

# TILA-RESPA Integrated Disclosure Rule

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# Key Changes

Effective for applications received by the creditor or mortgage broker on or after August 1, 2015:

- GFE and initial TIL replaced with the Loan Estimate
  - The items constituting an “application” are narrowed, requiring lenders to provide earlier disclosures based on more limited information
  - “Tolerances” imposed by HUD in 2010 under RESPA that limit changes in estimated costs have been tightened and are now subject to CFPB enforcement and a TILA private right of action
- HUD-1/1A and final TIL replaced with Closing Disclosure
  - Disclosure must be received three specific business days before closing, requiring additional work earlier in process
  - Lender is now responsible for errors in the settlement agent’s preparation of the settlement disclosures, creating private liability and vendor management risk

# Liability Today

- Two different statutes with two different liability schemes
- TILA
  - Private right of action for actual damages with attorney's fees and costs
  - Statutory penalties of up to \$4,000 for failure to properly provide certain disclosures (including finance charge and APR)
- RESPA: No private right of action for GFE and HUD-1 disclosures
- Also CFPB enforcement under the Dodd-Frank Act
  - Civil money penalties of \$5,000 per day per violation; \$25,000 per day for reckless violations; \$1M per day for knowing violations

# Liability in August 2015

- Neither Congress nor the CFPB clearly defined liability under the integrated TILA and RESPA disclosures
- The CFPB states only that each provision of the rule carries the same liability as the statute on which it is based
  - TILA liability for requirements based on TILA
  - RESPA liability for requirements based on RESPA
- No change in CFPB enforcement authority

# Example – Tolerance Violations

- In 2010, HUD interpreted the “good faith estimate” requirement in RESPA to limit variations between estimated settlement charges on the GFE and actual settlement charges on the HUD-1
  - Referred to as “tolerances”
  - Implementation has proved to be extraordinarily challenging for industry
  - Extensive compliance issues and remediation
- CFPB adopted tolerances under TILA’s good faith estimate requirement, creating a private right of action

# Scope

- The rule applies to most closed-end consumer mortgage loans, although it establishes different requirements for timeshares and construction loans
- The rule does not apply to:
  - Home-equity lines of credit
  - Reverse mortgages
  - Mortgages secured by a mobile home or by a dwelling that is not attached to land
  - Loans made by a creditor who makes five or fewer mortgages in a year
  - Certain no-interest second mortgage loans made for the purpose of down payment assistance, property rehabilitation, energy efficiency, or foreclosure avoidance

# Effective Date

- Rule generally applies to applications received on or after August 1, 2015
  - Lenders must be ready to “flip the switch”
  - No early usage of forms permitted
- Systems must be able to track the application date and provide the correct disclosures
  - Application received on July 31 – Old disclosures
  - Application received in August 1 – New disclosures

# The Loan Estimate (GFE + Initial TIL)



# General

- Use of the Bureau's forms is mandatory for most transactions and only limited modifications are permitted
- Creditor must "exercise due diligence" to obtain "the best information reasonably available . . . at the time the estimate is provided."

# Providing the Loan Estimate

- Loan Estimate must be delivered or placed in the mail:
  - Within three general (open for business) days after creditor **or broker** receives an ***“application;”*** and
  - Seven specific business days before consummation
- ***“Business day”*** has two meanings:
  - Three-day Rule: Days on which the creditor’s offices are open to the public for carrying on substantially all of its business functions” after receiving application (i.e., not Saturdays if not open) [“general” or “open for business day”]
  - Seven-Day Rule: Calendars days except Sundays and legal public holidays” before consummation [“specific business day”]

# Providing the Loan Estimate

- “*Application*” means the submission of the following information for the purposes of obtaining an extension of credit:
  1. Borrower name;
  2. Borrower income;
  3. Borrower SSN to obtain credit report;
  4. Property address;
  5. Estimate of property value; and
  6. Loan amount sought
- How does this impact leads?
- Creditor or broker may attempt to sequence the collection of information **but cannot refuse to accept any of the six items**
  - Example: Ask for SSN or property address after receive all other necessary information

# Providing the Loan Estimate

## Before

- No verification (until LE provided)
- No LE “worksheets” and disclaimer on consumer-specific estimates (until LE received)
- No fees except for credit report (until notice of intent to proceed)

## “Application”

1. Borrower name
2. Income
3. SSN to obtain credit report
4. Property address
5. Estimate of property value
6. Loan amount sought

## After

- LE must be provided within three “open for business” days after receipt
- Tolerances apply with TILA liability

# Wholesale Lending

- Broker's receipt of an application triggers obligation to provide a Loan Estimate within three general open for business days
- If broker provides the Loan Estimate:
  - Broker must comply with all relevant requirements as if it were the creditor
  - If creditor is unknown, broker leaves Loan ID # and lender info blank
  - If creditor accepts a loan after the Loan Estimate has been provided, creditor is bound by the tolerance limitations
  - “[E]ven if the broker provides an erroneous disclosure, the creditor is responsible and may not issue a revised disclosure correcting the error. The creditor is expected to maintain communication with the broker to ensure that the broker is acting in place of the creditor.”

# Loan Estimate: Key Changes

- Contains GFE and TIL content, but major format and presentation changes
  - GFE “Important Dates” section is gone
  - APR is deemphasized and other Fed Box disclosures have been removed (but finance charges and APR are still very important material disclosures)
  - Increased itemization of settlement charges
  - No disclosure of lender-paid broker compensation on the LE
  - New disclosures, including enhanced projected payments table (replaces payment schedule), “In 5 Years,” and “Total Interest Percentage”

**FICUS BANK**

4321 Random Boulevard • Somecity, 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** \$240,000

**LOAN TERM** 30 years  
**PURPOSE** Purchase  
**PRODUCT** 5 Year Interest Only, 5/3 Adjustable 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?	
<b>Loan Amount</b>	\$211,000	<b>NO</b>	
<b>Interest Rate</b>	4%	<b>YES</b>	<ul style="list-style-type: none"> <li>Adjusts <b>every 3 years</b> starting in year 6</li> <li>Can go as <b>high as 12%</b> in year 15</li> <li>See <b>AIR Table on page 2</b> for details</li> </ul>
<b>Monthly Principal &amp; Interest</b> <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	<b>YES</b>	<ul style="list-style-type: none"> <li>Adjusts <b>every 3 years</b> starting in year 6</li> <li>Can go as <b>high as \$2,068</b> in year 15</li> <li>Includes <b>only interest</b> and <b>no principal</b> until year 6</li> <li>See <b>AP Table on page 2</b> for details</li> </ul>
<b>Does the loan have these features?</b>			
<b>Prepayment Penalty</b>		<b>NO</b>	
<b>Balloon Payment</b>		<b>NO</b>	

Projected Payments				
Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
<b>Estimated Total Monthly Payment</b>	<b>\$812</b>	<b>\$1,137–\$1,468</b>	<b>\$1,137–\$1,713</b>	<b>\$1,028–\$2,068</b>
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	\$533 a month	<b>This estimate includes</b> <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>		<b>In escrow?</b> <b>NO</b> <b>NO</b>

Costs at Closing	
<b>Estimated Closing Costs</b>	<b>\$8,791</b> Includes \$5,851 in Loan Costs + \$2,940 in Other Costs – \$0 in Lender Credits. See page 2 for details.
<b>Estimated Cash to Close</b>	<b>\$27,791</b> Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) for general information and tools.

# Projected Payments Table

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
<b>Estimated Total Monthly Payment</b>	<b>\$1,050</b>		<b>\$968</b>
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	\$206 a month	<b>This estimate includes</b> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	<b>In escrow?</b> <b>YES</b> <b>YES</b>

- Itemize up to four separate periodic payment or range of payments
- Estimate taxes, insurance, and assessments

- Range of payments must be disclosed when:
  - Multiple events requiring a separate column are combined into a single column;
  - Multiple events occur during a single year or an event occurs during the first year; or
  - Payment may adjust based on an index



# Model Form H-24(C)

FICUS BANK

4321 Random Boulevard • Somerscity, 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** \$240,000

**LOAN TERM** 30 years  
**PURPOSE** Purchase  
**PRODUCT** 5 Year Interest Only, 5/3 Adjustable 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?	
<b>Loan Amount</b>	\$211,000	<b>NO</b>
<b>Interest Rate</b>	4%	<b>YES</b> <ul style="list-style-type: none"> <li>• Adjusts every 3 years starting in year 6</li> <li>• Can go as high as 12% in year 15</li> <li>• See AIR Table on page 2 for details</li> </ul>
<b>Monthly Principal &amp; Interest</b> <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	<b>YES</b> <ul style="list-style-type: none"> <li>• Adjusts every 3 years starting in year 6</li> <li>• Can go as high as \$2,068 in year 15</li> <li>• Includes only interest and no principal until year 6</li> <li>• See AP Table on page 2 for details</li> </ul>
<b>Does the loan have these features?</b>		
<b>Prepayment Penalty</b>	<b>NO</b>	
<b>Balloon Payment</b>	<b>NO</b>	

Projected Payments	Years 1-5	Years 6-8	Years 9-11	Years 12-30
<b>Payment Calculation</b>				
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
<b>Estimated Total Monthly Payment</b>	\$812	\$1,137-\$1,468	\$1,137-\$1,713	\$1,028-\$2,068
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	\$533 a month	<b>This estimate includes</b> <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>		<b>In escrow?</b> <b>NO</b> <b>NO</b>

Costs at Closing		
<b>Estimated Closing Costs</b>	\$8,791	Includes \$5,851 in Loan Costs + \$2,940 in Other Costs - \$0 in Lender Credits. See page 2 for details.
<b>Estimated Cash to Close</b>	\$27,791	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

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# Model Form H-24(D)

FICUS BANK

4321 Random Boulevard • Somerscity, 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** 123 Anywhere Street  
 Anytown, ST 12345  
**EST. PROP. VALUE** \$180,000

**LOAN TERM** 30 years  
**PURPOSE** Refinance  
**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?	
<b>Loan Amount</b>	\$150,000	<b>NO</b>
<b>Interest Rate</b>	4.25%	<b>NO</b>
<b>Monthly Principal &amp; Interest</b> <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$737.91	<b>NO</b>
<b>Does the loan have these features?</b>		
<b>Prepayment Penalty</b>	<b>NO</b>	
<b>Balloon Payment</b>	<b>NO</b>	

Projected Payments	Years 1-4	Years 5-30
<b>Payment Calculation</b>		
Principal & Interest	\$737.91	\$737.91
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
<b>Estimated Total Monthly Payment</b>	\$1,026	\$944
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	\$206 a month	<b>This estimate includes</b> <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>

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

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Model Form H-24(C)

**Closing Cost Details**

**Loan Costs**

<b>A. Origination Charges</b>	<b>\$3,110</b>
1 % of Loan Amount (Points)	\$2,110
Application Fee	\$500
Processing Fee	\$500

<b>B. Services You Cannot Shop For</b>	<b>\$820</b>
Appraisal Fee	\$305
Credit Report Fee	\$30
Flood Determination Fee	\$35
Lender's Attorney Fee	\$400
Tax Status Research Fee	\$50

<b>C. Services You Can Shop For</b>	<b>\$1,921</b>
Pest Inspection Fee	\$125
Survey Fee	\$150
Title – Courier Fee	\$32
Title – Lender's Title Policy	\$665
Title – Settlement Agent Fee	\$325
Title – Title Search	\$624

<b>D. TOTAL LOAN COSTS (A + B + C)</b>	<b>\$5,851</b>
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**Adjustable Payment (AP) Table**

Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO

<b>Monthly Principal and Interest Payments</b>	
First Change/Amount	\$1,028 – \$1,359 at 61st payment
Subsequent Changes	Every three years
Maximum Payment	\$2,068 starting at 169th payment

**Other Costs**

<b>E. Taxes and Other Government Fees</b>	<b>\$152</b>
Recording Fees and Other Taxes	\$152
Transfer Taxes	

<b>F. Prepays</b>	<b>\$1,352</b>
Homeowner's Insurance Premium ( 12 months)	\$1,000
Mortgage Insurance Premium ( months)	
Prepaid Interest ( \$23.44 per day for 15 days @ 4.00%)	\$352
Property Taxes ( months)	

**G. Initial Escrow Payment at Closing**

Homeowner's Insurance	per month for	mo.
Mortgage Insurance	per month for	mo.
Property Taxes	per month for	mo.

<b>H. Other</b>	<b>\$1,436</b>
Title – Owner's Title Policy (optional)	\$1,436

<b>I. TOTAL OTHER COSTS (E + F + G + H)</b>	<b>\$2,940</b>
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<b>J. TOTAL CLOSING COSTS</b>	<b>\$8,791</b>
D + I	\$8,791
Lender Credits	

**Calculating Cash to Close**

Total Closing Costs (J)	\$8,791
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$29,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
<b>Estimated Cash to Close</b>	<b>\$27,791</b>

**Adjustable Interest Rate (AIR) Table**

Index + Margin	MTA + 4%
Initial Interest Rate	4%
Minimum/Maximum Interest Rate	3.25%/12%

<b>Change Frequency</b>	
First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change

<b>Limits on Interest Rate Changes</b>	
First Change	2%
Subsequent Changes	2%

- Itemization
- Discount points v. origination points
- Only amounts paid by consumer disclosed

Lender credits disclosed as lump sum

**Additional Information About This Loan**

LENDER Ficus Bank  
 NMLS/\_\_\_LICENSE ID  
 LOAN OFFICER Joe Smith  
 NMLS/\_\_\_LICENSE ID 12345  
 EMAIL joesmith@ficusbank.com  
 PHONE 123-456-7890

MORTGAGE BROKER  
 NMLS/\_\_\_LICENSE ID  
 LOAN OFFICER  
 NMLS/\_\_\_LICENSE ID  
 EMAIL  
 PHONE

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$54,944	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$0	Principal you will have paid off.
Annual Percentage Rate (APR)	4.617%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	81.18%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

**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  
 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.
- 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  
 to service your loan. If so, you will make your payments to us.  
 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 \_\_\_\_\_

# What Can Change?

- Once the Loan Estimate has been provided, tolerances apply
  - **Zero Tolerance** - Disclosed amounts cannot increase
  - **10 % Aggregate Tolerance** - Aggregate disclosed amount for third-party services selected from List of Providers and recording fees cannot increase by more than 10%
  - **No Tolerance** – Disclosed amount must be based on “best information reasonably available at the time” using “reasonable due diligence” but otherwise no limitation on increases

# Tolerance Buckets

## 0% Tolerance

- Lender charges and credits
- Mortgage broker's charges
- Paid to affiliate of creditor or broker
- Unaffiliated third party if shopping not allowed
- Transfer taxes

## 10% Aggregate Increase

- Unaffiliated third party if shopping not allowed
- Recording fee
- Services for which consumer may, but does not shop

## Best Information Reasonably Available

- Prepaid interest
- Property insurance premiums
- Amounts placed in escrow
- Charges paid to third party service providers not included on written list
- Charges paid to third party service providers not required by the creditor



# Shopping

- The importance of permitting the consumer to “shop” for a settlement service provider
  - Not permitted – zero tolerance applies
  - Permitted – 10% tolerance applies
  - Permitted and consumer selects own provider – tolerances do not apply
- How does a creditor permit the consumer to “shop”?
  - Consumer allowed to select provider, subject to reasonable requirements (e.g., licensure)
  - Loan Estimate identifies services for which consumer may shop
  - Written List of Providers identifies at least one available provider for each service and informs consumer that they may choose a different provider

# Affiliate Charges

- Zero tolerance now applies to charges for services provided by an affiliate of the creditor or mortgage broker
- Creditor and affiliate treated as effectively the same entity
- Increase in charge is not, by itself, a changed circumstance
- Creditor must be able to show that increase caused by:
  - A change or inaccuracy in information relied on by the affiliate
  - New information unknown to the affiliate
  - Borrower-requested change

# Redisdisclosure and Resetting Tolerances

Revised LE must be provided within three “open for business” days of receiving information sufficient to establish that change is permitted

Changed  
circumstance

Consumer  
request

Rate lock

Expiration

Construction  
loans

Increase beyond tolerance must be caused by the event



# Exceptions for Permitted Changes

- **Changed circumstances affecting eligibility or settlement charges.** One of the following affects creditworthiness or the value of the security:
  - 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 LE 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 LE (but cannot be “application” information)

# Exceptions for Permitted Changes

- **Consumer request.** Consumer requests revisions to terms or settlement that cause an estimated charge to increase
- **Interest rate dependent charges.** Discount points or creditor/mortgage broker charges or credits change because the interest rate was not locked when the LE was provided
- **Expiration.** Consumer does not indicate an intent to proceed within 10 general open for business days after LE provided
- **New construction.** Closing more than 60 days after initial Loan Estimate
  - **Amendment:** For this exception to apply, disclosure must be clearly and conspicuously provided on Loan Estimate. Final rule inadvertently prohibited disclosure, so Bureau amended the rule to permit disclosure on page 3 under the “Other Considerations” heading

# Resetting the 10% Aggregate Tolerance

- Tolerance is not reset by an increase caused by a changed circumstance until the aggregate charges have increased by more than 10%
- For example:
  - Tolerance is not reset if increase in title insurance premium results in a 7% increase in the total due a changed circumstance
  - But tolerance is reset if (1) appraisal fee later increases original total by 4% due to another changed circumstance; and (2) creditor reissues Loan Estimate within three open for business days
- Timing of revised Loan Estimate tied to date on which creditor receives information sufficient to establish that charges have increased by more than 10%

# The Closing Disclosure (HUD-1/1A + Final TIL)

## 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.  
**Flo #** 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?	
<b>Loan Amount</b>	\$162,000	NO
<b>Interest Rate</b>	3.875%	NO
<b>Monthly Principal &amp; Interest</b> <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
<b>Prepayment Penalty</b>	<b>YES</b> • As high as \$3,240 if you pay off the loan during the first 2 years	
<b>Balloon Payment</b>	NO	

Projected Payments	Does the loan have these features?	
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
<b>Estimated Total Monthly Payment</b>	<b>\$1,050.26</b>	<b>\$967.91</b>
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time See page 4 for details</i>	<b>\$356.13</b> a month	<b>This estimate includes</b> <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>
		<b>In escrow?</b> <b>YES</b> <b>YES</b> <b>NO</b>

Costs at Closing		
<b>Closing Costs</b>	\$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.
<b>Cash to Close</b>	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

**Closing Cost Details**

Loan Costs	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
<b>A. Origination Charges</b>	<b>\$1,802.00</b>				
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>B. Services Borrower Did Not Shop For</b>	<b>\$236.55</b>				
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					
<b>C. Services Borrower Did Shop For</b>	<b>\$2,655.50</b>				
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					
<b>D. TOTAL LOAN COSTS (Borrower-Paid)</b>	<b>\$4,694.05</b>				
Loan Costs Subtotals (A + B + C)	\$4,664.25	\$29.80			
<b>Other Costs</b>	<b>\$85.00</b>				
<b>E. Taxes and Other Government Fees</b>	<b>\$85.00</b>				
01 Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02 Transfer Tax to Any State			\$950.00		
<b>F. Prepays</b>	<b>\$2,120.80</b>				
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					
<b>G. Initial Escrow Payment at Closing</b>	<b>\$412.25</b>				
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				
<b>H. Other</b>	<b>\$2,400.00</b>				
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					
<b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>	<b>\$5,018.05</b>				
Other Costs Subtotals (E + F + G + H)	\$5,018.05				
<b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>	<b>\$9,712.10</b>				
Closing Costs Subtotals (D + I)	\$9,682.30	\$29.80	\$12,800.00	\$750.00	\$405.00
Lender Credits					

Loan originator compensation paid by the creditor is disclosed in "Paid by Others" column



**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
<b>Cash to Close</b>	<b>\$16,054.00</b>	<b>\$14,147.26</b>	

**Summaries of Transactions**

Use this table to see a summary of your transaction.

**BORROWER'S TRANSACTION**

<b>K. Due from Borrower at Closing</b>		<b>\$189,762.30</b>
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		
<b>Adjustments</b>		
05		
06		
07		
<b>Adjustments for Items Paid by Seller in Advance</b>		
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		
<b>L. Paid Already by or on Behalf of Borrower at Closing</b>		<b>\$175,615.04</b>
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
<b>Other Credits</b>		
06	Rebate from Epsilon Title Co.	\$750.00
07		
<b>Adjustments</b>		
08		
09		
10		
11		
<b>Adjustments for Items Unpaid by Seller</b>		
12	City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13	County Taxes to	
14	Assessments to	
15		
16		
17		
<b>CALCULATION</b>		
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
<b>Cash to Close</b> <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower		<b>\$14,147.26</b>

**SELLER'S TRANSACTION**

<b>M. Due to Seller at Closing</b>		<b>\$180,080.00</b>
01	Sale Price of Property	\$180,000.00
02	Sale Price of Any Personal Property Included in Sale	
03		
04		
05		
06		
07		
08		
<b>Adjustments for Items Paid by Seller in Advance</b>		
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		
<b>N. Due from Seller at Closing</b>		<b>\$115,665.04</b>
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		
<b>Adjustments for Items Unpaid by Seller</b>		
14	City/Town Taxes 1/1/13 to 4/14/13	\$365.04
15	County Taxes to	
16	Assessments to	
17		
18		
19		
<b>CALCULATION</b>		
Total Due to Seller at Closing (M)		\$180,080.00
Total Due from Seller at Closing (N)		-\$115,665.04
<b>Cash</b> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller		<b>\$64,414.96</b>

**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.



**Loan Calculations**

<b>Total of Payments.</b> Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$285,803.36
<b>Finance Charge.</b> The dollar amount the loan will cost you.	\$118,830.27
<b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.	\$162,000.00
<b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
<b>Total Interest Percentage (TIP).</b> 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](http://www.consumerfinance.gov/mortgage-closing)

**Contact Information**

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

**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.

# Providing the Closing Disclosure

- Borrower: Creditor or settlement agent
  - Settlement agent must comply with all applicable requirements
  - Creditor must ensure that requirements followed
- Seller: Settlement agent

# Providing the Closing Disclosure

## Initial Closing Disclosure

- Must be delivered in person at least three “specific” business days before consummation
- Otherwise, six specific business days before consummation

## Inspection

- Borrower can request open for business day before closing based on information known at time but omit seller information

## Revised CD & Seller CD (at consummation)

- Except additional three-day waiting period if:
  - APR increased by more than  $\frac{1}{8}$  of one percent ( $\frac{1}{4}$  for certain loans)
  - Change in loan product (e.g., fixed rate to variable)
  - Addition of repayment penalty

# Providing the Closing Disclosure

- Initial: Deliver to borrower in person at least three specific business days before consummation; otherwise, six specific business days before consummation
  - “Closing” and “consummation” often used interchangeably, but the trigger is consummation, which is the date on which the borrower becomes legally obligated
- Right to inspect: Borrower can request open for business day before closing based on information known at time but omit seller information
- Seller: Settlement agent provides at closing

# Delivery

- Mail (USPS, UPS, FedEx, etc.): If creditor mails disclosure, consumer is considered to have received it three days after it was placed in the mail [unless creditor can prove earlier receipt]
- In person: If creditor hands the disclosure directly to the consumer, consumer is considered to have received it that day
- Email: Creditor may deliver by email, but only if compliant with ESIGN-Act provisions.
  - But mailbox rule still applies, unless creditor can prove earlier receipt

# Providing the Closing Disclosure

- Redisclosure: At closing except additional three-day waiting period if:
  - Change in loan product (e.g., fixed rate to variable)
  - Addition of prepayment penalty
  - APR disclosed on initial Closing Disclosure “becomes inaccurate, as defined in § 1026.22”
- § 1026.22 continues to state that the APR is accurate if:
  - The APR results from the disclosed finance charge; and
  - The disclosed finance charge is greater than the amount required to be disclosed
  - Therefore, a reduction in the APR of more than 1/8 or 1/4 of a percentage point as a result of a reduction in the finance charge will not render the APR inaccurate (but if APR reduced for another reason, redisclosure required)

# Resetting Tolerances on the Closing Disclosure

- Final revised Loan Estimate must be received by consumer no later than four specific business days before consummation
  - If there are less than four specific business days between the time the revised Loan Estimate would be provided and consummation, tolerances can be reset using Closing Disclosure
  - Creditor can use final Closing Disclosure to reset tolerances for changed circumstances that occur 7-8 specific business days before closing
- But if closing date is delayed after initial Closing Disclosure provided, a revised Closing Disclosure may not reset the tolerances
  - Example: If defect discovered during walkthrough and closing is delayed by two weeks for repairs, lender cannot impose a rate lock extension fee

# Permitted Changes After Closing

## Curing Tolerance Violations:

- If consumer pays amounts in excess of tolerances at consummation, then no later than 60 days after consummation the creditor must:
  - Refund the excess payment to the consumer and
  - Provide a corrected CD reflecting the refund

## Other Permitted Changes:

- If amount paid by consumer changes during the 30 calendar days following consummation, creditor must provide corrected CD within 30 calendar days of receiving information sufficient to establish the change
- Non-numeric clerical errors must be corrected within 60 days after consummation



# *CFPB Mortgage Origination Rules Deskbook*

If you have not received *The New CFPB Mortgage Origination Rules Deskbook* but would like to request either a .pdf version or a hard copy, send an e-mail to:

[CFPBDeskbook@BuckleySandler.com](mailto:CFPBDeskbook@BuckleySandler.com).