

Welcome

Compliance in Action

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Chapter 1

Federal Mortgage-Related Laws

Chapter Introduction

- MMC is a body of state mortgage regulators appointed by CSBS and AARMR
 - 10 appointed members and one CSBS member
 - Role includes the licensing and supervising of state-chartered banks and non-bank entities; ensure financial service businesses operate in a safe and sound manner
- An examination is completed by state regulators to determine whether a financial institution is operating in compliance with state and federal laws. A review of a financial institution's loans and corporate records is conducted to decide whether the entity is effectively meeting the requirement to operate, monitor, and control risks associated with loan origination activities.

Chapter Objectives

- Identify key provisions set forth by Title X and XIV of the Dodd-Frank Act
- Describe disclosure-related laws set forth by TILA, Mortgage Disclosure Improvement Act, Homeowners Protection Act, and Home Mortgage Disclosure Act
- Explain how to adhere to federal laws for completing, revising, and meeting delivery requirements for Loan Estimate and Closing Disclosure
- Identify requirements for Settlement Servicer Provider List, Affiliated Business Arrangement Form, and Homeownership Counseling Organizations List
- Describe minimum consumer standards and documentation required for lender to be considered compliant with ATR Rule

Chapter Objectives

- Recall thresholds that define a mortgage as higher-priced or high-cost and restrictions specific to originating both types
- Identify advertising-related disclosure requirements set forth by Regulation Z
- Describe prohibitions set forth by Regulation X specific to accepting kickbacks, split charges, and unearned fees
- Identify purpose and provisions set forth by Equal Credit Opportunity Act with specific focus on correctly providing notice of action and appraisal copy to consumers
- Identify the purpose and provisions set forth by Gramm-Leach-Bliley Act with specific focus on Financial Privacy Rule
- Explain purpose and key provisions of Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act, Bank Secrecy Act, Patriot Act, and SAFE Mortgage Licensing Act

Dodd-Frank Act

- **About the Dodd Frank Act** (July 2010)
 - Promotes financial stability in USA; improves accountability and transparency
- **Title X, Consumer Financial Protection Act**
 - Created Consumer Financial Protection Bureau; the CFPB regulates the provisions and enforcement of federal consumer financial laws
 - Engages in investigations
 - Issues subpoenas or civil investigative demands
 - Conducts hearings and adjudication proceedings
 - Commences civil actions

Dodd-Frank Act – Title XIV

- **Mortgage Reform and Anti-Predatory Lending Act**
 - **Subtitle A**
 - Sets forth residential mortgage loan origination standards
 - **Subtitle B**
 - Sets forth minimum standards for mortgages
 - **Subtitle C**
 - Sets forth high-cost mortgage loan restrictions
 - **Subtitle D**
 - Establishes the Office of Housing Counseling

Dodd-Frank Act – Title XIV

- **Mortgage Reform and Anti-Predatory Lending Act**
 - **Subtitle E**
 - Sets forth mortgage servicing provisions
 - **Subtitle F**
 - Sets forth appraisal-related provisions
 - **Subtitle G**
 - Sets forth mortgage resolution and modification-related provisions
 - **Subtitle H**
 - Sets forth provisions for structural reforms of Fannie Mae/Freddie Mac; establishes foreclosure assistance

Dodd-Frank Act – Compensation

- **Federal Reserve Loan Originator Compensation Rule (2013)**
 - Protects borrowers from unfair, abusive, or deceptive lending practices
 - Prohibits compensation based on loan terms or conditions, such as interest rate, APR, LTV, etc.
 - Prohibits dual compensation
 - Allows compensation based on fixed % of loan amount
 - Prohibits steering for greater compensation; unless in consumer's best interest

Activity 1.1 Knowledge Check

1. Title X of the Dodd-Frank Act created the _____ as an independent entity within the Federal Reserve.

- A. Consumer Financial Protection Bureau
- B. Nationwide Mortgage Licensing System & Registry
- C. U.S. Department of Consumer Financing
- D. U.S. Department of Housing and Urban Development

Activity 1.1 Knowledge Check

2. Title XIV, Subtitle B of the Dodd-Frank Act sets forth minimum standards for mortgages that includes which of the following?

- A. calls for certain disclosures
- B. defines a Qualified Mortgage
- C. prohibits certain types of prepayment penalties
- D. requires borrowers' ability to repay be established

Activity 1.1 Knowledge Check

3. Which of the following is an acceptable condition on which to base MLO Sam's compensation?

- A. fixed percentage of the loan amount
- B. percentage of all fees collected on the loan
- C. premium based on the interest rate selected
- D. premium for lower LTV loans

Overview of Disclosure Laws

- **Truth in Lending Act, Regulation Z**
 - Promotes informed use of consumer credit
 - Requires that credit offered be subject to a finance charge or payable by written agreement in more than 4 installments
 - Requires APR disclosure
 - Assures meaningful disclosure of credit terms
 - Establishes 3 business-day right of rescission in certain transactions

15 U.S.C. 1601 et seq.; 12 C.F.R. 1026

Overview of Disclosure Laws

- **Mortgage Disclosure Improvement Act**
 - Ensures the accuracy and timeliness of disclosures
 - Gives consumers the right to cancel
 - Prohibits accepting fees prior to delivery of mandated disclosures except for credit report
 - Requires 7 business-day waiting period from initial disclosure to closing
 - Requires redisclosure and additional 3 business days waiting period after:
 - +/- .125% APR change for a regular transaction
 - +/- .250% APR change for an irregular transaction

Overview of Disclosure Laws

- **Homeowners Protection Act**
 - **PMI Disclosure of Rights**
 - Lenders/Servicers must notify rights related to PMI
 - **Borrower PMI Rights**
 - Borrowers may request cancellation
 - Loan paid down to 80% LTV of original purchase price or appraised value of home, whichever is less
 - Account has not been 30 days late within a year of the request or 60 days late within 2 years
 - Lenders/Servicers must automatically cancel when LTV is 78% of original value and account is current

12 CFR 226.32

Overview of Disclosure Laws

- **Home Mortgage Disclosure Act**
 - Purpose is to uncover discriminatory practices
 - Enforced by CFPB; Regulation C
 - Applies to mortgage lenders, bankers, and brokers if do sufficient amount of business to be subject to Regulation C reporting requirements
 - Does not prohibit specific activity of lenders
 - Does not establish a quota system of mortgage loans to be made
 - Requires posting about availability of HMDA data; must be available for 3 years

12 U.S.C. § 2801-2810

Overview of Disclosure Laws

- **Home Mortgage Disclosure Act**
 - Reporting
 - LAR report
 - URLA
 - Data Usage
 - Determine if community housing needs are being served
 - Aid public officials in targeting public-sector investments in areas where they are needed
 - Identify possible discriminatory lending patterns

12 U.S.C. § 2801-2810

Activity 1.2 Knowledge Check

1. The Mortgage Disclosure Improvement Act requires redisclosure and an additional 3 business days waiting period after the consumer receives the revised disclosures before closing if there is a _____ APR change on a fixed-rate loan.

- A. +/- .125%
- B. +/- .175%
- C. +/- .225%
- D. +/- .250%

Activity 1.2 Knowledge Check

2. Required HMDA data must be maintained and made available, upon request, for how many years?

- A. two
- B. three
- C. four
- D. five

Loan Estimate Disclosure

- **Loan Estimate Disclosure Requirements**
 - **Delivery Requirement**
 - Must be given no later than 3 business days after creditor receives consumer's **complete application** or no later than 7 business days before consummation
 - Earliest a mortgage loan may close is 7 business days after LE is delivered or placed in the mail
 - **Deficiency**
 - Lenders are not delivering initial LE within 3 business day timeframe

12 CFR § 1026.19

Loan Estimate Disclosure

- **Loan Estimate Disclosure Requirements**
 - **Complete Application**
 - Name(s) and SSN of each borrower
 - Gross monthly income of the borrower(s)
 - Loan amount sought
 - Address of subject property
 - Estimate of property value
 - **Collection of Fee**
 - No fee (except credit report fee) can be collected until
 - Complete application
 - Intent to proceed

12 CFR § 1026.19

Activity 1.3 Knowledge Check

1. The Loan Estimate must be given no later than how many business days after the creditor receives the consumer's completed application?

- A. one
- B. three
- C. five
- D. seven

Loan Estimate Disclosure

FICUS BANK

4321 Random Boulevard • Somedity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA _____
LOAN ID # 123456789
RATE LOCK NO YES, until 4/16/2013 at 5:00 p.m. EDT

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

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 Estimate Disclosure

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	<p>This estimate includes</p> <p><input checked="" type="checkbox"/> Property Taxes</p> <p><input checked="" type="checkbox"/> Homeowner's Insurance</p> <p><input type="checkbox"/> Other:</p> <p><i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i></p> <p>In escrow? YES YES</p>
Costs at Closing		
Estimated Closing Costs	\$8,054	Includes \$5,672 In Loan Costs + \$2,382 In Other Costs – \$0 In Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

Loan Estimate Disclosure

Closing Cost Details

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	\$30
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$3,198
Post 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
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Loan Estimate Disclosure

Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	
F. Prepaids	\$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
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

Loan Estimate Disclosure

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

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.

Loan Estimate Disclosure

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.

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

Loan Estimate Disclosure

- **Points to Remember**
 - Creditor Responsible for Disclosure Delivery
 - Availability of Charges and Terms Requirement
 - Estimate of the charges/terms for all settlement services must be available for at least 10 business days from when LE is provided
 - If estimated figures change, new LE must be made at least 4 business days before loan consummation
 - Record Maintenance Requirement is 5 Years

Regulation Z, 12 CFR § 1026.19

Loan Estimate Tolerance Limits

- **Made in Good Faith**
 - **No:** Closing costs on Closing Disclosure are greater than what was disclosed initially on LE
 - **Yes:** Closing costs on Closing Disclosure are less than the LE
- **LE Settlement Service Provider Costs**
 - May change
 - May change by a limited amount
 - May not change from the original LE

Loan Estimate Tolerance Limits

- **Charges that can change by any amount**
 - Prepaid interest, property insurance premiums, amounts deposited in reserve with the lender for property charges, homeowner's insurance, flood insurance, condo interior insurance, etc.
 - Charges that the creditor allows the borrower to shop for if the borrower selects a settlement service provider that is **not on the creditor list** of settlement service providers
 - Charges for optional services that are **not required** by the lender to obtain the mortgage loan

12 CFR § 1026.19(e)

Loan Estimate Tolerance Limits

- **Charges subject to 10% cumulative tolerance**
 - Charges for third-party services that borrower is allowed to choose and recording fees
- **Charges that must not change**
 - Any charge paid to lender, mortgage broker, or affiliates for origination, processing, and closing
 - Any charge paid to a non-affiliated third-party for a settlement service that borrower is not permitted to shop for
 - Transfer taxes

12 CFR § 1026.19(e)

Loan Estimate Tolerance Limits

- **Refund Requirements**

- Refund in excess of tolerance must be made no later than 60 calendar days after consummation
- For charges subject to **zero tolerance**, any amount charged beyond the amount disclosed on LE 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 LE by more than 10%, the difference must be refunded to the consumer

12 CFR § 1026.19(e)

Activity 1.4 Knowledge Check

1. When a Loan Estimate is provided to a borrower, it is considered to be provided in good faith when the actual closing costs are lower as shown on the

- A. Closing Addendum.
- B. Closing Disclosure.
- C. Good Faith Estimate.
- D. HUD-1 Settlement Statement.

Activity 1.4 Knowledge Check

2. When evaluating a Loan Estimate, which of the following is subject to a 10% tolerance?

- A. government recording charges
- B. processing charges paid to the lender
- C. services the borrower can shop for
- D. transfer taxes

Loan Estimate Revisions Allowed

- **Allowable Changed Circumstances**
 - An event that is beyond the control of creditor or borrower; results in increased settlement costs
 - Information that was known or provided at time of application changed; caused change in initial loan terms, interest rates, or settlement service provider charges
 - New information regarding borrower or loan
 - Change that affects consumer's eligibility
 - Consumer-requested change
 - A borrower does not initially lock interest rate; does so after LE is initially delivered
 - Expiration of original LE
 - Construction loan settlement delay

12 CFR § 1026.19(e)

Loan Estimate Revisions Allowed

- **Revised LE Timing and Delivery**
 - Must provide within 3 business days of changed circumstance; must be 4 days prior to closing
 - If delivered in person = received on the day
 - If mailed or delivered electronically = received 3 business days after it is mailed or transmitted
 - Once the Closing Disclosure has been provided to borrower, a revised LE may **not** be given to the borrower

12 CFR § 1026.19(e)

Activity 1.5 Knowledge Check

1. The appraisal comes in and shows the borrowers to have more equity than originally thought when they applied for their rate and term refinance. They request a change to a cash-out loan. Is this an acceptable changed circumstance or basis for revision for the purpose of a Loan Estimate?

A. Yes

B. No

Activity 1.5 Knowledge Check

2. The borrowers qualify for and decide they can afford a 15-year fixed-rate mortgage rather than the 30-year fixed-rate mortgage for which they originally applied. Is this an acceptable changed circumstance or basis for revision for the purpose of a Loan Estimate?

A. Yes

B. No

Activity 1.5 Knowledge Check

3. If a revised Loan Estimate is emailed to the borrower (with his permission), it is considered received

- A. the day the email is sent.
- B. the next business day after the disclosure is emailed.
- C. 3 business days after the email is sent if not informed of receipt by the borrower sooner.
- D. the 7th business day after the email is sent.

Closing Disclosure

- **Closing Disclosure Requirements**
 - Must be received by borrower(s) at least 3 business days prior to loan consummation
 - Delivered in person: 3 business days begins immediately
 - Mailed/delivered electronically: 3 business days begins after it is placed in the mail/delivered electronically

12 CFR § 1026.19

Activity 1.6 Knowledge Check

1. Which statements are TRUE as they relate to the Closing Disclosure?

- A. The Closing Disclosure must be received by borrower at least 3 business days prior to loan consummation.
- B. “Consummation” and “closing” mean the same thing.
- C. If delivered in person, the 3 business days for a borrower to receive a Closing Disclosure begins immediately.
- D. If mailed, the 3 business days for a borrower to receive a Closing Disclosure begins 3 business days after it is placed in mail.

Closing Disclosure

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

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

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

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type Conventional FHA
 VA _____
Loan ID # 123456789
MIC # 000654321

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	

Closing Disclosure

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 See page 4 for details</i>	\$356.13 a month	<p>This estimate includes</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <p><i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i></p>
		In escrow? YES YES NO
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. See page 2 for details.
Cash to Close	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

Closing Disclosure

Closing Cost Details

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	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 Post Inspection Fee to Posts 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			

Closing Disclosure

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. Prepays		\$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 Ace Inc.		\$500.00		
02	HOA Processing Fee	to HOA Ace 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)		\$0,712.10				
Closing Costs Subtotals (D + I)				\$9,682.30	\$29.80	\$12,800.00
Lender Credits						\$750.00
						\$405.00

CLOSING DISCLOSURE

PAGE 2 OF 5 - LOAN ID # 123456789

Closing Disclosure

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	

Closing Disclosure

Summaries of Transactions

Use this table to see a summary

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	

L. Paid Already by or on Behalf of Borrower at Closing	\$175,615.04
01 Deposit	\$10,000.00
02 Loan Amount	\$162,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	\$2,500.00
Other Credits	
06 Rebate from Epsilon Title Co.	\$750.00
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes to	
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26

Closing Disclosure

SELLER'S TRANSACTION

M. Due to Seller at Closing		\$180,080.00
01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		
04		
05		
06		
07		
08		
Adjustments for Items Paid by Seller in Advance		
09	City/Town Taxes	to
10	County Taxes	to
11	Assessments	to
12	HOA Dues	4/15/13 to 4/30/13 \$80.00
13		
14		
15		
16		

N. Due from Seller at Closing		\$115,665.04
01	Excess Deposit	
02	Closing Costs Paid at Closing (J)	\$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to	
04	Payoff of First Mortgage Loan	\$100,000.00
05	Payoff of Second Mortgage Loan	
06		
07		
08	Seller Credit	\$2,500.00
09		
10		
11		
12		
13		
Adjustments for Items Unpaid by Seller		
14	City/Town Taxes 1/1/13 to 4/14/13	\$365.04
15	County Taxes	to
16	Assessments	to
17		
18		
19		

CALCULATION

Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	- \$115,665.04
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

Closing Disclosure

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

- will allow, under certain conditions, this person to assume this loan on the original terms.
- will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

- has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- does not have a demand feature.

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.

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

- 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.
- 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.
- do not have a negative amortization feature.

Partial Payments

Your lender

- may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest

You are granting a security interest in
456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account

For now, your loan

- 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.

Escrow		
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Association Dues 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.

- will not have an escrow account because you declined it; 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.

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		

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.

Closing Disclosure

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%



Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

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.

Closing Disclosure

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 Some town, 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

CLOSING DISCLOSURE

PAGE 5 OF 5 - LOAN ID # 123456789

Closing Disclosure

- **Common Errors**

1. Date issued cannot be after closing date
2. Homeowner's Association dues must be identified in Estimated Taxes, Insurance & Assessments section; HOA fees must be identified in Other section
3. Secondary market charges must be identified as origination charges
 - For example, fees charged to lenders by secondary market purchasers when they buy the loan (e.g., Property Inspection Waiver charged by FNMA for loans that do not involve an appraisal) must be identified as origination charges. If the lender wants to pass the charge through to borrowers, it must be included in origination charges, not settlement charges.

Closing Disclosure

- **Common Errors**

4. Good faith deposits are not lender credits
5. Seller-paid closing costs must be disclosed. In purchase transactions, any costs paid by the seller must be disclosed on Page 2 in the “Seller-Paid” column.
6. Recording fees must be identified and disclosed
7. Changes between LE and CD must be identified and tolerance cure amounts properly disclosed

Activity 1.7 Knowledge Check

1. Secondary market charges must be properly identified as

- A. origination charges.
- B. settlement charges.

Activity 1.7 Knowledge Check

2. Good faith deposits _____ lender credits.

A. are

B. are not

Closing Disclosure Changes

- **Changed CD Requirements**
 - Initial Closing Disclosure
 - Estimated costs; 3 business days prior to consummation
 - Final Closing Disclosure
 - Actual terms; at or before consummation
 - **Categories of CD Changes**
 1. Changes before consummation not requiring new waiting period
 2. Changes before consummation requiring new waiting period
 3. Changes due to events occurring after consummation
 4. Changes due to clerical errors

12 CFR § 1026.19

Closing Disclosure Changes

- **Require New 3 Business Day Waiting Period**
 - Changes to the loan's APR outside accepted tolerances
 - Changes to the loan product
 - A prepayment penalty is added
- **APR Changes Requiring New 3 Business Day Waiting Period**
 - Regular transactions: APR change of +/- .125
 - Irregular transaction: APR change of +/- .250

12 CFR § 1026.19

Closing Disclosure Changes

- Changes After Consummation**

Deliver or Mail within 30 days	Deliver or Mail within 60 days
Closing Disclosure becomes inaccurate and results in a change to the amount paid by the consumer that was originally disclosed	Non-numerical clerical errors and refunds for tolerance violations
Closing Disclosure becomes inaccurate and results in a change to the amount paid by the seller that was originally disclosed	If a creditor cures a tolerance violation and provides a refund to the consumer

12 CFR § 1026.19

Activity 1.8 Knowledge Check

1. When a changed circumstance has occurred to the loan product after the Closing Disclosure has been delivered to her borrower, MLO Rachel must

- A. call the borrower and inform him of the fee change.
- B. complete a valid changed circumstance form and have the borrower sign it.
- C. deliver revised Closing Disclosure and apply new three-day waiting period before consummation.
- D. make redisclosure.

Activity 1.8 Knowledge Check

2. When a numerical error has occurred to the Closing Disclosure and the initial Closing Disclosure has been delivered to his borrower, MLO Wyatt must

- A. call the borrower and inform him of the fee change.
- B. complete a valid changed circumstance form and have the borrower sign it.
- C. deliver revised Closing Disclosure and apply new three-day waiting period before consummation.
- D. make redisclosure.

Settlement Service Provider Disclosures

- **Disclosure Deficiency**
 - Lenders must provide consumers with written list of settlement service providers that consumer can shop
 - Many lenders fail to provide this list
- **Disclosure Requirements**
 - Must identify at least 1 available provider for each service borrower is permitted to shop and sufficient information to allow consumer to contact provider
 - Must state that consumer may choose a provider that is not included in the list
 - Must provide list to consumer within 3 days of application

12 U.S.C. § 2602

Settlement Service Provider Disclosures

- **Affiliated Business Arrangement**
 - Lender/Broker allowed to own or control a settlement service provider that provides services the borrower is permitted to shop for
 - **Disclosure Requirement**
 - Must disclose AfBA relationship at the time of the referral or before
 - Must disclose that consumer is free to shop for settlement services from any other provider
 - Use Affiliated Business Arrangement (AfBA) form

12 CFR § 1024.15

Activity 1.9 Knowledge Check

1. The Settlement Service Provider list must be provided to the consumer

- A. at the time of application.
- B. within three days of application.
- C. at the time of loan approval.
- D. at least three days prior to closing.

Ability-to-Repay Rule

- **ATR Rule**
 - Protects consumers from obtaining mortgage they do not qualify for and cannot afford
- **ATR Determination Factors**
- **ATR Third-Party Record Verification**
 - Income, Assets, Debts
- **ATR Payment DTI Ratio Calculation**

12 C.F.R. § 1026.43

Activity 1.10 Knowledge Check

1. Which statements are TRUE?

- A. The ATR Rule applies to almost all closed-end consumer credit transactions secured by a dwelling.
- B. Lenders are not to consider alimony or child support to determine a consumer's ability to repay.
- C. Lenders are to use tax returns to verify a consumer's ability to repay.
- D. Lenders are to use the monthly, fully amortizing payment to calculate DTI for fixed rate loans.

Higher-Priced and High-Cost Mortgages

- **Home Ownership and Equity Protection Act**
 - 1994 amendment to TILA
 - Establishes requirements for high-cost and higher-priced mortgages
 - Enforced by CFPB
 - Grants Federal Reserve Board authority to prohibit unfair or deceptive practices, not just for high-cost loans, but for all consumer mortgage loans
 - Establishes consumer right to sue violator and rescind loan for up to 3 years following consummation

12 CFR § 1026.32 and 35

Higher-Priced Mortgage Loans

- **Definition**

- Closed-end mortgage secured by principal dwelling
- APR of mortgage exceeds average prime offer rate by:
 - 1.5% for a first mortgage lien
 - 2.5% for a first lien jumbo loan
 - 3.5% for a subordinate mortgage lien

12 CFR § 1026.35

Higher-Priced Mortgage Loans

- **MDIA and TILA Restrictions**
 - Verify ability to repay
 - Prohibited prepayment penalties
 - Required escrow account
- **Jumbo Loan Escrow Requirement**
 - Different APR threshold for higher-priced jumbo loan
 - 2.5 percentage points in excess of the average prime offer rate

12 CFR § 1026.35

Higher-Priced Mortgage Loans

- **Appraisal Requirements**

- Must use a licensed/certified appraiser who prepares written appraisal report based on physical inspection of property interior
- Must disclose purpose and provide free copy within 3 days prior to close; creditor can be reimbursed
- Must obtain second appraisal, at no cost to consumer, if
 - Within 90 days of seller acquiring property, price difference is $>10\%$ original acquisition cost
 - Within 6 months of seller acquiring property, price difference is $>20\%$ of original cost
 - Loans of $\leq \$27,200$ are exempt from HPML additional appraisal requirements

12 CFR § 1026.35

Activity 1.11 Knowledge Check

1. A higher-priced mortgage loan is defined as a loan where the APR, as disclosed by the Truth in Lending statement, of a mortgage loan exceeds the average prime offer rate by _____ for a first mortgage lien.

- A. 1.0%
- B. 1.5%
- C. 2.5%
- D. 3.5%

Activity 1.11 Knowledge Check

2. If the sale price exceeds the seller's acquisition price by more than _____, a creditor must not extend a next mortgage loan to a consumer to finance the acquisition of the consumer's principal dwelling without obtaining two written appraisals prior to consummation.

- A. 6.5%.
- B. 7.5%.
- C. 9%.
- D. 10%.

High-Cost Mortgage Loans

- **Definition**

- Closed-end loan or open-end credit plan secured by borrower's principal residence; some exemptions
- APR exceeds value of APOR Index Threshold
 - First lien > 6.5 percentage points
 - Second mortgage > 8.5 percentage points
- Points and Fees Threshold
 - Loan \geq \$21,980: > 5% of the total loan amount
 - Loan < \$21,980: exceeds the lesser of \$1,099 or 8% of the total loan amount

12 CFR § 1026.32

HOEPA - Prohibited Loan Terms

- **Prohibited Terms for HOEPA Triggered Loans**
 - No balloon payment on loans with term of < 5 years, unless a bridge loan of < 1 year
 - No negative amortization
 - No repayment schedule that consolidates more than 2 periodic payments that are paid in advance from the loan proceeds
 - No default interest rates that are higher than pre-default note rates and increase due to a default
 - No rebating refund calculated by method less favorable
 - No prepayment penalties; exceptions...
 - No demand clauses that enable creditor to call loan due before maturity

12 CFR § 1026.32

HOEPA - Prohibited Acts

- **Prohibited Creditor Practices for HOEPA Triggered Loans**
 - No disbursement of proceeds from home improvement loans to anyone other than the borrower, jointly to borrower and home improvement contractor, or, in some instances, to a third-party escrow agent
 - No selling/assigning loan without furnishing required statement to purchaser/assignee
 - No refinancing a high-cost loan into another high-cost loan within first 12 months of origination unless new loan is in the borrower's best interest
 - No extending credit without required certification of pre-loan counseling

12 CFR § 1026.34

HOEPA - Prohibited Acts

- **Prohibited Creditor Practices for HOEPA Triggered Loans**
 - No granting loans solely on the collateral value of the borrower's property without regard to borrower's ATR
 - No recommending default to be refinanced by high-cost mortgage loan
 - No charging any fees to modify, defer, renew, extend or amend a high-cost mortgage; no late fees in excess of 4% of past due payments or pyramid late fees
 - No charging fee for generating payoff statements, with limited exceptions
 - No finance lender points and fees into loan

Activity 1.12 Knowledge Check

1. MLO Teddy must not refinance a high-cost mortgage loan into another high-cost mortgage loan within the first ____ months of origination unless new loan is in borrower's best interest. The prohibition also applies to assignees holding or servicing the loan.

- A. 12
- B. 24
- C. 36
- D. 48

TILA Advertising Disclosures

- **Required Advertising Disclosure**
 - Advertising that references consumer credit must adhere to TILA advertising provisions
 - Tell the whole story and tell it clearly and conspicuously
 - ARM ad must include statement of fixed time period and the fact that the rate may vary or the payment may increase after that period
 - Advertised terms must be available

TILA Advertising Disclosures

- **Disclosure Triggering Terms**
 - Amount of the down payment
 - Amount of any payment
 - Number of payments
 - Period of repayment
 - Amount of any finance charge
- **Required Disclosures with Trigger Terms**
 - Amount or percentage of down payment
 - Terms of repayment
 - APR

12 CFR § 1026.24

TILA Advertising Disclosures

- **Required Closed-End Credit Disclosures**
 - When ad includes:
 1. Rate
 2. Payment Amount
 3. Payment and Rate Comparison
 4. Use of Term “Fixed”
 - Catalogs, Multiple-Page Ads, Electronic Ads Disclosures

TILA Advertising Disclosures

- **Required For Open-End Credit Disclosures**
 - When the ad includes:
 1. Trigger terms or payment terms of a plan require
 2. A minimum payment and it's possible that a balloon payment would result if only the minimum periodic payment is made
 3. A promotional rate and/or a promotional payment

12 CFR § 1026.16

Activity 1.13 Knowledge Check

1. According to the Truth in Lending Act, an advertising term that WOULD trigger additional required disclosures includes which of the following?

- A. 5% APR loan available here
- B. 20% down
- C. 25-year financing available
- D. pay only \$650 a month

Activity 1.13 Knowledge Check

2. If an advertisement references both variable and non-variable rate loans, which of the following terms must appear with equal prominence as any use of the term “fixed” or “fixed-rate mortgage”?

- A. adjustable rate mortgage
- B. ARM
- C. non-variable rate mortgage
- D. variable rate mortgage

RESPA – Regulation X

- **About RESPA**

- Help consumers be better settlement service shoppers; eliminate unnecessary increase in settlement service costs due to kickback/referral fees
- Covered transactions; not covered transactions

- **Examination Deficiencies**

1. Accepting kickbacks and unearned fees
2. Charging third-party fees in excess of actual cost
3. The Home Ownership Counseling List not being provided as required

RESPA is cited as 12 U.S.C. § 2601 et. seq.; Regulation X is cited as 12 CFR § 1024 et. seq.

RESPA – Section 8

- **Prohibitions Against Kickbacks**
 - Must not give or accept a fee, kickback, or any thing of value in exchange for referrals of settlement service business
- **Split of Charges/Unearned Fees Restrictions**
 - Must not give or accept any portion, split, or percentage of any charge made or received for the rendering of a settlement service
- **Thing of Value Defined**
- **Referral Defined**
- **Permissible Payments and Activities**

12 CFR § 1024.14

RESPA – Section 8

- **Investigative Authority**
 - CFPB may investigate high prices
 - Are high prices result of referral fee or fee split; does thing of value bear reasonable relationship to market value
- **Allowable Payment of Multiple Services**
 - Person in position to refer settlement service business receives payment for providing additional settlement services as part of real estate transaction
 - Must be for services that are actual, necessary, and distinct from primary services provided by person
- **5 Year Recordkeeping Requirement**

12 CFR § 1024.14

Activity 1.14 Knowledge Check

1. _____ a sale to be conditioned on the use of a particular title company chosen by the seller.

- A. If full disclosure is made, RESPA allows
- B. If no kickbacks are involved, RESPA allows
- C. If no unearned fees are involved, RESPA allows
- D. Under no circumstances does RESPA allow

RESPA – Counseling Disclosure

- **Homeownership Counseling Organizations List**
 - Not later than 3 business days after application (if not denied)
 - Relevant counseling services in the loan applicant's location obtained no earlier than 30 days prior to the time when the list is provided
- **Interpretive Rules**
 - 10 HUD-approved housing counseling agencies
 - Use applicant's 5-digit zip code; may use more precise geographic marker, such as a street address
 - Provide info for data fields available through HUD API
 - Include required statement as part of list

12 C.F.R. 1024.20

RESPA – Counseling Disclosure

- **Provider Delivery**

- Mortgage broker or dealer may provide
 - If broker/dealer provide, lender is not required
- Mortgage broker or dealer does not provide
 - Lender provides to applicant in person, or
 - Lender must mail or electronically deliver
- Multiple lenders
 - Only one lender needs to provide
- Multiple borrowers
 - Only need to provide to applicant with primary liability on mortgage loan obligation

12 C.F.R. 1024.20

Activity 1.15 Knowledge Check

1. Not later than _____ business days after Lender Larry receives an application, he must provide loan applicant with a clear and conspicuous written list of homeownership counseling organizations that provide relevant counseling services in loan applicant's location.

- A. three
- B. five
- C. seven
- D. ten

Activity 1.15 Knowledge Check

2. Lender Larry must provide an applicant with a list of _____ HUD-approved housing counseling agencies.

- A. three
- B. five
- C. seven
- D. ten

Equal Credit Opportunity Act

- **About ECOA Provisions**

- Ensures all consumers are given equal chance to obtain credit
- Requires that applicants are informed of their rights
 - ECOA Disclosure
- Calls for certain disclosures
- Requires credit bureaus to maintain separate credit files for married spouses
- Allows applicants to file discrimination complaints or lawsuits
- Requires creditors to maintain application records for 25 months; 12 months for business credit

12 CFR § 1002

ECOA – Discrimination Prohibitions

- **Protected Classes**

- Requires that anyone who grants credit or sets terms of credit not discriminate based on:

- Race or Color
- Religion or National Origin
- Age (provided the applicant has the capacity to contract; i.e., 18 years old)
- Sex or Marital Status
- Receipt of income from public assistance programs
- Exercised rights under the Consumer Credit Protection Act

12 CFR § 1002

ECOA – Discrimination Prohibitions

- **Discrimination Prohibitions**
 - Prohibits discriminatory advertising; oral or written statement that discourages from applying due to membership in protective class
 - Prohibits, with exceptions, requesting or collecting information about an applicant's race, color, religion, national origin, or sex
 - Prohibits from inquiring about a consumer's marital status or intentions related to having or raising children
- **Lawful Marital Status Inquiries**

12 CFR § 1002

ECOA – Required Notices of Action

- **Delivery Requirement**
 - **Completed Application**
 - 30 day notification required
 - Notify of creditor's approval, counteroffer, or adverse action
 - **Incomplete Application**
 - 30 day notification of adverse action required
 - **After Notification of Counteroffer**
 - 90 day notification of adverse action required

12 CFR § 1002

ECOA – Required Notices of Action

- **Notice of Action Taken**
 - Approved: Commitment Letter
 - Incomplete: Notice of Incomplete Application
 - Denied or offered less favorable or different terms: Statement of Adverse Action
- **Statement of Adverse Action Requirements**
 - Provide ECOA notice; include specific reasons for decision or inform applicant of right to request specific reasons for decision within 60 days
- **Handling Incomplete Application**

12 CFR § 1002

ECOA – Required Appraisal Report

- **Borrower Right to Appraisal Report Copy**
 - Borrowers have right to a copy of appraisal report used in decision process upon completion of appraisal or no later than 3 business days before settlement
 - This applies to withdrawn, denied, or incomplete applications
 - Creditors cannot charge applicants for a copy
- **Disclosure Requirement**
 - Within 3 business days of application must mail or deliver a written notice advising the applicant of appraisal rights

12 CFR § 1016

Activity 1.16 Knowledge Check

1. Mortgage lenders must notify applicants of a credit status and reasons for action taken within _____ days of receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application.

- A. 10
- B. 30
- C. 60
- D. 90

Activity 1.16 Knowledge Check

2. Borrowers have a right to a copy of the appraisal report used in the decision process promptly upon completion of the appraisal or no later than _____ business days before consummation for closed-end credit or account opening for open-end credit, whichever is earlier.

- A. three
- B. five
- C. seven
- D. ten

Gramm-Leach-Bliley Act

- **Safeguards Rule**

- Requires financial institutions to design, implement, and maintain safeguards to protect and control consumer data
- Written Safeguards Policy must ensure security and confidentiality, protect against anticipated threats or hazards, and protect against unauthorized access that could harm or inconvenience consumers

- **Pretexting Provision**

- Protects consumers from individuals/companies that obtain personal financial information under false, fictitious, or fraudulent pretenses

12 CFR § 1016

Gramm-Leach-Bliley Act

- **Financial Privacy Rule**

- Governs collection and disclosure of nonpublic personal information
- Requires Consumer Privacy Policy Notice
- Restricts when information may be disclosed to affiliates and nonaffiliated third parties
- Provides method for consumers to prevent disclosure of information to most nonaffiliated third parties by “opting out”
- Provides model privacy form
- Prohibits financial institutions from disclosing access codes or account numbers to non-affiliated third party (except consumer reporting agency)

12 CFR § 1016

Gramm-Leach-Bliley Act

- **Financial Privacy Rule**
 - Consumer or Customer
 - Required Opt-Out Opportunity
 - Privacy Notice Content Requirements
 - Creditor must provide an opportunity for the consumer to opt-out; there are exceptions
 - Model Forms
 - Use to stay in compliance
 - Model Form with No Opt-Out
 - Model Form with Opt-Out by Telephone and/or Online
 - Model Form with Mail in Opt-Out Form

12 CFR § 1016

Electronic Records and E-Signatures

- **Consent to Receive**

- Consumer has affirmatively consented to such use and has not withdrawn such consent
- Business clearly and conspicuously discloses specified information to consumer before obtaining his consent
- Before giving consent, consumer is provided with a statement of the hardware and software requirements
- Consumer is made aware of any hardware or software changes that might impact access to information

15 U.S.C. § 7001(c)(1)

Activity 1.17 Knowledge Check

1. The Financial Privacy Rule requires which of the following?

- A. A financial institution must provide an initial Consumer Privacy Policy notice to all consumers.
- B. A financial institution must provide a revised privacy notice if there is any change to the information being disclosed.
- C. A financial institution must provide a quarterly privacy notice to its customers.
- D. A financial institution must provide an annual privacy notice to its customers.

Federal Mortgage-Related Laws

- **Fair Credit Report Act**
 - Protects rights of debtors in accessing/disputing credit info
- **Fair and Accurate Credit Transaction Act**
 - Prevents identity theft by setting requirements specific to consumer privacy and information sharing
- **Bank Secrecy Act**
 - Prevents money laundering with rules specific to reporting suspicious activity and cash transactions > \$10,000
- **Patriot Act**
 - Identifies terrorism-related acts by allowing law enforcement to access information
- **SAFE Mortgage Licensing Act**
 - Standardizes MLO licensing requirements via NMLS

Activity 1.18 Knowledge Check

1. The Bank Secrecy Act requires financial institutions to file reports of cash transactions exceeding _____ in a daily aggregate amount.

- A. \$5,000
- B. \$10,000
- C. \$15,000
- D. \$20,000

Activity 1.18 Knowledge Check

2. Which Act can you credit for making it a requirement that you must complete this continuing education course?

- A. The Bank Education Act
- B. FACTA
- C. FCRA
- D. The SAFE Act

Chapter Quiz

1. As a result of the Mortgage Disclosure Improvement Act, how soon can a residential loan close?

- A. next business day
- B. after three business days for a refinance or home equity loan
- C. within three business days of applying
- D. on the seventh business day after delivery of required disclosures

Chapter Quiz

2. For a loan subject to HOEPA regulations, all the following are prohibited loan terms EXCEPT

- A. a fixed rate.
- B. balloon payments in the first five years.
- C. a demand clause.
- D. negative amortization.

Chapter Quiz

3. The Financial Privacy Rule does NOT require which of the following?

- A. A financial institution must provide an initial Consumer Privacy Policy notice to all consumers.
- B. A financial institution must provide a revised privacy notice if there is any change to the information being disclosed.
- C. A financial institution must provide a quarterly privacy notice to its customers.
- D. A financial institution must provide an annual privacy notice to its customers.

Chapter Quiz

4. If an advertisement discloses only the APR, what additional disclosures are required?

- A. amount of any finance charges
- B. no additional disclosures are required
- C. percentage of down payment
- D. terms of repayment

Chapter Quiz

5. According to the Homeowners Protection Act, borrowers may request cancellation of their mortgage insurance premiums when the borrower's equity reaches

- A. 20%.
- B. 22%.
- C. 78%.
- D. 80%.

Chapter Quiz

6. A higher-priced loan is designated as a loan with an APR that exceeds the APOR. Which of the following percentage rates does NOT define a higher-priced loan?

- A. 1.5% for a first mortgage lien
- B. 2.5% for a first lien jumbo loan
- C. 3.5% for a subordinate mortgage lien
- D. 4.5% for a line of credit lien

Chapter Quiz

7. The Homeowners Protection Act requires a mortgage lender to cancel PMI when the loan-to-value reaches _____ of the original value and the borrower is current.

- A. 50%
- B. 62%
- C. 70%
- D. 78%

Chapter Quiz

8. Which of the following BEST describes the purpose of the Patriot Act?

- A. ensure that consumer credit information is accurately maintained and recorded
- B. prevent the funding of terrorist operations
- C. protect consumers from identity theft
- D. regulate credit bureau reporting obligations

Chapter Quiz

9. The Fair and Accurate Credit Transaction Act allows consumers to obtain a free copy of their credit report once every _____ from each of the three credit bureaus.

- A. 3 months
- B. 6 months
- C. 12 months
- D. 2 years

Chapter Quiz

10. Under the Fair Credit Reporting Act, consumer reporting agencies generally may not report negative credit information that is more than _____ years old.

- A. five
- B. seven
- C. ten
- D. twelve

Chapter Quiz

11. The Fair Credit Reporting Act provides that derogatory information regarding a discharged bankruptcy be removed after

- A. 7 years.
- B. 10 years.
- C. credit has been re-established for over five years.
- D. dismissal of the case by a Federal Bankruptcy Court.

Chapter Quiz

12. Which fee can be collected prior to delivery of the Loan Estimate?

A. appraisal fee

B. credit report fee

C. origination fee

D. No fees can be collected prior to delivery of the Loan Estimate.

Chapter Quiz

13. The APR on a Loan Estimate for a 30-year fixed-rate loan is 6.25% and the APR on the Closing Disclosure is 6.5%. After redisclosure, how long must the borrower wait to close the loan?

- A. one business day
- B. three business days
- C. seven business days
- D. There is no waiting required since the difference is within the acceptable tolerance.

Chapter Quiz

14. Which statement about loan origination fees on a Loan Estimate is FALSE?

- A. The fee cannot change unless there is a changed circumstance.
- B. The fee includes services performed by or on behalf of the MLO.
- C. Lender and mortgage broker fees for the same transaction must be separately itemized.
- D. Origination fees must be expressed as a lump sum.

Chapter Quiz

15. Which of these circumstances would NOT be an acceptable reason to provide a revised Loan Estimate to a borrower?

- A. The borrower lost the income from a part-time job and so was no longer eligible for the specific loan terms identified in the Loan Estimate.
- B. The borrower requested to change the loan term from 15 to 30 years.
- C. The MLO regretted overlooking certain liabilities in order to qualify the borrower for a better interest rate.
- D. The title company discovered a junior lien on the property that was not considered when preparing the Loan Estimate.

Chapter Quiz

16. Loan consummation is the day that the

- A. borrower becomes contractually obligated on the credit transaction.
- B. borrower becomes contractually obligated to the seller to perform on the sales contract.
- C. mortgage loan funds.
- D. refinance loan documents are fully executed.

Chapter Quiz

17. A Loan Estimate that is made in good faith is determined by the closing costs quoted on the Loan Estimate and on the Closing Disclosure. For a Loan Estimate to be considered made in good faith, the costs on the Loan Estimate can be

- A. disclosed on a changed circumstance form.
- B. higher than what is charged on the Closing Disclosure.
- C. lower than what is charged on the Closing Disclosure.
- D. redisclosed on a revised Loan Estimate delivered to the borrower at least one business day before loan consummation.

Chapter Quiz

18. When a numerical error has occurred to the Closing Disclosure and the initial Closing Disclosure has been delivered to his borrower, MLO Fred must

- A. call the borrower and inform him of the fee change.
- B. complete a valid changed circumstance form and have the borrower sign it.
- C. deliver a revised Closing Disclosure and apply a new three-day waiting period before consummation.
- D. make redisclosure.

Chapter Quiz

19. If the amounts paid by the consumer at closing exceed the prescribed tolerance thresholds, a creditor must refund the excess to the consumer no later than

- A. at closing.
- B. within five calendar days of loan closing.
- C. within 30 calendar days of closing.
- D. within 60 calendar days after consummation.

Chapter Quiz

20. Per Regulation Z, which of the following advertisements requires full disclosure of credit terms?

- A. “Affordable rates available”
- B. “Assume loan at 8% interest”
- C. “Low down payment”
- D. “Stop paying rent”

Chapter Quiz

21. If real estate agent Renee accepted flyers from a mortgage company (containing marketing information about her and an MLO) and distributed the flyers at an open house,

- A. both the MLO and Renee are violating RESPA.
- B. only the MLO is violating RESPA.
- C. only Renee is violating RESPA.
- D. neither are violating RESPA.