

The written notice must include the following information:

- A warning, in a form approved by FEMA, that the building or the mobile home is or will be located in a special flood hazard area.
- A description of the flood insurance purchase requirements set forth in the Flood Disaster Protection Act of 1973.
- A statement, where applicable, that flood insurance coverage is available under the NFIP and may also be available from private insurers.
- A statement whether federal disaster relief assistance may be available in the event of damage to the building or mobile home caused by flooding in a federally- declared disaster.

Flood Insurance Requirements

**Sample notice in Appendix to the regulation

Timing

The credit union must provide the notice to the member within a reasonable time before the completion of the transaction.

Record Retention

The credit union must retain a record of the notice for as long as it owns the loan.

Forced Placement of Flood Insurance

If a member fails to maintain adequate flood insurance coverage during the term of the loan, the credit union or servicer must:

- Notify the member that flood insurance is required, at the member's expense, in an amount at least equal to the required amount for the remaining term of the loan.
- Force place flood insurance within 45 days after notification if the member fails to obtain adequate insurance

The credit union/servicer may charge the member for the cost of premiums and any fees incurred in purchasing the insurance.

When/how much you can charge the borrower

The credit union may charge the borrower for the cost of premiums and fees incurred in purchasing flood insurance, including premiums or fees incurred for coverage **beginning on the date on which flood insurance coverage lapsed or when the borrower did not provide a sufficient coverage amount.**

Termination of force-placed insurance

Within 30 days of receipt by a credit union of a confirmation of a borrower's existing flood insurance coverage, the credit union shall:

- Notify the insurance provider to terminate any insurance purchased by the credit union
- Refund to the borrower all premiums paid by the borrower for any coverage overlap.

Sufficiency of demonstration

For purposes of confirming a borrower's existing flood insurance coverage, a credit union shall accept from the borrower an insurance policy declarations page that includes the existing flood insurance policy number and the identity of, and contact information for, the insurance company or agent.

Flood Insurance Requirements

Notice of Servicer's Identity

When a credit union makes, increases, extends, renews, sells, or transfers a loan secured by a building or mobile home located or to be located in a special flood hazard area, the credit union must notify FEMA in writing of the identity of the servicer of the loan (notification is submitted through the insurance carrier).

Transfer of Servicing Rights

The credit union must notify FEMA “or its designee” of any change in the servicer of a loan within sixty days after the effective date of the change.

SAFE Act

Applicability

Applies to any Federally-insured credit union and its employees, including volunteers, who act as mortgage loan originators.

De Minimis Exception

- The requirements of the SAFE Act do not apply to any employee of a credit union who has never been registered or licensed through the Registry as a mortgage loan originator if during the past 12 months the employee acted as a mortgage loan originator for five or fewer residential mortgage loans.
- Prior to engaging in mortgage loan origination activity that exceeds the exception limit, a credit union employee must register with the Registry.
- Credit unions are prohibited from engaging in any act or practice to evade the limits of the de minimis exception.

Definitions

Annual Renewal Period

The annual renewal period is November 1 through December 31 of each year.

Mortgage Loan Originator

- An MLO is an individual who:
 - Takes a residential mortgage loan application.
 - Offers or negotiates terms of a residential mortgage loan for compensation or gain.
- An MLO does not include:
 - An individual who performs purely administrative or clerical tasks on behalf of an MLO.
 - An individual who only performs real estate brokerage activities and is licensed or registered as a real estate broker in accordance with applicable State law, unless the individual is compensated by a lender, a mortgage broker, or other mortgage loan originator and meets the definition of an MLO.

SAFE Act

Administrative or Clerical Tasks

Administrative or clerical tasks are the receipt, collection, and distribution of information common for the processing or underwriting of a loan in the residential mortgage industry and communication with a member to obtain information necessary for the processing or underwriting of a residential mortgage loan.

Residential Mortgage Loan

A residential mortgage loan is any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent security interest on a dwelling and includes:

- Refinancings
- Reverse mortgages
- Home equity lines of credit
- Other first and additional lien loans that meet the qualifications listed in this definition

Registration of MLOs

Employee Registration

Each employee of a credit union who acts as a mortgage loan originator must:

- Register with the Registry
- Obtain a unique identifier
- Maintain this registration

Credit Union Requirement

A credit union that employs one or more individuals who act as an MLO must require each employee who is a mortgage loan originator to:

- Register with the Registry
- Maintain registration
- Obtain a unique identifier

A credit union is prohibited from allowing an employee who is subject to the registration requirements to act as a mortgage loan originator unless they are registered with the Registry.

Previous Registration

Employees previously registered or licensed through the registry may move their registration from one employer to another provide that:

SAFE Act

- All employee information is updated on the registry
- New fingerprints of the employee are submitted to the Registry for a background check, unless the employee has fingerprints on file with the Registry that are less than 3 years old
- The registration is active as of the date that the employee is employed by the credit union

Registry Maintenance

- MLOs must renew their registration each year during the annual renewal period (unless initial registration was completed less than 6 months prior to the end of the annual renewal period)
- In addition, MLOs must update the registration within 30 days of any of the following events:
 - A change in the name of the registrant
 - The registrant ceases to be an employee of the credit union
 - MLO information on the registry becomes out of date

Required Employee Information

The following employee information must be submitted to the registry:

- Identifying information, including the employee's
 - Name and any other names used
 - Home address and contact information
 - Principal business location address and business contact information
 - Social security number
 - Gender
 - Date and place of birth
- Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the employee became an employee of the credit union.

SAFE Act

- Convictions of any criminal offense involving dishonesty, breach of trust, or money laundering.
- Civil judicial actions against the employee in connection with financial services-related activities.
- Certain actions or orders by government regulatory agencies.
- Revocation or suspension of the employee's authorization to act as an attorney, accountant, or State or Federal contractor.
- Customer-initiated financial services-related arbitration or civil action against the employee that required action, including settlements, or which resulted in a judgment.
- Fingerprints of the employee, and any appropriate identifying information for submission to the Federal Bureau of Investigation in connection with a State and national criminal history background check.

Required Credit Union Information

A credit union must submit the following categories of information to the Registry:

- Name, main office address, and business contact information
- Internal Revenue Service Employer Tax Identification Number (EIN)
- Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System
- Identification of its primary Federal regulator
- Name(s) and contact information of the individual(s) with authority to act as the credit union's primary point of contact for the Registry
- Name(s) and contact information of the individual(s) with authority to enter required information (this individual and their delegates must not act as mortgage loan originators unless the credit union has 10 or fewer full time or equivalent employees)

Policies and Procedures

- A credit union that employs one or more mortgage loan originators must adopt and follow written policies and procedures designed to assure compliance with the SAFE Act.

SAFE Act

- These policies and procedures must be appropriate to the nature, size, complexity, and scope of the mortgage lending activities of the credit union.
- At a minimum, these policies and procedures must:
 - Establish a process for identifying which employees of the credit union are required to be registered mortgage loan originators
 - Require that all employees of the credit union who are mortgage loan originators be informed of the registration requirements of the SAFE Act and this part and be instructed on how to comply with such requirements and procedures
 - Establish procedures to comply with the unique identifier requirements
 - Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records
 - Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures
 - Provide for independent testing for compliance with this part to be conducted at least annually by credit union personnel or by an outside party
 - Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the SAFE Act, this part, or the credit union's related policies and procedures, including prohibiting such employees from acting as mortgage loan originators or other appropriate disciplinary actions
 - Establish a process for reviewing employee criminal history background reports and maintaining records of these reports and actions taken with respect to applicable employees
 - Establish procedures designed to ensure that any third party with which the credit union has arrangements related to mortgage loan origination has policies and procedures to comply with the SAFE Act

Use of the Unique Identifier

- The credit union is allowed to make the unique identifier(s) of its registered MLOs available to members in a manner and method practicable to the credit union.
- A registered mortgage loan originator shall provide his or her unique identifier to a member

SAFE Act

- Upon request
- Before acting as a mortgage loan originator
- Through the originator's initial written communication with a member, if any, whether on paper or electronic

Regulation Z

Purpose and Scope

The purposes of the Truth and Lending Act and Regulation Z are to:

- To promote the informed use of consumer credit by requiring disclosures about its terms and cost.
- To provide substantive protections for consumers in regards to consumer credit.

Regulation Z applies when four conditions are met:

- The credit is offered or extended to consumers.
- The offering or extension of credit is done regularly.
- The credit is subject to a finance charge or is payable by a written agreement in more than four installments.
- The credit is primarily for personal, family, or household purposes.

Definitions

Business Day

There are two definitions of “business day” that are used throughout Regulation Z:

Definition 1 ①	A day on which the creditor’s offices are open to the public for carrying out substantially all of its business functions.	Applies to: <ul style="list-style-type: none">• Providing the LE after application (3 days)• Providing a revised LE after a change in circumstances (3 days)• Expiration of the LE after delivery (10 days)
Definition 2 ②	All calendar days except Sundays and the legal public holidays.	Applies to: <ul style="list-style-type: none">• Delivery of the LE prior to closing (7 days)• Delivery of revised LE prior to closing (4 days)• Providing the CD prior to closing (3 days)• To ensure receipt of the CD after mailing (3 days)• Providing the Escrow Closing notice prior to cancellation of the escrow account (3 days or 30 days)• To ensure receipt of the Escrow closing notice after mailing (3 days)• Rescission waiting period (3 days)

Dwelling

- A residential structure containing one to four units, even if the structure is not attached to real property.

Regulation Z

- The following may be considered “dwellings” under Reg Z if the person resides there:
 - Individual condominium units
 - Mobile homes
 - Trailers
 - Boats
 - RVs
- The term “principal dwelling” excludes second homes, vacation homes, and other dwellings at which the owner resides only on a temporary basis.

Prepaid Finance Charge

Any finance charge paid separately in cash or by check before or at consummation of a transaction, or withheld from the proceeds of the credit at any time.

Finance Charge

Definition

The cost of consumer credit as a dollar amount:

- Includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit.
- Does not include any charge of a type payable in a comparable cash transaction.

Third Party Charges

The finance charge includes fees and amounts charged by someone other than the creditor, (with some exceptions), if the creditor:

- Requires the use of a third party as a condition of, or incident to the extension of credit, even if the consumer can choose the third party, OR
- Retains a portion of the third-party charge, to the extent of the portion retained.

Closing Agents

Fees charged by a third party that conducts the loan closing (such as a settlement agent, attorney, or escrow or title company) are finance charges only if the creditor:

- Requires the particular services for which the consumer is charged;
- Requires the imposition of the charge; OR

Regulation Z

- Retains a portion of the third-party charge, to the extent of the portion retained.

Mortgage Broker Fees

Fees charged by a mortgage broker are finance charges even if the creditor does not require the consumer to use a mortgage broker and even if the creditor does not retain any portion of the charge.

Examples of Finance Charges

The finance charge includes the following types of charges:

- **Interest**
- Service, transaction and activity charges
- **Points, loan fees, assumption fees, finder's fees, and similar charges**
- Discounts for inducing payment by means other than credit
- Appraisal, investigation, and credit report fees (exceptions apply)
- **Premiums or other charges for any guarantee or insurance protecting the creditor against the consumer's default or other credit loss**
- Charges imposed on a creditor by another person for purchasing or accepting a consumer's obligation, if the consumer is required to pay the charges
- Premiums or other charges for credit life, accident, health, or loss-of-income insurance, written in connection with a credit transaction (exceptions apply)
- Premiums or other charges for insurance against loss of or damage to property written in connection with a credit transaction (exceptions apply)
- Charges or premiums paid for debt cancellation or debt suspension coverage written in connection with a credit transaction (exceptions apply)

Exclusions

Charges excluded from the finance charge include:

- Application fees charged to all applicants for credit, whether or not credit is actually extended.
- Charges for actual unanticipated late payment, for exceeding a credit limit, or for delinquency, default, or a similar occurrence.
- Charges imposed by a financial institution for paying items that overdraw an account, unless the payment of such items and the imposition of the charge were previously agreed upon in writing.

Regulation Z

- Fees charged for participation in a credit plan, whether assessed on an annual or other periodic basis.
- Seller's points (or any other seller paid fees).

Real-Estate Related Fees

The following fees in a transaction secured by real property or in a residential mortgage transaction, if the fees are bona fide and reasonable in amount:

- Fees for title examination, abstract of title, title insurance, property survey, and similar purposes.
- Fees for preparing loan-related documents, such as deeds, mortgages, and reconveyance or settlement documents.
- Notary and credit-report fees.
- Property appraisal fees or fees for inspections to assess the value or condition of the property if the service is performed **prior to closing**, including fees related to pest-infestation or flood-hazard determinations.
- Amounts required to be paid into escrow or trustee accounts if the amounts would not otherwise be included in the finance charge.

Property Insurance Premiums

Premiums for insurance against loss of or damage to property may be excluded from the finance charge if the following conditions are met:

- The insurance coverage may be obtained from a person of the consumer's choice and this fact is disclosed. (A creditor may reserve the right to refuse to accept, for reasonable cause, an insurer offered by the consumer.)
- If the coverage is obtained from or through the creditor, the premium for the initial term of insurance coverage must be disclosed.

Debt Cancellation and Debt Suspension Coverage

Premiums for credit life, accident, health, or loss-of-income insurance may be excluded from the finance charge if the following conditions are met:

- The insurance coverage is not required by the creditor, and this fact is disclosed in writing.
- The premium for the initial term of insurance coverage is disclosed in writing
- The consumer signs or initials an affirmative written request for the insurance after receiving disclosures

Regulation Z

Voluntary Debt Cancellation or Debt Suspension Fees

Charges or premiums paid for debt cancellation coverage for amounts exceeding the value of the collateral securing the obligation may be excluded from the finance charge if the following conditions are met:

- The coverage is not required by the creditor, and this fact is disclosed in writing.
- The fee or premium for the initial term of coverage is disclosed in writing.
- For debt suspension coverage: That the obligation to pay loan principal and interest is only suspended, and that interest will continue to accrue during the period of suspension.
- The consumer signs or initials an affirmative written request for coverage after receiving the disclosures

Security Interest Charges

If itemized and disclosed, taxes and fees prescribed by law that actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest may be excluded from the finance charge.

Loan Originator Rules

Definition

A loan originator (LO) is a person who, in expectation of direct or indirect compensation or other monetary gain, performs any of the following activities:

- Takes an application
- Arranges a credit transaction
- Assists a consumer in applying for credit
- Offers or negotiating credit terms
- Makes an extension of credit
- Refers a consumer to a loan originator or creditor (acts as a broker)
- Advertises or communicates to the public that you can or will perform any loan origination services

The term does not include employees who only perform the following tasks:

- Administrative or clerical tasks on behalf of an LO
- Underwriting

Regulation Z

- Processing
- Credit Approval
- Credit Pricing

Prohibited Payments to LOs

Reg Z:

- Prohibits a loan originator's compensation from being based on the terms of a transaction.
- Permits contributions to and benefits under designated tax-advantaged plans and certain bonuses and other compensation under non-deferred profits-based compensation plans based on mortgage-related business profits.
- Prohibits loan originators in a transaction from being compensated by both a consumer and another person, such as a creditor.

Prohibition on Steering

General Rule

A loan originator must not direct or “steer” a consumer to consummate a transaction based on the fact that the originator will receive greater compensation from the creditor in that transaction than in other transactions the originator offered or could have offered to the consumer, unless the consummated transaction is in the consumer's interest.

Permissible Transactions.

A transaction does not violate Reg Z if the consumer is presented with loan options that meet certain conditions.

1. The loan originator must obtain loan options from a significant number of the creditors with which the originator regularly does business and, for each type of transaction in which the consumer expressed an interest, must present the consumer with loan options that include:
 - The loan with the lowest interest rate
 - The loan with the lowest interest rate without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first 7 years of the life of the loan, a demand feature, shared equity, or shared appreciation; or, in the case of a reverse mortgage, a loan without a prepayment penalty, or shared equity or shared appreciation; and
 - The loan with the lowest total dollar amount of discount points, origination points or origination fees (or, if two or more loans have the same total dollar amount of discount points, origination points or origination fees, the loan

Regulation Z

with the lowest interest rate that has the lowest total dollar amount of discount points, origination points or origination fees)

2. The loan originator must have a good faith belief that the options presented to the consumer are loans for which the consumer likely qualifies.

Loan Originator Qualification Requirements

- In general LOs must be registered “to the extent the individual is required to be registered” under the SAFE Act and its implementing regulations.
- Credit unions must also perform the following due diligence for any LOs hired on or after January 1, 2014:
 - Obtain a criminal background check (NMLS background check ok)
 - Obtain a credit report
 - Obtain information related to any administrative, civil, or criminal determinations by any government jurisdiction (collected on NMLS application)
 - Determine based on information gathered (and any other information available, that the LO:
 - Has not been convicted of, or pleaded guilty to, a felony in a domestic or military court during the preceding seven-year period or, in the case of a felony involving an act of fraud, dishonesty, a breach of trust, or money laundering, at any time.
 - Has demonstrated financial responsibility, character, and general fitness such as to warrant a determination that the individual loan originator will operate honestly, fairly, and efficiently.
 - Provide periodic covering Federal and State law requirements that apply to the individual loan originator's loan origination activities.

Also applies to any LOs the credit union hired before January 10, 2014, but for whom there were no applicable statutory or regulatory background standards in effect at the time

Name and NMLS ID on Loan Documents

For a consumer credit transactions secured by a dwelling, a credit union must include credit union and LO information on certain loan documents.

Information Required

- Credit Union Name

Regulation Z

- Credit Union NMLS ID
- LO Name
- LO NMLS ID

The loan documents that must include the names and NMLS IDs are:

- The credit application
- The note or loan contract
- The security instrument

Advertising

Definition

Messages inviting, offering, or otherwise announcing generally to prospective customers the availability of credit transactions, whether in visual, oral, or print media, are advertisements.

Open-End Credit

Actually Available Terms

If an advertisement for credit states specific credit terms, it must state only those terms that actually are or will be arranged or offered by the creditor.

Trigger Terms

The following terms, stated either affirmatively or negatively in an advertisement trigger additional disclosures:

- Finance Charges
- A description of the circumstances under which a finance charge will be imposed, or how it is to be determined
- APR
- Periodic rate
- Mention of any grace period
- The amounts of any other charges that might be imposed or an explanation of how they would be determined
- The fact that the credit union will acquire a security interest in the property being purchased or in other property identified by item or type

Regulation Z

- A statement outlining the member's billing rights and the credit union's responsibilities.
- The payment terms of a home equity plan, such as the length of the draw period, the prepayment period and the minimum periodic payments.

Required Disclosures if there is a Trigger Term

- Any minimum, fixed, transaction, activity or similar charge that is a finance charge that could be imposed.
- Any periodic rate that may be applied expressed as an annual percentage rate as determined
- If the plan provides for a variable periodic rate, that fact shall be disclosed
- Any membership or participation fee that could be imposed

Misleading Terms

- An advertisement for open-end credit may not refer to an APR as "fixed," or use a similar term, unless the advertisement also states a time period that the rate will be fixed and the rate will not increase during that period.
- An advertisement may not refer to a home-equity plan as "free money" or contain a similarly misleading term.

Special Trigger Term Rules for HELOCs

Home Equity plan advertisements are required to provide additional disclosures if:

- Any of the above trigger terms are stated positively or negatively
- The advertisement sets forth any payment term, positively or negatively. For example:
 - References to the draw period or any repayment period
 - The length of the plan
 - How the minimum payments are determined
 - The timing of payments

Additional HELOC Disclosures

- Any loan fee that is a percentage of the credit limit under the plan (for example, "points") and an estimate of any other fees the credit union imposes for opening the plan, stated as a single dollar amount or a reasonable range.

Regulation Z

- The periodic rate, if any, used to compute the finance charge, expressed as an annual percentage rate.
- The maximum annual percentage rate that may be charged if it is a variable-rate plan.

Other HELOC Advertising Rules

The following advertising rules also apply to HELOCs:

- If an advertisement reflects an initial APR that is not based on an index and margin that will be applied to make later rate adjustments, the advertisement must state:
 - The period of time the advertised rate will be in effect.
 - A reasonably current APR that would be in effect had you used the index and margin (both APRs must be stated with equal prominence).
- If an advertisement states anything about a minimum periodic payment, the advertisement must state with equal prominence and in close proximity to the minimum periodic payment statement:
 - A statement that a balloon payment may result (if applicable).
 - The amount and timing of the balloon payment that will result if the member makes only the minimum payments for the entire time before the balloon payment is required.
- If an advertisement indicates that interest expense incurred under a home equity plan is or may be tax deductible, the reference must be made so that it is not misleading in any respect.
- If a HELOC advertisement distributed in paper form or through the Internet states that the advertised extension of credit may exceed the fair market value of the dwelling, the advertisement must state that:
 - The interest on the portion of the credit extension that is greater than the fair market value of the dwelling is not tax deductible for Federal income tax purposes
 - The member should consult a tax adviser for further information regarding the deductibility of interest and charges
- If any APR that is applied to a plan is a promotional rate, or if any payment applicable to a plan is a promotional payment, the following must be disclosed in any advertisement, other than radio or television advertisements, in a clear and conspicuous manner with equal prominence and in close proximity to each listing of the promotional rate or payment:

Regulation Z

- The period of time during which the promotional rate or promotional payment will apply
- In the case of a promotional rate, any APR that will apply under the plan
- In the case of a promotional payment, the amounts and time periods of any payments that will apply under the plan.

Alternative Disclosures for Television or Radio HELOC Advertisements

A television or radio advertisement for a home equity plan that states any of the open-end credit triggering terms or any of the triggering terms for HELOCs may comply with advertising rules by:

- Stating any periodic rate used to compute the finance charge, expressed as an APR.
- Listing a toll-free telephone number, or any telephone number that allows a member to reverse the phone charges when calling for information along with a reference that the numbers may be used by members to obtain additional cost information.

Closed-End Credit

General

All advertisements must:

- State credit terms that are actually available
- State any rate of finance charge as an APR
- State if the APR can be increased after consummation
- State no other rate except:
 - A simple annual rate or a periodic rate for consumer loans not secured by a dwelling
 - A simple annual rate for credit secured by a dwelling
- Show the simple annual rate or the periodic rate simultaneously with the APR for advertisements made through electronic communication (you can't link to the APR)

Trigger Terms

If an advertisement for a closed-end loan contains any one of the following terms, you must include additional disclosures:

- The amount or percentage of any down payment
- The number of payments or the period of repayment

Regulation Z

- The amount of any payment
- The amount of any finance charge
- The amounts of any other charges you might impose or an explanation of how you would determine them.
- The fact that the credit union will take a security interest in any asset.

Disclosures

An advertisement for closed-end credit that contains one or more of the above trigger terms also must disclose the following:

- The amount or percentage of the down payment
- The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment
- The APR
- For an APR that may be increased after consummation, a statement to that effect

Exceptions

A television or radio advertisement that states any of the closed-end triggering terms may comply by:

- Stating the APR
- Listing a toll-free telephone number, or any telephone number that allows a member to reverse the phone charges when calling for information, along with a reference that the number may be used by members to obtain additional cost information.

Special Advertising Rules for Mortgage Loans

Exceptions

The following disclosures for rates and payments do not apply to television or radio advertisements.

Rates

If an advertisement for a mortgage loan states a simple annual rate of interest and more than one simple annual rate will apply over the term of the loan, the advertisement must disclose the following in a clear and conspicuous manner:

- Each simple annual rate that will apply
- For variable rate transactions, a rate determined by adding an index and margin must be disclosed based upon a reasonably current index and margin

Regulation Z

- The period of time during which each simple annual rate will apply
- The APR for the loan

The above disclosures must be provided with equal prominence and in close proximity to any advertised rate that triggered these disclosures.

Payments

If an advertisement for a mortgage loan states the amount of any payment, the advertisement must disclose the following in a clear and conspicuous manner:

- The amount of each payment that will apply over the term of the loan, including any balloon payment
- In variable-rate transactions, payments that will be determined based upon the application of the sum of an index and margin must be disclosed based on a reasonably current index and margin
- The period of time during which each payment will apply
- In an advertisement for a loan secured by a first lien on a dwelling, the fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater.

Tax implications

In any advertisement for a mortgage loan secured by the member's principal dwelling, that is distributed in paper form or through the Internet, that states that the advertised extension of credit may exceed the fair market value of the dwelling, the advertisement must state that:

- The interest on the portion of the credit extension that is greater than the fair market value of the dwelling is not tax deductible for Federal income tax purposes
- The member should consult a tax adviser for further information regarding the deductibility of interest and charges.

Prohibited Acts or Practices in Advertisements for Mortgage Loans

The following acts or practices are prohibited in advertisements for mortgage loans:

- Misleading advertising of "fixed" rates and payments
- Misleading comparisons in advertisements
- Misrepresentations about government endorsements
- Misleading use of the current lender's name
- Misleading claims of debt elimination
- Misleading use of the term "counselor"

Regulation Z

- Misleading foreign-language advertisements

High Cost Mortgages

Summary

When you originate a high-cost mortgage, you must:

- Give additional disclosures
- Avoid certain loan terms
- Ensure the consumer receives additional protections, including homeownership counseling

Coverage

Applies to consumer credit transactions secured by a consumer's principal dwelling, including:

- Purchase-money mortgages
- Refinances
- Closed-end home equity loans
- Open-end credit plans (i.e., HELOCs)

Exempt transactions:

- Reverse mortgages
- Construction loans

Triggers

A loan can be a HCM if it exceeds certain allowable limits on APR, points and fees or pre-payment penalties.

APR Test

A transaction is a high-cost mortgage if its APR (measured as of the date the interest rate for the transaction is set) exceeds the [Average Prime Offer Rate \(APOR\)](#) for a comparable transaction on that date by more than:

- 6.5 percentage points for first-lien transactions, generally
- 8.5 percentage points for first-lien transactions that are for less than \$50,000 and secured by personal property (e.g., RVs, houseboats, and manufactured homes titled as personal property)

Regulation Z

- 8.5 percentage points for junior-lien transactions

**Get Average Prime Offer Rates Here: <https://ffiec.cfbp.gov/tools/rate-spread>

Points and Fees Test

See Points and Fees Handout

Pre-Payment Penalty Test

A transaction is a high-cost mortgage if you charge a prepayment penalty:

- More than 36 months after consummation or account opening, or
- In an amount more than 2 percent of the amount prepaid

Rules for HCMs

- Pre-closing disclosure at least three days prior to consummation
- No balloon payments (in general)
- No pre-payment penalties
- No due on demand features
- No recommending default on an existing loan to be refinanced by a high-cost mortgage
- No charging fees to modify, defer, renew, extend or amend
- Late fees are restricted to 4 percent of the past due payment, and pyramiding of late fees is prohibited.
- No fees for generation of payoff
- No financing points and fees
- No structuring loans to avoid HOEPA coverage
- ATR for HELOCs
- Proof of Homeownership counseling

Regulation Z

Higher Priced Mortgage Loan Restrictions

Definition

A higher-priced mortgage loan (HPML) is a closed-end consumer credit transaction secured by the consumer's principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set:

- By 1.5 or more percentage points for loans secured by a first lien (standard)
- By 2.5 or more percentage points for loans secured by a first lien (jumbo)
- By 3.5 or more percentage points for loans secured by a subordinate lien

Effects

- QMs will only have a “rebuttable presumption of compliance”
- Full appraisals required for non-QM loans, additional appraisal required for “flipping” transactions
- Restrictions on pre-payment penalties
- Escrow accounts for taxes and insurance are **REQUIRED** for the first five years on first lien loans (exceptions for certain small creditors operating in rural and underserved areas)

Operating in Rural and Underserved Areas

A creditor operates in a rural or underserved area if the creditor originated at least one covered transaction secured by a first lien on a property located in an underserved or rural area during the preceding calendar year.

For loans applications received between January 1 and April 1, the creditor operates in a rural or underserved area if the creditor originated at least one covered transaction on a property located in an underserved or rural area during the preceding two calendar years.

**Use the CFPB’s rural and underserved area tool to determine if a loan was made in a rural or underserved area: <http://www.consumerfinance.gov/rural-or-underserved-tool/>

Valuation Independence

Scope

Generally, the provisions of the rule apply to any valuation of the consumer’s principal dwelling and to any person who performs valuation services or performs valuation management functions. Most of the provisions of the rule are not limited to a licensed or certified appraiser or to a formal appraisal.

Regulation Z

Definitions

Valuation

Valuation means an estimate of the value of the consumer's principal dwelling in written or electronic form, other than one produced solely by an automated model or system.

Valuation Management Function

A Valuation management function includes:

- Recruiting, selecting, or retaining a person to prepare a valuation
- Contracting with or employing a person to prepare a valuation
- Managing or overseeing the process of preparing a valuation, including by:
 - Providing administrative services such as receiving orders for and receiving a valuation
 - Submitting a completed valuation to creditors and underwriters
 - Collecting fees from creditors and underwriters for services provided in connection with a valuation
 - Compensating a person that prepares valuations
 - Reviewing or verifying the work of a person that prepares valuations.

Prohibitions

With regard to valuations and valuation management functions, the regulation prohibits:

- Causing or attempting to cause, through coercion and certain similar acts or practices, the value assigned to the consumer's principal dwelling to be based on a factor other than the independent judgment of the person who prepares the valuation
- The person who performs valuation services or performs valuation management functions from having an interest in the consumer's principal dwelling or the transaction, and
- Extending credit when the creditor knows that the value assigned to the consumer's principal dwelling is based on a factor other than the independent judgment of the person who prepared the valuation, unless the creditor has documented that it has been reasonably diligent in determining that the valuation does not materially misstate or misrepresent the value of the dwelling.

Permitted Actions

The following actions are permitted:

- Asking a person who performs a valuation to consider additional property information, including comparables.
- Requesting more detail, explanation or support for the conclusions in the valuation.
- Asking for correction of errors in the valuation.
- Obtaining multiple valuations and selecting the most reliable one.
- Not paying for the services of a person who prepared a valuation due to breach of contract or inappropriate services.

Regulation Z

Prohibited Conflicts of Interest

No person preparing a valuation or performing valuation management functions for a transaction may have a direct or indirect interest, financial or otherwise, in the property or transaction for which the valuation is or will be performed.

Employees of Credit Unions with assets of more than \$250 million for both of the past two calendar years.

There is not a conflict of interest if:

- The compensation of the person preparing a valuation or performing valuation management functions is not based on the value arrived at in any valuation;
- The person preparing a valuation or performing valuation management functions reports to a person who is not part of the creditor's loan production function, and whose compensation is not based on the closing of the transaction to which the valuation relates AND
- No employee, officer or director in the creditor's loan production function, is directly or indirectly involved in selecting, retaining, recommending or influencing the selection of the person to prepare a valuation or perform valuation management functions, or to be included in or excluded from a list of approved persons who prepare valuations or perform valuation management functions.

Employees of Credit Unions with assets of \$250 million or less for either of the past two calendar years.

There is not a conflict of interest if:

- The compensation of the person preparing a valuation or performing valuation management functions is not based on the value arrived at in any valuation
- The creditor requires that any employee, officer or director of the creditor who orders, performs, or reviews a valuation for a covered transaction abstain from participating in any decision to approve, not approve, or set the terms of that transaction.

Customary and Reasonable Compensation

The rule also requires the payment of reasonable and customary compensation to “fee appraisers.” The term “fee appraiser” includes state-licensed and state-certified appraisers as well as companies that employ state-licensed and state-certified appraisers to perform appraisals and are paid for the performance of those appraisals. The rule provides two alternative ways to obtain a presumption of compliance.

- The first way a creditor may obtain a presumption of compliance is if the rate paid to appraisers is determined by relying on third-party information, including fee schedules, studies and surveys that meet certain requirements.
- The second method to obtain a presumption of compliance is if:
 - The amount of compensation is reasonable in relation to recent rates for appraisals in the area; and
 - The creditor does not take any anticompetitive actions that would affect the rate paid to appraisers, such as price fixing.

Regulation Z

Mandatory Reporting

Finally, the rule requires that creditors or settlement service providers report an appraiser to the appropriate state licensing authorities if they have a reasonable basis to believe the appraiser is failing to comply with USPAP, is violating applicable laws, or is otherwise displaying unethical or unprofessional conduct, if the failure is material enough to significantly affect the value assigned to the consumer's principal dwelling. The reporting must be done within a reasonable period of time after determining that appraiser misconduct has occurred.

HELOCs

Application Disclosure

Form of Disclosures

- Clear and conspicuous
- Grouped together
- Segregated from all unrelated information
- May be provided on the application form or on a separate form.
- The following disclosures may be provided separately from the other required disclosures:
 - The list of conditions under which the creditor may terminate the plan and demand repayment (if the creditor elects to provide this list)
 - Itemization of third party fees
 - Variable rate information
- Disclosures one through four listed below must precede the other required disclosures.

Electronic Applications

For an application that is accessed by the consumer in electronic form, the required disclosures may be provided to the consumer in electronic form on or with the application.

Timing

- The required disclosures and brochure must be provided at the time an application is provided to the consumer.
- The disclosures and the brochure may be delivered or placed in the mail not later than three business days **1** following receipt of a consumer's application in the case

Regulation Z

of applications contained in magazines or other publications, or when the application is received by telephone or through an intermediary agent or broker.

Content

The creditor shall provide the following disclosures, as applicable:

- (1) Retention of information: A statement that the consumer should make or otherwise retain a copy of the disclosures.
- (2) Conditions for disclosed terms:
 - A statement of the time by which the consumer must submit an application to obtain specific terms disclosed and an identification of any disclosed term that is subject to change prior to opening the plan.
 - A statement that, if a disclosed term changes (other than a change due to fluctuations in the index in a variable-rate plan) prior to opening the plan and the consumer therefore elects not to open the plan, the consumer may receive a refund of all fees paid in connection with the application.
- (3) Security interest and risk to home: A statement that the creditor will acquire a security interest in the consumer's dwelling and that loss of the dwelling may occur in the event of default.
- (4) Possible actions by creditor:
 - A statement that, under certain conditions, the creditor may terminate the plan and require payment of the outstanding balance in full in a single payment and impose fees upon termination; prohibit additional extensions of credit or reduce the credit limit; and, as specified in the initial agreement, implement certain changes in the plan.
 - A statement that the consumer may receive, upon request, information about the conditions under which such actions may occur. (Or you can provide a statement of the conditions)
- (5) Payment terms: The payment terms of the plan, including:
 - The length of the draw period and any repayment period.
 - An explanation of how the minimum periodic payment will be determined and the timing of the payments. If paying only the minimum periodic payments may not repay any of the principal or may repay less than the outstanding balance, a statement of this fact, as well as a statement that a balloon payment may result.
 - An example, based on a \$10,000 outstanding balance and a recent annual percentage rate, showing the minimum periodic payment, any balloon payment, and the time it would take to repay the \$10,000 outstanding balance if the consumer made only those payments and obtained no additional extensions of credit.
 - If different payment terms may apply to the draw and any repayment period, or if different payment terms may apply within either period, the disclosures must reflect the different payment terms.

Regulation Z

- (6) Annual percentage rate: For fixed-rate plans, a recent annual percentage rate imposed under the plan and a statement that the rate does not include costs other than interest.
- (7) Fees imposed by creditor: An itemization of any fees imposed by the creditor to open, use, or maintain the plan, stated as a dollar amount or percentage, and when such fees are payable.
- (8) Fees imposed by third parties to open a plan: A good faith estimate, stated as a single dollar amount or range, of any fees that may be imposed by persons other than the creditor to open the plan, as well as a statement that the consumer may receive, upon request, a good faith itemization of such fees. (In lieu of the statement, the itemization of such fees may be provided.)
- (9) Negative amortization: A statement that negative amortization may occur and that negative amortization increases the principal balance and reduces the consumer's equity in the dwelling.
- (10) Transaction requirements: Any limitations on the number of extensions of credit and the amount of credit that may be obtained during any time period, as well as any minimum outstanding balance and minimum draw requirements, stated as dollar amounts or percentages.
- (11) Tax implications: A statement that the consumer should consult a tax advisor regarding the deductibility of interest and charges under the plan.
- (12) Disclosures for variable-rate plans: For a plan in which the annual percentage rate is variable, the following disclosures, as applicable:
 - The fact that the annual percentage rate, payment, or term may change due to the variable-rate feature.
 - A statement that the annual percentage rate does not include costs other than interest.
 - The index used in making rate adjustments and a source of information about the index.
 - An explanation of how the annual percentage rate will be determined, including an explanation of how the index is adjusted, such as by the addition of a margin.
 - A statement that the consumer should ask about the current index value, margin, discount or premium, and annual percentage rate.
 - A statement that the initial annual percentage rate is not based on the index and margin used to make later rate adjustments, and the period of time such initial rate will be in effect.
 - The frequency of changes in the annual percentage rate.
 - Any rules relating to changes in the index value and the annual percentage rate and resulting changes in the payment amount, including, for example, an explanation of payment limitations and rate carryover.
 - A statement of any annual or more frequent periodic limitations on changes in the annual percentage rate (or a statement that no annual limitation exists), as well as a statement of the maximum annual percentage rate that may be imposed under each payment option.
 - The minimum periodic payment required when the maximum annual percentage rate for each payment option is in effect for a \$10,000 outstanding balance, and a statement of the

Regulation Z

earliest date or time the maximum rate may be imposed.

- An historical example, based on a \$10,000 extension of credit, illustrating how annual percentage rates and payments would have been affected by index value changes implemented according to the terms of the plan. The historical example shall be based on the most recent 15 years of index values (selected for the same time period each year) and shall reflect all significant plan terms, such as negative amortization, rate carryover, rate discounts, and rate and payment limitations, that would have been affected by the index movement during the period.
- A statement that rate information will be provided on or with each periodic statement.

(13) Brochure: The home equity brochure published by the Board.

Limitations

Rate Changes

No creditor may, by contract or otherwise change the annual percentage rate unless:

- Such change is based on an index that is not under the creditor's control
- Such index is available to the general public.

Plan Termination

No creditor may, by contract or otherwise, terminate a plan and demand repayment of the entire outstanding balance in advance of the original term unless:

- There is fraud or material misrepresentation by the consumer in connection with the plan
- The consumer fails to meet the repayment terms of the agreement for any outstanding balance
- Any action or inaction by the consumer adversely affects the creditor's security for the plan, or any right of the creditor in such security
- Federal law dealing with credit extended by a depository institution to its executive officers specifically requires that as a condition of the plan the credit shall become due and payable on demand, provided that the creditor includes such a provision in the initial agreement.

Changed Terms

No creditor may, by contract or otherwise, change any term, except that a creditor may:

- Provide in the initial agreement that it may prohibit additional extensions of credit or reduce the credit limit during any period in which the maximum annual percentage rate is reached.

Regulation Z

- A creditor also may provide in the initial agreement that specified changes will occur if a specified event takes place (for example, that the annual percentage rate will increase a specified amount if the consumer leaves the creditor's employment).
- Change the index and margin used under the plan if the original index is no longer available, the new index has an historical movement substantially similar to that of the original index, and the new index and margin would have resulted in an annual percentage rate substantially similar to the rate in effect at the time the original index became unavailable.
- Make a specified change if the consumer specifically agrees to it in writing at that time.
- Make a change that will unequivocally benefit the consumer throughout the remainder of the plan.
- Make an insignificant change to terms.

Prohibit Extensions of Credit

No creditor may, by contract or otherwise, prohibit additional extensions of credit or reduce the credit limit applicable to an agreement during any period, except for the following:

- The value of the dwelling that secures the plan declines significantly below the dwelling's appraised value for purposes of the plan.
- The creditor reasonably believes that the consumer will be unable to fulfill the repayment obligations under the plan because of a material change in the consumer's financial circumstances.
- The consumer is in default of any material obligation under the agreement.
- The creditor is precluded by government action from imposing the annual percentage rate provided for in the agreement.
- The priority of the creditor's security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit line.
- The creditor is notified by its regulatory agency that continued advances constitute an unsafe and unsound practice.

Refund of Fees

A creditor shall refund all fees paid by the consumer to anyone in connection with an application if any term required to be disclosed changes (other than a change due to fluctuations in the index in a variable-rate plan) before the plan is opened and, as a result, the consumer elects not to open the plan.

Regulation Z

Imposition of Nonrefundable Fees

Neither a creditor nor any other person may impose a nonrefundable fee in connection with an application until three business days after the consumer receives the required disclosures and brochure.

Account Opening Disclosures

The following disclosures are required before the first transaction is made under the plan:

- Finance charge: The circumstances under which a finance charge will be imposed and an explanation of how it will be determined, as follows:
 - A statement of when finance charges begin to accrue
 - An explanation of whether or not any time period exists within which any credit extended may be repaid without incurring a finance charge.
 - A disclosure of each periodic rate that may be used to compute the finance charge, the range of balances to which it is applicable, and the corresponding annual percentage rate.
 - If a creditor offers a variable-rate plan, the creditor shall also disclose: the circumstances under which the rate(s) may increase, any limitations on the increase, and the effect(s) of an increase.
 - When different periodic rates apply to different types of transactions, the types of transactions to which the periodic rates shall apply shall also be disclosed.
 - An explanation of the method used to determine the balance on which the finance charge may be computed.
 - An explanation of how the amount of any finance charge will be determined, including a description of how any finance charge other than the periodic rate will be determined.
- Other charges: The amount of any charge other than a finance charge that may be imposed as part of the plan, or an explanation of how the charge will be determined.
- The following disclosures from the application disclosure:
 - The statement of the conditions under which the creditor may take certain action
 - The payment information for both the draw period and any repayment period.
 - The statement that negative amortization may occur
 - The statement of any transaction requirements
 - The statement regarding the tax implications
 - The statement that the annual percentage rate imposed under the plan does not include costs other than interest
 - The variable-rate disclosures
 - The \$10,000 representative payment example (unless the application disclosure were in a

Regulation Z

form the consumer could keep and included a representative payment example for the category of payment option chosen by the consumer.)

- Security Interest: The fact that the creditor has or will acquire a security interest in the property purchased under the plan, or in other property identified by item or type.
- Statement of billing rights: A statement that outlines the consumer's rights and the creditor's responsibilities (Model Notices: May use either form G-3 or G-3(A)).

Rescission

Applicable Transactions

The right of rescission (ROR) is applicable to any open-end credit plan in which the credit union will retain or acquire a security interest (usually in the form of a mortgage) in a member's principal dwelling.

Procedure

The ROR encompasses three distinct steps:

- (1) Provide rescission notice.
- (2) Delay performance (funding) during the ROR period (three business days²).
- (3) After the rescission period expires, fund the loan or give the member access to the line of credit.

Notice

- Each person who is entitled to rescind a transaction must receive notice of that right.
- The person who is entitled to rescind is the member whose principal residence is or will be subject to the security interest.
- Where a property is owned by more than one person, each owner must receive the notice.
- If the borrower is not the owner of the residence, and a non-borrower pledges his or her principal residence as collateral security for the line of credit, then notice must be given to the non-borrower.
- Each person entitled to rescind must get two copies of the notice.
- Model notices are available.

Regulation Z

Rescission Time Period

A member's right to rescind begins on the day of the occurrence that gave rise to the right (for example, when a credit plan is opened or a loan is consummated), and it expires at midnight on the third business day² after the late of:

- The occurrence
- Delivery of the notice(s) of right of rescission
- Delivery of all material disclosures (Final HELOC disclosure)

Three-year Rescission Period

If your credit union fails to supply the member with the right of rescission notice or the material disclosures, prior to funding, the right of rescission does not expire until:

- Three years after the occurrence that gave rise to the right to rescind, OR
- When the member sells or transfers the property, if that event occurs before the three-year period has expired.

Member's Procedure for Rescission

- A member exercises his or her right of rescission by notifying the credit union of this decision in writing.
- Notification is deemed given when mailed or filed for telegraphic transmission.
- If another means for delivery is used, the notice is deemed given when delivered to the credit union's designated place of business.

Credit Union's Procedure for Rescission

- When a member exercises his or her right within the three-business-day period, the credit union's security interest in the property automatically becomes void, and the member is not liable to the credit union for any amount, including any finance charge.
- The credit union must take back any money it has provided to anyone and take any steps necessary to reflect termination of the security interest.

Waiver of the Right of Rescission

- Members are permitted to waive the right of rescission when there is a bona fide personal emergency.
- The member must provide a dated written statement, signed by everyone who has the right to rescind, describing the emergency and specifically waiving the right to rescind.

Regulation Z

- This statement cannot be provided on a preprinted form.

Closed End Disclosures

Early Variable Rate Disclosures

Early Variable Rate Disclosures (Early ARM Disclosures) are required if the annual percentage rate may increase after consummation in a transaction secured by the consumer's principal dwelling with a term greater than one year.

Timing

- Early ARM disclosures must be provided at the time an application form is provided or before the consumer pays a non-refundable fee, whichever is earlier.
- Disclosures may be delivered or placed in the mail not later than three business days¹ following receipt of a consumer's application when the application reaches the creditor by telephone, or through an intermediary agent or broker.

Electronic Disclosures

If an application that is accessed by the consumer in electronic form, provide the early ARM disclosure in electronic form on or with the application.

Content of Disclosures

The following disclosures must be provided:

CHARM Booklet

Provide the booklet titled “Consumer Handbook on Adjustable Rate Mortgages” published by the Federal Reserve Board and the Federal Home Loan Bank Board, or a suitable substitute.

Loan Program Disclosure

Provide a loan program disclosure for each variable-rate program in which the consumer expresses an interest that includes the following information:

- The fact that the interest rate, payment, or term of the loan can change.
- The index or formula used in making adjustments, and a source of information about the index or formula.
- An explanation of how the interest rate and payment will be determined, including an explanation of how the index is adjusted, such as by the addition of a margin.
- A statement that the consumer should ask about the current margin value and current interest rate.
- The fact that the interest rate will be discounted, and a statement that the consumer should ask about the amount of the interest rate discount.

Regulation Z

- The frequency of interest rate and payment changes.
- Any rules relating to changes in the index, interest rate, payment amount, and outstanding loan balance including, for example, an explanation of interest rate or payment limitations, negative amortization, and interest rate carryover.
- Either of the following:
 - A historical example, based on a \$10,000 loan amount, illustrating how payments and the loan balance would have been affected by interest rate changes implemented according to the terms of the loan program disclosure.
 - The example must reflect the most recent 15 years of index value.
 - The example must reflect all significant loan program terms, such as negative amortization, interest rate carryover, interest rate discounts, and interest rate and payment limitations, that would have been affected by the index movement during the period.
 - The maximum interest rate and payment for a \$10,000 loan originated at the initial interest rate (index value plus margin, adjusted by the amount of any discount or premium) in effect as of an identified month and year for the loan program disclosure assuming the maximum periodic increases in rates and payments under the program; and the initial interest rate and payment for that loan and a statement that the periodic payment may increase or decrease substantially depending on changes in the rate.
- An explanation of how the consumer may calculate the payments for the loan amount to be borrowed based on either:
 - The most recent payment shown in the historical example
 - The initial interest rate used to calculate the maximum interest rate and payment
- The fact that the loan program contains a demand feature.
- The type of information that will be provided in notices of adjustments and the timing of such notices.
- A statement that disclosure forms are available for the creditor's other variable-rate loan programs.

Regulation Z

Special Information Booklet

Creditors must provide the special information booklet to a consumer who applies for a consumer credit transaction secured by real property.

Timing

Deliver or place in the mail the special information booklet not later than three business days **1** after the consumer's application is received.

Denied or Withdrawn Loans

If the application is denied or withdrawn before the end of the three-business-day period, you don't need to provide the booklet.

Exceptions

You do not need to provide the booklet in the following circumstances

- HELOCs
- Refinancing transactions
- Closed-end loans secured by a subordinate lien
- Reverse mortgages.

Loan Estimate

Coverage

The TILA-RESPA Integrated Disclosures must be used to disclose **most closed-end consumer credit transactions secured by real property**, including:

- First liens
- Subordinate liens
- Construction-permanent loans
- Construction-only loans
- Loans secured by vacant land

The rule does not apply to:

- HELOCs
- Reverse mortgages
- Mortgages secured by a mobile home or by a dwelling that is not attached to real property

General Requirements

- The Loan Estimate must contain a good faith estimate of credit costs and transaction terms.
- Make the disclosure based on the best information reasonably available at the time the disclosure is provided to the consumer.
- Use of the model form is required.

Regulation Z

Delivery

- Deliver or place in the mail no later than the third business day ① after receiving the consumer's application.
- Deliver or place in the mail no later than the seventh business day ① before consummation of the transaction.

Waiver

The consumer may modify or waive the seven-business-day waiting period if the consumer has a bona-fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period. The waiver must:

- Be written and dated
- Be prepared by the consumer (don't use pre-printed forms)
- Describe the emergency and specifically waive the waiting period
- Be signed by all consumers primarily liable on the legal obligation

Application

An application that triggers the obligation to provide a loan estimate consists of the submission of the following six pieces of information:

1. The consumer's name
2. The consumer's income
3. The consumer's social security number to obtain a credit report
4. The property address
5. An estimate of the value of the property
6. The mortgage loan amount sought.

An application may be submitted in written or electronic format and includes a written record of an oral application.

Permissible Fees Prior to Loan Estimate Delivery

You may not impose any fee on a consumer in connection with the consumer's application for a mortgage transaction until the consumer has received the Loan Estimate **and** has indicated intent to proceed with the transaction (except for a reasonable fee for obtaining a consumer's credit report).

Intent to Proceed

- A consumer can indicate an intent to proceed with the transaction in any manner after the Loan Estimate has been delivered.
- The creditor can require a certain method.
- A consumer's silence is not indicative of intent to proceed.
- **The creditor must document this communication to satisfy record retention requirements.**

Other Cost Estimates

Creditors are permitted to provide other types of cost estimates prior to providing the Loan Estimate. However, such cost estimates **MUST**:

Regulation Z

- State “Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing the loan.”
- Must be in font size no smaller than 12-point font.
- May not have headings, content, and format substantially similar to the Loan Estimate or the Closing Disclosure.

Loan Estimate Page 1

General Information

FICUS BANK		Save this Loan Estimate to compare with your Closing Disclosure.	
4321 Random Boulevard • Somecity, ST 12340			
Loan Estimate			
DATE ISSUED	2/15/2013	LOAN TERM	30 years
APPLICANTS	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345	PURPOSE	Purchase
PROPERTY	456 Somewhere Avenue Anytown, ST 12345	PRODUCT	Fixed Rate
SALE PRICE	\$180,000	LOAN TYPE	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID #	123456789
		RATE LOCK	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 4/16/2013 at 5:00 p.m. EDT <i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT</i>

- **Date Issued:** The date the Loan Estimate is mailed or delivered to the consumer
- **Applicants:** Each Applicant’s name and mailing address (can add an extra page)
- **Property:** The address of the property (which must include the zip code) that will secure the transaction (can use a description, including a zip code for new construction)
- **Sale Price, Appraised Value or Estimated Value:** Use the sales price for a purchase money mortgage, use Appraised Value or Estimated Value for transactions without a seller
- **Loan Term:** In years (list odd months for uneven loan terms)
- **Purpose:** Disclose the loan purpose using one of four descriptions: Purchase, Refinance, Construction, or Home Equity Loan
- **Product:** You are required to include two pieces of information in this disclosure:
 - Any payment feature that may change the periodic payment, which includes Negative Amortization, Interest Only, Step Payment, Balloon Payment (include number of years), or Seasonal Payment.
 - Whether the loan uses an Adjustable Rate, Step Rate, or Fixed Rate to determine the interest rate applied to the principal balance.
- **Loan Type:** Loan Type is the type of the loan, such as Conventional, FHA or VA
- **Loan ID#:** The creditor’s loan identification number (must be unique to the transaction)
- **Rate Lock:** Indicate Yes or No.
 - When the interest rate is locked at the time of the Loan Estimate’s delivery, disclose the date and time (including the applicable time zone) when the lock period ends
 - Disclose the date and time (including the applicable time zone) at which the estimated closing costs expire

Regulation Z

Loan Terms

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
	Does the loan have these features?	
Prepayment Penalty	YES	• As high as \$3,240 if you pay off the loan during the first 2 years
Balloon Payment		NO

- **Loan Amount:**
 - Disclose the loan amount and indicate whether or not it can increase after closing
 - See additional information and samples on the CFPB website if you will originate a loan with negative amortization
- **Initial Interest Rate:**
 - Disclose the initial interest rate and indicate whether or not it can increase after closing
 - For adjustable rate loans, also disclose:
 - The frequency of interest rate adjustments
 - The date when the interest rate may first adjust
 - The maximum interest rate
 - The first date when the interest rate can reach the maximum interest rate
 - Reference the Adjustable Interest Rate (AIR) Table on page 2 of the Loan Estimate.
- **Initial Monthly Principal & Interest amount**
 - Disclose the initial monthly principal and interest amount and indicate whether or not it can increase after closing
 - For loans with adjustable payments, also disclose:
 - The scheduled frequency of adjustments
 - Due date of the first adjustment
 - The maximum possible amount (and the earliest date it can occur) of the Monthly Principal & Interest.
 - Reference the Adjustable Payment (AP) Table on page 2.
 - See additional information and samples on the CFPB website if you will originate a loan with interest only payments
- **Prepayment Penalty:**
 - Is a charge imposed for paying all or part of a transaction's principal before the date on which the principal is due
 - It does not include a waived third-party charge that the creditor imposes if the consumer prepays the loan's entire principal sooner than 36 months after closing

Regulation Z

- See additional information and samples on the CFPB website if you will originate a loan with a prepayment penalty
- **Balloon Payment:** Disclose the maximum amount of the Balloon Payment and the due date of such payment. For example: “You will have to pay \$149,263 at the end of year 7.”

Projected Payments

Projected Payments			
Payment Calculation	Years 1-7		Years 8-30
Principal & Interest	\$761.78		\$761.78
Mortgage Insurance	+	82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+	206	+ 206
Estimated Total Monthly Payment	\$1,050		\$968
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner’s Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	In escrow? YES YES

- **Principal & Interest:**
 - Use the interest rate that will apply at closing, including any initial discounted or premium interest rate (use the fully indexed rate if not known)
 - Add a column to show the amount of the periodic payments after the following triggering events:
 - Event:
 - Interest rate payment adjustments (payment range is permitted, see example)
 - Negative Amortization (see CFPB website for example)
 - Interest Only Payments (see CFPB website for example)
 - Scheduled Balloon Payment (use “final payment as column heading, see example)
 - Termination of mortgage insurance premiums
 - Maximum of four columns is permitted (see CFPB website for additional information if there are more than four triggering events)
- **Mortgage Insurance:** Disclose the maximum amount payable as Mortgage Insurance that corresponds to the Principal & Interest payment shown in the same column
- **Estimated Escrow:** Disclose the amount the consumer will pay into an escrow account each month
- **Estimated Total Monthly Payment**
- **Estimated Taxes, Insurance, & Assessments:** disclose the total monthly amount due for:
 - Property Taxes

Regulation Z

- Homeowner's Insurance
- HOA fees
- Ground rent

Costs at Closing

Costs at Closing		
Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Estimated Cash to Close	\$16,054	Includes Closing Costs. <i>See Calculating Cash to Close on page 2 for details.</i>

- Total Closing Costs are also itemized to show from page 2 of the Loan Estimate:
 - The total of the Loan Costs table
 - The total of the Other Costs table
 - Lender Credits in the Total Closing Costs subheading.
- The Estimated Cash to Close is the same as the Estimated Cash to Close, from the Calculating Cash to Close table on page 2 of the Loan Estimate.

Alternate Cost at Closing Table when there is no seller:

Costs at Closing		
Estimated Closing Costs	\$5,099	Includes \$3,521 in Loan Costs + \$2,078 in Other Costs – \$500 in Lender Credits. <i>See page 2 for details.</i>
Estimated Cash to Close	\$24,901	Includes Closing Costs. <i>See Calculating Cash to Close on page 2 for details.</i> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower

Regulation Z

Loan Estimate Page 2

Loan Costs

Loan Costs	
A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097
B. Services You Cannot Shop For	
	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110
C. Services You Can Shop For	
	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender’s Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261
D. TOTAL LOAN COSTS (A + B + C)	\$5,672

- **A: Origination Charges:**
 - Points
 - Other fees paid directly to the loan originator

Regulation Z

- **B: Services you Cannot Shop For:** Include all fees paid to third parties that the borrower is not permitted to shop for
- **C: Services you Can Shop For:** Include all fees paid to third parties that the borrower can shop for
- **D: Total Loan Costs**

Other Costs

Other Costs	
E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepays	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211
H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017
I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382

- **E: Taxes and Other Government Fees:** Recording fees
- **F: Prepays:** are items to be paid by the consumer **in advance** of the first scheduled payment of the loan.
 - Each item must include the applicable time period covered and the total amount to be paid.
 - Prepays include:
 - Homeowner's Insurance Premium
 - Mortgage Insurance Premium
 - Prepaid Interest
 - Property Taxes
 - A maximum of three additional items
- **G: Initial Escrow Payment at Closing**

Regulation Z

- **H: Other:** Includes items in connection with the transaction that the consumer is likely to pay or has contracted with a person other than the creditor or loan originator to pay at closing and of which the creditor is aware at the time of issuing the Loan Estimate, such as:
 - Separate insurance
 - Warranty
 - Owner’s title insurance
 - Credit life insurance
 - Debt suspension or cancellation coverage
 - Warranties of home appliances and systems
- **Total Other Costs**

Total Closing Costs

J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$8,054
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$16,054

Alternate Closing Cost table when there is no seller:

J. TOTAL CLOSING COSTS	\$5,099
D + I	\$5,599
Lender Credits	– \$500
Calculating Cash to Close	
Loan Amount	\$150,000
Total Closing Costs (J)	– \$5,099
Estimated Total Payoffs and Payments	– \$120,000
Estimated Cash to Close <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	\$24,901
Estimated Closing Costs Financed (Paid from your Loan Amount)	\$5,099

Additional Tables for Adjustable Rates and/or Payments:

Regulation Z

Adjustable Payment (AP) Table		Adjustable Interest Rate (AIR) Table	
Interest Only Payments?	YES for your first 60 payments	Index + Margin	MTA + 4%
Optional Payments?	NO	Initial Interest Rate	4%
Step Payments?	NO	Minimum/Maximum Interest Rate	3.25%/12%
Seasonal Payments?	NO	Change Frequency	
Monthly Principal and Interest Payments		First Change	Beginning of 61st month
First Change/Amount	\$1,028 – \$1,359 at 61st payment	Subsequent Changes	Every 36th month after first change
Subsequent Changes	Every three years	Limits on Interest Rate Changes	
Maximum Payment	\$2,068 starting at 169th payment	First Change	2%
		Subsequent Changes	2%

Loan Estimate Page 3

Contact Information

Additional Information About This Loan			
LENDER	Ficus Bank	MORTGAGE BROKER	
NMLS/ __ LICENSE ID		NMLS/ __ LICENSE ID	
LOAN OFFICER	Joe Smith	LOAN OFFICER	
NMLS/ __ LICENSE ID	12345	NMLS/ __ LICENSE ID	
EMAIL	joesmith@ficusbank.com	EMAIL	
PHONE	123-456-7890	PHONE	

Comparisons

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	\$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs. \$15,773 Principal you will have paid off.
Annual Percentage Rate (APR)	4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

- **In 5 Years:** In 5 Years includes the following information:
 - The total amount the consumer will have paid in principal, interest, mortgage insurance, and loan costs paid through the end of the 60th month after the due date of the first periodic payment
 - The amount of principal paid through the end of the 60th month after the due date of the first periodic payment
- **Annual Percentage Rate (APR)**
- **Total Interest Percentage (TIP):** The TIP is the total amount of interest that the consumer will pay over the loan term, expressed as a percentage of the loan amount.

Regulation Z

Other Considerations

Other Considerations	
Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

New Construction: In transactions involving new construction, this page may include a clear and conspicuous statement that the creditor may issue a revised disclosure any time prior to 60 days before consummation, if the creditor reasonably expects that settlement will occur more than 60 days after the provision of the initial Loan Estimate.

Confirm Receipt

Confirm Receipt			
By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.			
Applicant Signature	Date	Co-Applicant Signature	Date

Confirmation of Receipt of the Loan Estimate is OPTIONAL. But if you have the loan applicants confirm receipt, it has to look like this!

Loan Estimate Accuracy Requirements

A Good Faith Estimate of Charges

Whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the consumer in the Closing Disclosure.

- **Generally**, if the charge paid by or imposed on the consumer **exceeds** the amount originally disclosed on the Loan Estimate it is not in good faith, regardless of whether the creditor later discovers a technical error, miscalculation, or underestimation of a charge.
- A Loan Estimate is considered to be in good faith if the creditor charges the consumer **less** than the amount disclosed on the Loan Estimate, without regard to any tolerance limitations.

Regulation Z

Tolerance Levels

Tolerance	Description	Subject Costs
100%	You are permitted to charge consumers more than the amount disclosed on the Loan Estimate without any tolerance limitation based on the best information reasonably available to the creditor at the time the disclosure was provided.	<ul style="list-style-type: none"> • Prepaid interest • Property insurance premiums • Amounts placed into an escrow • Services required by the creditor if the creditor permits the consumer to shop and the consumer selects a third-party service provider not on the creditor's written list of service providers. • Charges paid to third-party service providers for services not required by the creditor (for example, an HOA fees)
10%	Charges for third-party services and recording fees paid by or imposed on the consumer are grouped together and subject to a 10% cumulative tolerance.	<ul style="list-style-type: none"> • Recording fees • Charges for third-party services where: <ul style="list-style-type: none"> ○ The charge is not paid to the creditor or the creditor's affiliate ○ The consumer is permitted by the creditor to shop for the third-party service, and the consumer selects a third-party service provider on the creditor's written list of service providers.
0%	Creditors are not permitted to charge consumers more than the amount disclosed on the Loan Estimate under any circumstances other than changed circumstances that permit a revised Loan Estimate	<ul style="list-style-type: none"> • Fees paid to the creditor, mortgage broker, or an affiliate of either • Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop for a third party service provider for a settlement • Transfer taxes

****Note:** The creditor should compare the sum of the charges actually paid by or imposed on the consumer with the sum of the estimated charges on the Loan Estimate that are actually performed. If a service is not performed, the estimate for that charge should be removed from the total amount of estimated charges. ******

Shopping and the Written List of Providers

- If the consumer is permitted to shop for a settlement service, the creditor must provide the consumer with a written list of services for which the consumer can shop.
- This written list of providers is **separate** from the Loan Estimate, but must be provided within the same time frame.
- The list must:
 - Identify at least **one** available settlement service provider for each service; and
 - State that the consumer may choose a different provider of that service.
- You may also provide a list of providers those services for which the consumer is not permitted to shop, as long as those services are clearly and conspicuously distinguished
- A model form is available

Regulation Z

Exceeded Tolerance Thresholds

If the amounts paid by the consumer at closing exceed the amounts disclosed on the Loan Estimate beyond the applicable tolerance threshold, the creditor **must refund the excess** to the consumer no later than 60 calendar days after consummation.

- For charges subject to zero tolerance, any amount charged beyond the amount disclosed on the Loan Estimate must be refunded to the consumer.
- For charges subject to a 10% cumulative tolerance, to the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the Loan Estimate by more than 10%, the difference must be refunded to the consumer.

Revisions and Corrections to the Loan Estimate

- Creditors generally are bound by the Loan Estimate and may not issue revisions to Loan Estimates because they later discover technical errors, miscalculations, or underestimations of charges.
- Creditors are permitted to provide to the consumer revised Loan Estimates only in certain specific circumstances:
 - Changed circumstances cause estimated settlement charges to increase more than is permitted
 - Changed circumstances affect the consumer's creditworthiness or the value of the property securing the loan and cause a consumer to be ineligible for an estimated charge previously disclosed to the consumer
 - Revisions to the credit terms or the settlement are requested by the consumer
 - The interest rate was not locked when the Loan Estimate was provided, and locking the rate causes the points or lender credits disclosed on the Loan Estimate to change
 - The consumer indicates an intent to proceed with the transaction more than 10 business days¹ after the Loan Estimate was originally provided

Changed Circumstances

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction
- Information specific to the consumer or transaction that the creditor relied upon when providing the Loan Estimate and that was inaccurate or changed after the disclosures were provided
- New information specific to the consumer or transaction that the creditor did not rely on when providing the Loan Estimate.

Timing for Revisions to Loan Estimate

- A creditor must deliver or place in the mail the revised Loan Estimate to the consumer no later than three business days¹ after receiving the information sufficient to establish a changed circumstance.
- The creditor may not provide a revised Loan Estimate on or after the date it provides the Closing Disclosure.
- The creditor must ensure that the consumer receives the revised Loan Estimate no later than four business days² prior to consummation (the "plus 3 business days²"



Regulation Z

rule applies when mailing)

- You can rely on evidence that the consumer received the revised Loan Estimate earlier

Closing Disclosure

General Requirements

- The Closing Disclosure generally must contain the actual terms and costs of the transaction
- The Closing Disclosure must be in writing
- Use of the model form is required

Delivery

- The creditor is generally required to ensure that the consumer receives the Closing Disclosure no later than three business days **2** before consummation of the loan.
- If the closing disclosure is mailed or delivered electronically, the consumer is considered to have received the Closing Disclosure three business days **2** after it is delivered or placed in the mail.
- If you have evidence that the consumer received the Closing Disclosure earlier than three business days **2** after it is mailed or delivered, you may rely on that evidence and consider it to be received on that date.



Waiver of Waiting Period

A loan may not be consummated less than three business days **2** after the Closing Disclosure is **received** by the consumer. If a settlement is scheduled during the waiting period, the creditor generally must postpone settlement, unless a settlement within the waiting period is necessary to meet a bona fide personal financial emergency.

The consumer may modify or waive the three-business-day **2** waiting period if the consumer has a bona-fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period. The waiver must:

- Be written and dated
- Be prepared by the consumer (don't use pre-printed forms)
- Describe the emergency and specifically waive the waiting period
- Be signed by all consumers primarily liable on the legal obligation

Use of Estimates

- You may estimate disclosures using the best information reasonably available when the actual term or cost is not reasonably available at the time the disclosure is made.
- You must act in good faith and use due diligence in obtaining the information.
- Provide corrected disclosures containing the actual terms of the transaction at or before consummation.

Regulation Z

Revisions

Creditors must redisclose terms or costs on the Closing Disclosure if certain changes occur to the transaction after the Closing Disclosure was first provided that cause the disclosures to become inaccurate. There are three categories of changes that require a corrected Closing Disclosure containing all changed terms.

Changes before consummation that require a new 3 day waiting period	<ul style="list-style-type: none">• The APR become inaccurate• The loan product changes• A pre-payment penalty is added
Changes before consummation that do not require a new 3 day waiting period	Any other changes (consumer can request to see these changes 1 business day ¹ prior to consummation.)
Post-consummation changes within 30 days of settlement	Provide a corrected Closing Disclosure if an event in connection with the settlement causes the Closing Disclosure to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed.

Valid Change in Circumstance After the Closing Disclosure has been Provided

- Typically, lenders can re-set closing cost tolerances in response to a valid change in circumstance by providing a revised Loan Estimate with in three business days² of the change.
- A revised loan estimate cannot be provided after the Closing Disclosure has been provided.
- If a valid change in circumstance occurs after the Closing Disclosure has been provided, but prior to closing, closing cost tolerances can be re-set by providing an updated Closing Disclosure to the borrower.
- Post-Closing Disclosure closing costs can be reset regardless of how many days elapse between provision of the Closing Disclosure and closing.
- Like providing a revised Loan Estimate, in order to use the Closing Disclosure to reset tolerances, the revised Closing Disclosure must be provided within three business days² of receiving information sufficient to establish that a changed circumstance or another triggering event has occurred.

Revising Clerical Errors and Refunding Tolerance Violations

Creditors also must provide a revised Closing Disclosure to correct non-numerical clerical errors and document refunds for tolerance violations no later than 60 calendar days after consummation.

Rescindable Transactions

- In rescindable transactions, the Closing Disclosure must be given separately to each consumer who has the right to rescind.
- In transactions that are not rescindable, the Closing Disclosure may be provided to any consumer with primary liability on the obligation.

Regulation Z

Closing Disclosure Page 1

Closing Information

Closing Information	
Date Issued	4/15/2013
Closing Date	4/15/2013
Disbursement Date	4/15/2013
Settlement Agent	Epsilon Title Co.
File #	12-3456
Property	456 Somewhere Ave Anytown, ST 12345
Sale Price	\$180,000

- **Date Issued:** Date the Closing Disclosure is delivered to the consumer
- **The Closing Date**
- **The Disbursement Date**
- **The name of the Settlement Agent**
- **File #:** The settlement agent's file number,
- **The Property address or location**
- **Sales Price, Appraised or Estimated Prop. Value:**
 - Sale Price (purchase price)
 - Appraised Prop. Value (from appraisal on transactions where there is no seller)
 - Estimated Prop. Value. (from informal valuation on transactions where there is no seller)

Transaction Information

Transaction Information	
Borrower	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345
Seller	Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345
Lender	Ficus Bank

- **Borrower name and address**
- **Seller name and address**
- **Lender Name**

Regulation Z

Loan Information

Loan Information	
Loan Term	30 years
Purpose	Purchase
Product	Fixed Rate
Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
Loan ID #	123456789
MIC #	000654321

- **Loan Term, Purpose, Product, Loan Type & loan ID:** Use same instructions from Loan Estimate, but update them as necessary to reflect the final terms of the transaction.
- **MIC:** Mortgage insurance case number, if required by the creditor.

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty		YES • As high as \$3,240 if you pay off the loan during the first 2 years
Balloon Payment		NO

The Loan Terms table on the Closing Disclosure discloses the same information required to be disclosed on the Loan Estimate, updated to reflect the terms of the legal obligation at consummation.

Regulation Z

Projected Payments

Projected Payments			
Payment Calculation	Years 1-7		Years 8-30
Principal & Interest		\$761.78	\$761.78
Mortgage Insurance	+	82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+	206.13	+ 206.13
Estimated Total Monthly Payment		\$1,050.26	\$967.91
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i> <i>See page 4 for details</i>	\$356.13 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	In escrow? YES YES NO

The Projected Payments table on the Closing Disclosure discloses the same information required to be disclosed on the Projected Payments table disclosed on the Loan Estimate, updated to reflect the terms of the legal obligation at consummation.

Costs at Closing

Costs at Closing	
Closing Costs	\$9,712.10 Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. <i>See page 2 for details.</i>
Cash to Close	\$14,147.26 Includes Closing Costs. <i>See Calculating Cash to Close on page 3 for details.</i>

- **Closing Costs:**
 - The total amount disclosed as Total Closing Costs in the Other Costs table disclosed on page 2 of the Closing Disclosure.
 - Itemization of Total Loan Costs, the Total Other Costs, and Lender Credits from the Total Closing Costs subheading disclosed on page 2 of the Closing Disclosure
- **Cash to Close:** The estimated amount of cash the consumer will pay at, or receive from, closing as Cash to Close. This amount is the same as the Cash to Close calculated in the Calculating Cash to Close table on page 3 of the Closing Disclosure.

Regulation Z

Alternate Cost at Closing Table for transactions where there is no seller:

Costs at Closing	
Closing Costs	\$5,757.57 Includes \$3,495.50 in Loan Costs + \$2,762.07 in Other Costs – \$500 in Lender Credits. See page 2 for details.
Cash to Close	\$29,677.43 Includes Closing Costs. See Calculating Cash to Close on page 3 for details. <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower

Closing Disclosure Page 2

Closing Cost Details

Closing Cost Details		Borrower-Paid		Seller-Paid		Paid by Others
Loan Costs		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges		\$1,802.00				
01	0.25 % of Loan Amount (Points)	\$405.00				
02	Application Fee	\$300.00				
03	Underwriting Fee	\$1,097.00				
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		\$236.55				
01	Appraisal Fee to John Smith Appraisers Inc.					\$405.00
02	Credit Report Fee to Information Inc.		\$29.80			
03	Flood Determination Fee to Info Co.	\$20.00				
04	Flood Monitoring Fee to Info Co.	\$31.75				
05	Tax Monitoring Fee to Info Co.	\$75.00				
06	Tax Status Research Fee to Info Co.	\$80.00				
07						
08						
09						
10						
C. Services Borrower Did Shop For		\$2,655.50				
01	Pest Inspection Fee to Pests Co.	\$120.50				
02	Survey Fee to Surveys Co.	\$85.00				
03	Title – Insurance Binder to Epsilon Title Co.	\$650.00				
04	Title – Lender’s Title Insurance to Epsilon Title Co.	\$500.00				
05	Title – Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06	Title – Title Search to Epsilon Title Co.	\$800.00				
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)		\$4,694.05				
Loan Costs Subtotals (A + B + C)		\$4,664.25	\$29.80			

The items to be disclosed in the Loan Costs table should generally be the same as they were disclosed on the Loan Estimate, updated to reflect the terms of the legal obligation at consummation.

- **Origination Charges:**
 - Loan Originator Compensation
 - Disclose compensation paid from the consumer to a third-party loan originator as Borrower-Paid at Closing or Before Closing on the Closing Disclosure.
 - Disclose compensation paid from the creditor to a third-party loan originator as Paid by Others (a designation of (L) can be listed with

Regulation Z

the amount to indicate that the creditor pays the compensation at consummation.)

- ****NOTE:** Loan originator compensation is disclosed as Origination Charges, even though loan originator compensation **is not** disclosed on the Loan Estimate.
- **Services Borrower Did Not Shop For:** Items that the consumer could have shopped for, but did not
- **Services Borrower Did Shop For:** Items where the consumer chose a provider that was on the Written List of Providers for a service
- **Total Loan Costs:**
 - The amounts that are designated as Borrower-Paid At or Before Closing are subtotaled as “Total Loan Costs (Borrower-Paid)”.
 - The amounts that are designated Seller-Paid At or Before Closing and Paid by Others are not subtotaled as “Total Loan Costs (Borrower-Paid)”.

Other Costs

Other Costs					
E. Taxes and Other Government Fees			\$85.00		
01	Recording Fees	Deed: \$40.00 Mortgage: \$45.00	\$85.00		
02	Transfer Tax	to Any State		\$950.00	
F. Prepaids			\$2,120.80		
01	Homeowner's Insurance Premium (12 mo.)	to Insurance Co.	\$1,209.96		
02	Mortgage Insurance Premium (mo.)				
03	Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)		\$279.04		
04	Property Taxes (6 mo.)	to Any County USA	\$631.80		
05					
G. Initial Escrow Payment at Closing			\$412.25		
01	Homeowner's Insurance	\$100.83 per month for 2 mo.	\$201.66		
02	Mortgage Insurance	per month for mo.			
03	Property Taxes	\$105.30 per month for 2 mo.	\$210.60		
04					
05					
06					
07					
08	Aggregate Adjustment		- 0.01		
H. Other			\$2,400.00		
01	HOA Capital Contribution	to HOA Acre Inc.	\$500.00		
02	HOA Processing Fee	to HOA Acre Inc.	\$150.00		
03	Home Inspection Fee	to Engineers Inc.	\$750.00		\$750.00
04	Home Warranty Fee	to XYZ Warranty Inc.		\$450.00	
05	Real Estate Commission	to Alpha Real Estate Broker		\$5,700.00	
06	Real Estate Commission	to Omega Real Estate Broker		\$5,700.00	
07	Title – Owner's Title Insurance (optional)	to Epsilon Title Co.	\$1,000.00		
08					
I. TOTAL OTHER COSTS (Borrower-Paid)			\$5,018.05		
Other Costs Subtotals (E + F + G + H)			\$5,018.05		
J. TOTAL CLOSING COSTS (Borrower-Paid)			\$9,712.10		
Closing Costs Subtotals (D + I)			\$9,682.30	\$29.80	\$12,800.00 \$750.00 \$405.00
Lender Credits					

The items to be disclosed in the Other Costs table should be disclosed as they would be disclosed on the Loan Estimate, updated to reflect the terms of the legal obligation and real estate transaction at consummation.

- **Lender Credits:**

Regulation Z

- A lender credit attributable to a charge listed on Closing Disclosure page 2, should be listed with the item and designated as Paid By Others (A designation of (L) can be listed with the amount to indicate that the creditor pays the item at consummation.)
- Lender credits to resolve an excess charge by the creditor should be listed as Lender Credits.

Closing Disclosure Page 3

Calculating Cash to Close

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.	
	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	\$8,054.00	\$9,712.10	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$29.80	YES • You paid these Closing Costs before closing
Closing Costs Financed (Paid from your Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$18,000.00	\$18,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	– \$2,500.00	YES • See Seller Credits in Section L
Adjustments and Other Credits	\$0	– \$1,035.04	YES • See details in Sections K and L
Cash to Close	\$16,054.00	\$14,147.26	

- **Total Closing Costs:**
 - In the Final column, Total Closing Costs is the same amount as the amount disclosed as Total Closing Costs (Borrower-Paid) on page 2 of the Closing Disclosure.
 - When the amount in the Final column is different from the amount in the Loan Estimate column, indicate that the consumer should see the Total Loan Costs or Total Other Costs tables, as applicable, on page 2 of the Closing Disclosure.
 - When the increase in Total Closing Costs exceeds the legal limits:
 - Disclose a statement that an increase in closing costs exceeds the legal limits by the dollar amount of the excess in the “Did this change?” column.
 - Disclose a statement directing the consumer to the Lender Credit on page 2
- **Closing Costs Paid Before Closing:**
 - The amount disclosed in the Loan Estimate column for the Closing Costs Paid Before Closing item is \$0
 - The Final column should disclose the same amount designated as Borrower-Paid Before Closing in the Closing Costs Subtotals of the Other Costs table on page 2 of the Closing Disclosure.

Regulation Z

- **Closing Costs Financed (Paid from your Loan Amount)**
- **Down Payment/Funds from Borrower**
- **Deposit**
- **Funds for Borrower**
- **Seller Credits**
- **Adjustments and Other Credits**
- **Cash to Close**

Alternate Cash to Close Table for transactions without a seller

Calculating Cash to Close		Use this table to see what has changed from your Loan Estimate.	
	Loan Estimate	Final	Did this change?
Loan Amount	\$150,000.00	\$150,000.00	NO
Total Closing Costs (J)	-\$5,099.00	-\$5,757.57	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	\$435.00	YES • You paid these Closing Costs before closing
Total Payoffs and Payments (K)	-\$120,000.00	-\$115,000.00	YES • See Payoffs and Payments (K)
Cash to Close	\$24,901.00	\$29,677.43	
	<input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	<input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	Closing Costs Financed (Paid from your Loan Amount) \$5,322.57

Regulation Z

Summaries of Transactions

Summaries of Transactions		Use this table to see a summary of your transaction.	
BORROWER'S TRANSACTION		SELLER'S TRANSACTION	
K. Due from Borrower at Closing	\$189,762.30	M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00	01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale		02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30	03	
04		04	
Adjustments		05	
05		06	
06		07	
07		08	
Adjustments for Items Paid by Seller in Advance		Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to		09 City/Town Taxes to	
09 County Taxes to		10 County Taxes to	
10 Assessments to		11 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00	12 HOA Dues 4/15/13 to 4/30/13	\$80.00
12		13	
13		14	
14		15	
15		16	
L. Paid Already by or on Behalf of Borrower at Closing	\$175,615.04	N. Due from Seller at Closing	\$115,665.04
01 Deposit	\$10,000.00	01 Excess Deposit	
02 Loan Amount	\$162,000.00	02 Closing Costs Paid at Closing (J)	\$12,800.00
03 Existing Loan(s) Assumed or Taken Subject to		03 Existing Loan(s) Assumed or Taken Subject to	
04		04 Payoff of First Mortgage Loan	\$100,000.00
05 Seller Credit	\$2,500.00	05 Payoff of Second Mortgage Loan	
Other Credits		06	
06 Rebate from Epsilon Title Co.	\$750.00	07	
07		08 Seller Credit	\$2,500.00
Adjustments		09	
08		10	
09		11	
10		12	
11		13	
Adjustments for Items Unpaid by Seller		Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04	14 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes to		15 County Taxes to	
14 Assessments to		16 Assessments to	
15		17	
16		18	
17		19	
CALCULATION		CALCULATION	
Total Due from Borrower at Closing (K)	\$189,762.30	Total Due to Seller at Closing (M)	\$180,080.00
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04	Total Due from Seller at Closing (N)	– \$115,665.04
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26	Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

- Use the Summaries of Transactions table to disclose the amounts associated with the real estate purchase transaction between the consumer and seller, together with closing costs, in order to disclose the amounts due from or payable to the consumer and seller at closing, as applicable.
- A separate Closing Disclosure can be provided to the consumer and the seller that do not reflect the other party's costs and credits
- In transactions without a seller, the creditor does not provide the Seller's Transaction column as part of the Closing Disclosure.

Regulation Z

- A creditor can also decide to replace the Summaries of Transactions table with a Payoffs and Payments table (see below) when the Alternative Cash to Close and Alternative Calculating Cash to Close tables are used.

Payoffs and Payments		Use this table to see a summary of your payoffs and payments to others from your loan amount.
TO	AMOUNT	
01 Rho Servicing to pay off existing loan	\$115,000.00	
02		
03		
04		
05		
06		
07		
08		
09		
10		
11		
12		
13		
14		
15		
K. TOTAL PAYOFFS AND PAYMENTS	\$115,000.00	

Regulation Z

Closing Disclosure Page 4

Loan Disclosures

Additional Information About This Loan																	
<p>Loan Disclosures</p>																	
<p>Assumption If you sell or transfer this property to another person, your lender</p> <p><input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms.</p> <p><input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.</p>																	
<p>Demand Feature Your loan</p> <p><input type="checkbox"/> has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.</p> <p><input checked="" type="checkbox"/> does not have a demand feature.</p>																	
<p>Late Payment If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment.</p>																	
<p>Negative Amortization (Increase in Loan Amount) Under your loan terms, you</p> <p><input type="checkbox"/> are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.</p> <p><input type="checkbox"/> may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.</p> <p><input checked="" type="checkbox"/> do not have a negative amortization feature.</p>																	
<p>Partial Payments Your lender</p> <p><input checked="" type="checkbox"/> may accept payments that are less than the full amount due (partial payments) and apply them to your loan.</p> <p><input type="checkbox"/> may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.</p> <p><input type="checkbox"/> does not accept any partial payments.</p> <p>If this loan is sold, your new lender may have a different policy.</p>																	
<p>Security Interest You are granting a security interest in 456 Somewhere Ave., Anytown, ST 12345</p> <p>You may lose this property if you do not make your payments or satisfy other obligations for this loan.</p>																	
<p>Escrow Account <i>For now</i>, your loan</p> <p><input checked="" type="checkbox"/> will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.</p>																	
<table border="1"> <thead> <tr> <th colspan="3">Escrow</th> </tr> </thead> <tbody> <tr> <td>Escrowed Property Costs over Year 1</td> <td>\$2,473.56</td> <td>Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i></td> </tr> <tr> <td>Non-Escrowed Property Costs over Year 1</td> <td>\$1,800.00</td> <td>Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> You may have other property costs.</td> </tr> <tr> <td>Initial Escrow Payment</td> <td>\$412.25</td> <td>A cushion for the escrow account you pay at closing. See Section G on page 2.</td> </tr> <tr> <td>Monthly Escrow Payment</td> <td>\$206.13</td> <td>The amount included in your total monthly payment.</td> </tr> </tbody> </table>			Escrow			Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>	Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> You may have other property costs.	Initial Escrow Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.	Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.
Escrow																	
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: <i>Homeowner's Insurance</i> <i>Property Taxes</i>															
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: <i>Homeowner's Association Dues</i> You may have other property costs.															
Initial Escrow Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.															
Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.															
<p><input type="checkbox"/> will not have an escrow account because <input type="checkbox"/> you declined it <input type="checkbox"/> your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.</p>																	
<table border="1"> <thead> <tr> <th colspan="3">No Escrow</th> </tr> </thead> <tbody> <tr> <td>Estimated Property Costs over Year 1</td> <td></td> <td>Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.</td> </tr> <tr> <td>Escrow Waiver Fee</td> <td></td> <td></td> </tr> </tbody> </table>			No Escrow			Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.	Escrow Waiver Fee								
No Escrow																	
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.															
Escrow Waiver Fee																	
<p>In the future, Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.</p>																	

- When an Escrow Account is established, disclose:
 - The amount of Escrowed Property Costs over Year 1 with a list of the costs that will be paid by the Escrow Account
 - The amount of Non-Escrowed Property Costs over Year 1 with a list of the costs that will not be paid by the Escrow Account (to the extent there is room to list the costs in the space provided),

Regulation Z

- Initial Escrow Payment
- Monthly Escrow Payment
- When an Escrow Account is not established, disclose:
 - The amount of Estimated Property Costs over Year 1
 - The amount of any Escrow Waiver Fee imposed for waiving the creation of a Escrow Account with the loan
- Property Costs include:
 - Property Taxes
 - Homeowner's Insurance
 - Charges imposed by a cooperative, condominium or homeowners association
 - Ground rent
 - Leasehold payments, and
 - Certain insurance premiums or charges if required by the lender

Adjustable Rate and Payment Tables

Adjustable Payment (AP) Table	
Interest Only Payments?	
Optional Payments?	
Step Payments?	
Seasonal Payments?	
Monthly Principal and Interest Payments	
First Change/Amount	
Subsequent Changes	
Maximum Payment	

Adjustable Interest Rate (AIR) Table	
Index + Margin	
Initial Interest Rate	
Minimum/Maximum Interest Rate	
Change Frequency	
First Change	
Subsequent Changes	
Limits on Interest Rate Changes	
First Change	
Subsequent Changes	

Regulation Z

Closing Disclosure Page 5

Loan Calculations

Loan Calculations	
Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$285,803.36
Finance Charge. The dollar amount the loan will cost you.	\$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

Other Disclosures

Other Disclosures

Appraisal

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- state law does not protect you from liability for the unpaid balance.

Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

- **Liability after Foreclosure:** In Utah the second selection applies.

Regulation Z

Contact Information

Contact Information					
	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@ epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature _____ Date _____ Co-Applicant Signature _____ Date _____

- Signatures of the consumers are OPTIONAL.
- If the creditor includes a signature line to Confirm Receipt, the creditor must also include a statement that the signature only signifies receipt of the Closing Disclosure.
- If the creditor does not include statement line or the consumer's signature, add a statement to the Other Disclosures concerning Loan Acceptance that states: "You do not have to accept this loan because you have received this form or signed a loan application."

TRID for Construction Loans

- For construction loans, the timing for delivering or placing the Loan Estimate in the mail depends on when the creditor receives the application for the construction phase, the permanent phase, or both phases.
- A revised LE may be provided if the loan is a new construction loan, and settlement is delayed by more than 60 calendar days, if the original Loan Estimate states clearly and conspicuously that at any time prior to 60 calendar days before consummation, the creditor may issue revised disclosures.
- The creditor may choose whether to disclose a construction-permanent loan as one transaction (one LE, one CD) or as two separate transactions (two LEs, two CDs)

Regulation Z

- A creditor may disclose a construction-permanent loan as a single transaction even if there are separate closings for the construction phase and permanent phase (and vice versa).
- If the creditor discloses a construction-permanent loan as two separate transactions, the creditor must allocate to the construction phase amounts for finance charges and points and fees that would not be imposed but for the construction financing.
- When disclosing the disbursement date on the Closing Disclosure for a construction loan, or on the separate Closing Disclosure for the construction phase, the disbursement date is the date that some or all of the loan amount is paid to the consumer, seller, or a third party other than the settlement agent.
- If collected at or before consummation, the total of inspection and handling fees is disclosed in the Loan Costs table, and is included in the Calculating Cash to Close table.
- If collected after consummation, the total of inspection and handling fees is disclosed in a separate addendum, and the fees are not counted for purposes of the Calculating Cash to Close table.

Ability to Repay

- Creditors are required to make a reasonable and good faith determination that the consumer will have a reasonable ability to repay a mortgage loan according to its terms.
- Compliance is mandatory.
- The way you comply is optional.

Coverage

Applies to almost all closed-end consumer credit transactions secured by a dwelling. These are also known as “covered transactions.” (Does not apply to HELOCs, construction loans or lot loans)

Basic Ability to Repay Requirements

At a bare minimum, a creditor must consider the following on all covered transactions:

1. Current or reasonably expected income or assets
2. Current employment status (if relied upon)
3. Current debts, alimony and child-support obligations
4. Credit history
5. Monthly mortgage payment

Regulation Z

6. Monthly payment on any simultaneous loans secured by the same property
7. Monthly payments for property taxes, required insurance, and other costs related to the property (HOA fees, lot rental)
8. Monthly DTI as a ratio of gross monthly income

Verification Using Third Party Documents

All parts of the Debt to Income (D to I) ratio MUST be verified using third party sources.

- Only verify income needed to qualify for the loan
- Oral verification of employment from employer OK as long as you make a written record (more extensive employment verification is required for General QMs)
- Use credit reports to verify debts
- Verify alimony and child support through court orders
- Verify self-employment income through tax returns or profit and loss statements prepared by a third party
- Verify HOA fees from statements

Calculating the Debt to Income Ratio

Compare the borrower's income against:

- The loan you are underwriting
- Any simultaneous loans on the same property (Special calculations for HELOCs)
- Mortgage-related obligations:
 - Property taxes
 - HOA fees
 - Levies and assessments
 - Ground rent
 - Lease payments
- Current debt obligations, alimony and child support
- Other recurrent monthly debts

Calculating the loan payment on ARMs:

- Use the greater of the fully indexed rate or the introductory rate (do not use a discounted rate to determine the ATR.) **Note – the fully indexed rate does not mean the “maximum rate possible,” It means the rate based on the current margin and index without any discounts applied.
- Always base your calculations on substantially equal monthly payments that would fully amortize the loan.

Calculating the payment on balloon loans:

- For non-higher priced loans: Use the maximum payment scheduled during the first five years after the first regular payment comes due.
- For higher-priced loans: Use the maximum payment in the payment schedule, including any balloon.

Regulation Z

- Higher priced: APR that, as of the date the interest rate is set, exceeds the APOR by 1.5 percentage points or more for 1st lien loans and 3.5 percentage points or more for subordinate lien loans.

Qualified Mortgages

The QM standard helps protect consumers from unduly risky mortgages. A court will treat a case differently if a consumer files an ATR claim where the loan is a QM as creditors will be presumed to have complied with the ATR requirements if they issue QMs. It also gives creditors more certainty about potential liability.

A Qualified Mortgage (QM) provides a presumption that the credit union has complied with ATR requirements by:

- Limiting certain risky features
- Limiting points and fees
- Meeting strict underwriting criteria (General QMs)

Higher Priced QMs

QMs that are higher-priced mortgages have a presumption that they comply with the ATR requirements, but consumers can rebut that presumption.

Small Creditor and Balloon-Payment QMs are considered higher-priced if they have an APR that exceeds the APOR by 3.5 percentage points or more for both first-lien and subordinate-lien loans. (This definition DOES NOT carry over into other requirements for higher-priced mortgage loans).

Types of QMs

There are four types of QMs:

- General (available to all creditors)
- Small Creditor QM (available to all small creditors)
- Small Creditor Balloon-Payment QM (available to small creditors that operate in rural and underserved areas.
- Seasoned QMs

Operating in Rural and Underserved Areas

A creditor operates in a rural or underserved area if the creditor originated at least one covered transaction secured by a first lien on a property located in an underserved or rural area during the preceding calendar year.

For loans applications received between January 1 and April 1, the creditor operates in a rural or underserved area if the creditor originated at least one covered transaction on a property located in an underserved or rural area during the preceding two calendar years.

Regulation Z

**Use the CFPB's rural and underserved area tool to determine if a loan was made in a rural or underserved area: <http://www.consumerfinance.gov/rural-or-underserved-tool/>

General QM

- Loan feature limitations
- Loan term limit
- Points and fees limit
- Underwrite based on fully amortizing schedule using the maximum rate permitted during the first five years after the first periodic payment.
- Other underwriting factors must still be considered and verified
- Price Based Limits - a loan meets the revised General QM definition only if the annual percentage rate (APR) exceeds the average prime offer rate (APOR) for a comparable transaction by less than the following thresholds as of the date the interest rate is set:
 - For a first-lien covered transaction with a loan amount greater than or equal to \$110,260, 2.25 percentage points
 - For a first-lien covered transaction with a loan amount greater than or equal to \$66,156 but less than \$110,260, 3.5 percentage points;
 - For a first-lien covered transaction with a loan amount less than \$66,156, 6.5 percentage points;
 - For a first-lien covered transaction secured by a manufactured home with a loan amount less than \$110,260, 6.5 percentage points;
 - For a subordinate-lien covered transaction with a loan amount greater than or equal to \$66,156, 3.5 percentage points;
 - For a subordinate-lien covered transaction with a loan amount less than \$66,156, 6.5 percentage points.

Small Creditor QM

You can make these types of QMs only if you meet BOTH of the following requirements:

- You had assets below \$2 billion (to be adjusted annually) at the end of the last calendar year.
- You and your affiliates together originated no more than 2000 first-lien, closed-end residential mortgages that are subject to the ATR requirements in the preceding calendar year (You are not required to count loans that you originated and kept in portfolio).

Small Creditor QMs have the following features:

- Loan feature limitations
- Loan term limit
- Points and fees limit
- Underwrite based on fully amortizing schedule using the maximum rate permitted during the first five years after the first periodic payment.
- Not subject to a forward commitment
- Keep in portfolio for at least three years

Regulation Z

- Consider D to I
- Other underwriting factors must be considered and verified

Small Creditor Balloon QM

- Available to small creditors that operate in rural or underserved areas.
- Loan feature limitations
- Balloon payment feature permitted
- Can exclude the balloon payment from the D to I calculation even if the loan is higher priced
- Loan term limit: No more than 30, no less than 5
- Points and fees limit
- Must not be subject to a forward commitment
- Keep in portfolio for at least three years
- Other underwriting factors must be considered and verified

Seasoned QM (NEW)

The Seasoned QM Final Rule creates a new category of QMs. A residential mortgage loan is a Seasoned QM and receives a safe harbor from liability under the ATR/QM Rule if the loan:

- Satisfies certain product restrictions
- Does not exceed a points-and-fees limit
- Satisfies underwriting requirements
- Is held in portfolio until the end of the seasoning period (subject to certain enumerated exceptions)
- Meets certain performance standards at the end of the seasoning period.

A loan made by any creditor, regardless of size, is eligible to become a Seasoned QM if at the end of the seasoning period it meets the requirements in the Seasoned QM Final Rule. Loans that satisfy another QM definition at consummation also can be Seasoned QM loans, as long as the requirements for Seasoned QMs are met.

Recordkeeping

Keep records to evidence compliance for three years after consummation.

Appraisals

Interagency Appraisal Guidelines

Appraisal and Evaluation Program

A credit union's board of directors or its designated committee is responsible for adopting and reviewing policies and procedures that establish an effective real estate appraisal and evaluation program.

The program should:

- Provide for the independence of the persons ordering, performing, and reviewing appraisals or evaluations.
- Establish selection criteria and procedures to evaluate and monitor the ongoing performance of appraisers and persons who perform evaluations.
- Ensure that appraisals comply with the Agencies' appraisal regulations and are consistent with supervisory guidance.
- Ensure that appraisals and evaluations contain sufficient information to support the credit decision.
- Maintain criteria for the content and appropriate use of evaluations consistent with safe and sound banking practices.
- Provide for the receipt and review of the appraisal or evaluation report in a timely manner to facilitate the credit decision.
- Develop criteria to assess whether an existing appraisal or evaluation may be used to support a subsequent transaction.
- Implement internal controls that promote compliance with these program standards, including those related to monitoring third party arrangements
- Establish criteria for monitoring collateral values.
- Establish criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by the appraisal requirements of the Agencies' appraisal regulations.

Independence

For both appraisal and evaluation functions, an institution should maintain standards of independence as part of an effective collateral valuation program for all of its real estate lending activity.

Selection of Appraisers or Evaluators

An institution's collateral valuation program should establish criteria to select, evaluate, and monitor the performance of appraisers and persons who perform evaluations.

Approved Appraiser List

If an institution establishes an approved appraiser list for selecting an appraiser for a particular assignment, the institution should have appropriate procedures for the development and administration of the list.

Appraisals

Engagement Letters

An institution should use written engagement letters when ordering appraisals.

Transactions That Require Appraisals

- Most real estate-related financial transactions over the appraisal threshold (\$400,000) are considered federally-related transactions and, thus, require appraisals.
- The Agencies also reserve the right to require an appraisal under their appraisal regulations to address safety and soundness concerns in a transaction.

Minimum Appraisal Standards

The Agencies' appraisal regulations include minimum standards for the preparation of an appraisal. The appraisal must:

- Conform to generally accepted appraisal standards
- Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction.
- Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units.
- Be based upon the definition of market value set forth in the appraisal regulation.
- Be performed by state certified or licensed appraisers

Transactions That Require Evaluations

The Agencies' appraisal regulations permit an institution to obtain an appropriate evaluation of real property collateral in lieu of an appraisal for transactions that qualify for certain exemptions.

However, a credit union should establish policies and procedures for determining when to obtain an appraisal for such transactions. (for example higher risk loans, atypical properties)

Evaluation Development

An evaluation must be consistent with safe and sound banking practices and should support the institution's decision to engage in the transaction.

An institution should be able to demonstrate that an evaluation, whether prepared by an individual or supported by an analytical method or a technological tool, provides a reliable estimate of the collateral's market value as of a stated effective date prior to the decision to enter into a transaction.

A valuation method that does not provide a property's market value or sufficient information and analysis to support the value conclusion is not acceptable as an evaluation. For example, the following valuations methods, on their own, are insufficient to establish market value:

- Tax assessment
- Broker price opinion
- Information on local housing conditions and trends

Appraisals

The information obtained from such sources, while insufficient as an evaluation, may be useful to develop an evaluation or appraisal.

NCUA Appraisal Rules

Transactions Requiring a State Certified or Licensed Appraiser

An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions except those in which:

- The transaction value is \$400,000 or less
- A lien on real property has been taken as collateral through an abundance of caution and where the terms of the transaction as a consequence have not been made more favorable than they would have been in the absence of a lien
- A lien on real estate has been taken for purposes other than the real estate's value
- A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate
- The transaction involves an existing extension of credit at the lending credit union, provided that:
 - There is no advancement of new monies, other than funds necessary to cover reasonable closing costs; or
 - There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction, even with the advancement of new monies;
- The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency
- The transaction either:
 - Qualifies for sale to a United States government agency or United States government sponsored agency
 - Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate; or

Valuation Requirement

Secured transactions exempted from appraisal requirements must be supported by a written estimate of market value, performed by an individual having no direct or indirect interest in the property, and qualified and experienced to perform such estimates of value for the type and amount of credit being considered.

Minimum Appraisal Standards

For federally related transactions, all appraisals shall, at a minimum:

- Conform to generally accepted appraisal standards

Appraisals

- Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction
- Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units

Appraiser Independence

Staff Appraiser

If an appraisal is prepared by a staff appraiser, that appraiser must be independent of the lending, investment, and collection functions and not involved, except as an appraiser, in the federally related transaction, and have no direct or indirect interest, financial or otherwise, in the property.

If the only qualified persons available to perform an appraisal are involved in the lending, investment, or collection functions of the credit union, the credit union shall take appropriate steps to ensure that the appraisers exercise independent judgment.

Fee Appraisers

If an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the credit union or its agent and have no direct or indirect interest, financial or otherwise, in the property or the transaction.

Real Estate Settlement Procedures Act

Coverage

Federally Related Mortgage Loan

A federally related mortgage loan is any loan (other than temporary financing, such as a construction loan) that is:

- Secured by a first or subordinate lien on residential real property, including a refinancing of any secured loan on residential real property upon which there is either:
 - Located or, following settlement, will be constructed using proceeds of the loan, a one to four family dwelling
 - Located or, following settlement, will be placed using proceeds of the loan, a manufactured home

AND

- For which one of the following applies. The loan:
 - Is made in whole or in part by any lender that is either regulated by or whose deposits or accounts are insured by any agency of the Federal Government
 - Is another type of government guaranteed or government insured loan

Exceptions

RESPA applies to all Federally Related Mortgage Loans (FLMLs) except:

- Business purpose loans (use Reg Z definition)
- Temporary financing, such as a construction loan, except the exemption does not apply to a loan made to finance construction of 1- to 4-family residential property if:
 - The loan may be converted to permanent financing by the same lender
 - Is used to finance transfer of title to the first user
 - The lender issues a commitment for permanent financing, with or without conditions
 - The construction term is for two years or more
- A loan to purchase vacant land, unless within two years from the date of the settlement of the loan, a structure or a manufactured home will be constructed or placed on the real property using the loan proceeds.

Real Estate Settlement Procedures Act

- Any assumption in which the lender does not have the right expressly to approve a subsequent person as the borrower.
- Any loan conversion to different terms as long as a new note is not required.
- Bona fide transfer of a loan obligation in the secondary market.

Prohibition Against Kickbacks and Unearned Fees

General

- Section 8 of RESPA prohibits the acceptance or payment of referral fees and unearned fees in relation to any federally related mortgage loan.
- Any portion, split, or percentage of any charge paid or received for providing a settlement service in connection with a RESPA covered loan must be for services actually performed.

Thing of Value

To violate Section 8, three elements must be present:

- There must be a payment or giving of a thing of value.
- It must be pursuant to an agreement to refer business.
- A referral must occur.

The following are considered a “thing of value”:

- Money
- Things
- Discounts
- Salaries
- Commissions
- Fees
- Duplicate payment of a charge
- Stock
- Dividends
- Distribution of partnership profit

Real Estate Settlement Procedures Act

- Franchise royalty
- Credits representing monies that may be paid at a future date
- The opportunity to participate in a money making program
- Retained or increased earnings
- Increased equity in a parent or subsidiary entity
- Special bank deposits or accounts
- Special or unusual banking terms
- Services of all types at special or free rates
- Sales or rentals at special prices or rates
- Lease or rental payments based in whole or in part on the amount of business referred
- Trips and payments of another person's expenses
- Reduction in credit against an existing obligation

Permitted Payments

Certain payments are excluded from the Section 8 prohibitions. The following payments in connection with a RESPA covered loan are permitted:

- Payment of a fee to an attorney for services actually rendered.
- Payment of a fee to a duly appointed agent of a title company by that company for services actually performed in issuing the title policy.
- Payment of a fee by a lender to a duly appointed agent of that lender for services actually performed in making the loan.
- Payment of a bona fide salary to any person for services actually performed.
- Payment of any compensation for goods or facilities actually furnished or services actually performed.
- Payments pursuant to a cooperative brokerage arrangement or arrangements between real estate agents and brokers.

Real Estate Settlement Procedures Act

- Normal promotional and educational activities that are not conditioned on the referral of business and that do not involve the defraying of expenses that otherwise would be incurred by persons in a position to refer settlement services or business.
- An employer's payment to its own employees for any referral activities.

Escrow Accounts

RESPA sets very particular limits on the amount that can be required to be paid into an escrow account, and requires specific disclosures with regard to escrow accounts, both at settlement and for the life of the escrow account.

Initial Escrow Account Disclosure Statement

- An Initial Escrow Account Statement must be presented to the borrower at settlement or within 45 days following settlement.
- The initial statement must list the results of the aggregate analysis and contain the following information:
 - The amount of the borrower's monthly mortgage payment
 - The portion of the monthly payment going into the escrow account
 - Itemization of the estimated taxes, insurance premiums, and other charges that the servicer reasonably anticipates to be paid from the escrow account during the escrow account computation year and the anticipated disbursement dates of those charges.
 - The amount that the servicer selects as a cushion.
 - A trial running balance for the account.

Homeownership Counseling Notice

General

Creditors must give all applicants for mortgages loans a written list of homeownership counseling organizations within three business days of receiving an application.

Coverage

Includes all consumer loans secured by a dwelling except reverse mortgages and loans for time-shares.

Real Estate Settlement Procedures Act

Providing the Disclosure

- Generate a list of homeownership counseling organizations through the Bureau's website (<http://www.consumerfinance.gov/find-a-housing-counselor/>) or use the data provided by the Bureau or HUD.
- The list must be specific to the consumer's location and be current within the last 30 days (hint – you'll be printing a new list out for each transaction)

E-Sign

Overview

- The Electronic Signatures in Global and National Commerce Act of 2000 (ESIGN) mandates that electronic signatures and records have the same legal validity and enforceability as paper records and handwritten signatures.
- ESIGN does not require or recommend the use of any particular technology for electronic records or signatures.
- Under ESIGN, members must “affirmatively consent” or “opt in” to receive records in electronic form.

Definitions

E-Signature

An “e-signature” is an electronic sound, symbol, or process, attached to or associated with a contract or other record that was executed by a person with the intent to sign the record.

Electronic Record

An electronic record is a contract or other record created, generated, sent, communicated, received, or stored by electronic means.

Technical Requirements

- ESIGN does not specify any technical requirements for e-signatures or records.
- Credit unions can use any number of different technologies to facilitate “e-contracts” with their members, including:
 - Digital signatures that link a person’s identity to an encrypted private key issued only to that individual (public key infrastructure or PKI)
 - Biometrics that use a person’s unique physical characteristics (such as face, voice and/or fingerprints) for authentication purposes
 - Smart cards – credit-card sized plastic cards with an embedded computer chip
- Oral communication or a recording of an oral communication does not qualify as an electronic record, except as otherwise provided under applicable law.

E-Sign

Consumer Disclosures

Three Part Consent Process

1. Before any electronic transaction takes place, the credit union member must first agree to conduct business electronically.
2. The credit union must then provide members with a clear and conspicuous statement containing the following information:
 - Any right or option the member has to have the record provided or made available on paper or in a non-electronic form
 - The member's right to withdraw their consent
 - Any conditions, consequences, or fees that would result in the event the member withdrew their consent
 - Whether the consent applies only to a particular transaction or to identified categories of records during the lifetime of the member's account relationship
 - The procedures the member must follow to withdraw consent
 - The information the credit union needs in order to contact the member electronically
 - How the member may request a paper copy of an electronic record after consent to receive them electronically has been given
 - Whether a fee will be charged for receiving a paper copy of a record
 - Hardware and software requirements necessary to access and retain electronic records
3. The member must either send the consent electronically, or confirm the consent electronically in a way that demonstrates that he or she can access information in the electronic form required to successfully conduct the transaction.

Changes in Requirements

If at any time there is a change in the hardware or software requirements that creates a “material risk” the member will not be able to access or retain an electronic record of the transaction, the credit union must provide the member with a statement that includes:

- The revised hardware and software requirements for access to and retention of the electronic records

E-Sign

- The member's right to withdraw their consent without the imposition of any fees or conditions that were not originally disclosed.

Record Retention

An electronic record satisfies the record keeping requirements if the record:

- Accurately reflects the information contained in the paper contract or other record.
- Can be accessed by all persons legally entitled to access in a form that can be accurately reproduced for later reference, whether by transmission, printing or otherwise

Homeowner's Protection Act

General

- Permits a borrower to cancel or requires termination of private mortgage insurance (PMI) when the level of equity in the home reaches a certain level.
- Applies to transactions in which a mortgage, deed of trust, or purchase-money security interest is created against a single-family dwelling that is the primary residence of the borrower, and that is used to finance the acquisition, initial construction, or refinancing of the dwelling.

Initial Disclosures

The credit union must provide the member with certain written disclosures at the time the loan is closed.

Fixed Rate Mortgages

If the loan is a fixed-rate mortgage, the credit union must provide:

- A written initial amortization schedule.
- A written notice stating that:
 - The member may cancel PMI and specifying the date on which he/she may request cancellation based on the initial amortization schedule.
 - The member may request an earlier cancellation based on actual payments.
 - PMI can terminate automatically, specifying the termination date for the loan.