

Mark E. Aldrich
Janet M. Bonnefin
Robert K. Olsen
Eric G. Baron
Keith R. Forrester
Anne M. McEvilly



Michael N. Delune
Tricia E. Engelhardt
Stephanie A. Shea
Joel N. Cook
Jessica M. Nguyen

Our File Number:

CALIFORNIA BANKERS ASSOCIATION

36th ANNUAL REGULATORY COMPLIANCE CONFERENCE

New Integrated Mortgage Disclosures: The Loan Estimate

October 7-10, 2014

Janet M. Bonnefin
Robert K. Olsen
Principals
Aldrich & Bonnefin, PLC
Counsel to the Bankers' Compliance Group®

New IMD/The Loan Estimate
CBA 36th RCC Oct 2014

Copyright © 2014
Aldrich & Bonnefin, PLC
All Rights Reserved

DISCLAIMER

This presentation is intended solely for educational purposes to provide you general information about laws and regulations and not to provide legal advice. There is no attorney-client relationship intended or formed between you and the presenters or you and the authors of these materials. Consult your institution's legal counsel for advice about how this information impacts your institution.

New Integrated Mortgage Disclosures: The Loan Estimate

I. INTRODUCTION

- A. As mandated by the Dodd-Frank Reform Act, the CFPB issued final Integrated Mortgage Disclosures (IMD) in December 2013 which will integrate the mortgage loan disclosures required under RESPA and TILA.

- B. The new Loan Estimate combines the RESPA GFE with the “early” truth in lending disclosure statement.

- C. The new Closing Disclosure combines the HUD-1 Settlement Statement with the “final” Truth in Lending Disclosure Statement.

II. EFFECTIVE DATE

- A. The new integrated disclosures become effective August 1, 2015.

- B. Specifically, the new rules apply to any application received on or after August 1, 2015.

- C. For applications received before August 1, 2015, you must provide the current early disclosures and the current final disclosures, even if the transaction consummates after August 1, 2015.

D. Structure of New Rules. The new rules are split across four sections of Regulation Z:

1. 12 CFR Section 1026.19(e) – Rules on timing and basis for Loan Estimate;
2. 12 CFR Section 1026.19(f) – Rules on timing and basis for Closing Disclosure;
3. 12 CFR Section 1026.37 – Contents of Loan Estimate; and
4. 12 CFR Section 1026.38 – Contents of Closing Disclosure.
5. Model and sample forms of both disclosures appear in Appendix H to Reg Z (some of which are included as Exhibits to this Outline).

E. Coverage of New Disclosures. The scope of the new rules is broad.

1. The IMDs are required on all closed-end, consumer credit transactions secured by any form of real property, regardless of whether there is a residence on the property.
 - a. Includes: Purchase-money mortgage loans, home improvement loans, home equity loans, vacant land loans, construction loans, bridge loans, and other temporary financing.
 - b. For those loans subject to the IMD Rule, the current exemptions under RESPA for temporary financing (including certain types of construction loans), vacant land loans and loans secured by 25 or more acres will be revoked as of August 1, 2015. Thus the IMDs will apply to these types of loans, as noted above.

2. Exempt transactions.
 - a. Reverse mortgages – these will continue to be disclosed under the current rules (including the TIL Disclosure Statement and special reverse mortgage disclosures under Regulation Z Sections 1026.18 and 1026.33 and the GFE and HUD-1/1A Settlement Statement under RESPA and Regulation X Sections 1024.7 and 1024.8);
 - b. Personal property dwelling-secured loans (manufactured homes and mobilehomes not converted to real property status and boat loans) (these will continue to be disclosed according to the current closed-end rules); and
 - c. Certain downpayment assistance loans which have a zero interest rate and zero required payments.

III. DUTY TO GIVE LOAN ESTIMATE & TIMING

- A. Creditor Obligated. The creditor is responsible for delivering the Loan Estimate.
- B. Role of Mortgage Brokers. A mortgage broker may provide the Loan Estimate to the consumer but the ultimate responsibility for doing so rests with the creditor.
 1. Section 1026.19(e)(1)(ii) provides the “creditor shall ensure that [the broker’s] disclosures are provided in accordance with” all of the Loan Estimate requirements. (Note that the broker is subject to the record retention requirements of Section 1026.25(c) if it provides a Loan Estimate.)
 2. If the mortgage broker provides a Loan Estimate to the consumer, the creditor is not permitted to provide a second one, even if the broker’s Loan Estimate is inaccurate.

3. The creditor may issue a revised Loan Estimate only if there is a circumstance which would allow the creditor to do so. Discussed in more detail later.

C. Timing.

1. The creditor (or a broker on the creditor's behalf) required to deliver or place the Loan Estimate in the mail within three business days after the creditor receives the consumer's application.

2. Business day means a day on which your institution is open to the public for substantially all of your business functions.

D. Application Defined. An "application" continues to be defined as it currently is under RESPA; that is, the creditor has received an application for Loan Estimate purposes when the creditor has received the "six items" of information (consumer's name, consumer's income, consumer's SSN, property address, estimate of property value, and loan amount sought).

1. The six items can be remembered by the acronym "ALIENS":

A	Address
L	Loan amount
I	Income
E	Estimated value
N	Name
S	Social security number

2. You can request additional information (such as the name and address of the consumer's employer, how long the consumer has worked there, occupation, etc.), but once you have the six items of information (ALIENS), you are required to generate the Loan Estimate, even if you haven't received the other requested information.

3. However, the creditor (or broker) may not require a consumer to submit documents in order to verify information related to the consumer's application before providing the Loan Estimate. Section 1026.19(e)(2)(iii).

This rule is similar to the former RESPA rule but the new commentary adds some helpful examples.

- a. Example #1. A creditor may ask for the sale price and address of the property, but the creditor may not require the consumer to provide a purchase and sale agreement to support the information the consumer provides orally before the creditor provides the Loan Estimate. Comment 19(e)(2)(iii)-1.i.
- b. Example #2. A mortgage broker may ask for the names, account numbers, and balances of the consumer's checking and savings accounts, but the mortgage broker may not require the consumer to provide bank statements, or similar documentation, to support the information the consumer provides orally before the mortgage broker provides the Loan Estimate. Comment 19(e)(2)(iii)-1.ii.
- c. Of course, the creditor and mortgage broker may require almost any reasonable supporting documentation as a condition of underwriting or approving the loan. Indeed, the Ability-to-Repay rule requires such documentation. The point is only that the Loan Estimate may not be delayed while waiting for that documentation.

4. Seven business-day waiting period. In addition to delivering the Loan Estimate within three business days after receiving an application, the creditor must also deliver the Loan Estimate at least seven business days prior to consummation.

- a. Business day is the "precise definition" – all calendar days except Sundays and the 10 federal holidays (same as rescission definition).
- b. Disclosures delivered in person are deemed received when delivered.

- c. Disclosures placed in the mail are deemed to be received three business days after they are placed in the mail.
- d. This seven-day waiting period may have its biggest impact in cases where the creditor wants to give a revised Loan Estimate shortly before consummation, when permitted, in order to avoid tolerance violations.
- e. If the consumer has a *bona fide* personal financial emergency, the consumer may modify or waive the seven-day waiting period after receiving the Loan Estimate. Requires a dated written waiver signed by all the consumers who are primarily liable on the loan (no preprinted forms). Refer to Section 1026.19(e)(1)(v).

IV. IMPOSITION OF FEES GENERALLY PROHIBITED

- A. Until the consumer has received the Loan Estimate and indicated to the creditor his or her intent to proceed with the transaction, no one (not the creditor, broker or any other person) may impose a fee on the consumer in connection with an application for a covered loan.
- B. There is an exception for a *bona fide* and reasonable fee for obtaining a consumer's credit report.
- C. A similar rule has applied under TILA and RESPA since 2010 although the new rule makes clear that the creditor cannot take a credit card number from the consumer (or a check for that matter) to cover, for example, the appraisal fee and then charge the consumer's credit card once the consumer has received the Loan Estimate. Comment 19(e)(2)(i)(A)-5. The creditor would have to go back to the consumer, verify whether the consumer wants to proceed with the transaction and if the consumer does, then get the consumer's permission to charge the credit card (or deposit the check).

V. GOOD FAITH DETERMINATION (TOLERANCES)

- A. Concept of Good Faith Determination. The IMD Rule doesn't refer to "tolerances." Instead the IMD Final Rule uses the concept of a creditor's "good faith determination."
- B. General Rule is Zero Tolerance. In general, a closing cost shown on the Loan Estimate is deemed to be "in good faith" if the charge paid by the consumer at closing does not exceed the amount originally disclosed (zero tolerance).
1. In other words, the general rule is that the amount the consumer is ultimately charged must be the same as what was disclosed on the Loan Estimate.
 2. Even though there are a few exceptions to the general rule (covered in Paragraphs C. and D. below), these charges (as well as some others) are always going to be subject to a zero tolerance (Comment 19(e)(3)(i)-1):
 - a. Fees paid to the creditor or mortgage broker;
 - b. Fees paid to an affiliate of the creditor or mortgage broker;
 - c. Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop for a third-party service provider for a settlement service (for example, appraisal fees, flood determination fees, etc.); and
 - d. Transfer taxes.

- C. Limited Increases are Permitted for Certain Items. A 10% aggregate tolerance exists for third-party services and recording fees, provided that they are not paid to the creditor or the creditor's affiliate.
1. But this tolerance only applies if the consumer was allowed to shop for the specific service provider. This operates as a significant limitation on the 10% tolerance category because fees for appraisals, credit reports, flood determinations, lender's title, etc., are not eligible for the 10% tolerance – since the creditor typically selects the providers for all of these services.
 2. These charges may include, for example, fees for the settlement agent, pest inspection, property survey and courier fee, assuming these fees are not paid to the creditor or the creditor's affiliate.
- D. Variations Permitted for Certain Charges. In addition, variations are allowed in the following fees such that the charges are considered made in good faith even if the consumer ends up paying more than what was disclosed on the Loan Estimate:
1. Prepaid interest;
 2. Property insurance premiums;
 3. Amounts placed into an escrow or impound account;
 4. Charges paid to third-party service providers selected by the consumer that are not on the creditor's Written Provider List; and
 5. Charges paid for third-party services not required by the creditor (note that these charges may be paid to affiliates of the creditor).

- E. Avoiding Tolerance Violations. As under current rules, tolerance violations can be avoided if the creditor is allowed to issue a revised Loan Estimate showing increased fees and actually issues a revised Loan Estimate.

Except in the case of an interest rate lock, the creditor is not required to issue a revised Loan Estimate based upon the following occurrences. If the creditor intends to issue a revised Loan Estimate, it must do so within three business days of receiving information sufficient to establish that one of the reasons that allows the creditor to issue a revised Loan Estimate applies. In the case of an interest rate lock, the creditor is required to issue a revised Loan Estimate on the same day as it locks the rate.

1. Changed circumstances cause the estimated charges to increase or, in the case of estimated charges subject to the 10% tolerance, cause the aggregate amount of such charges to increase by more than 10%. For purposes of this rule, “changed circumstance” means the following.
 - a. An “extraordinary event beyond the control of any interested party” that causes a charge or charges to increase.
 - A war or a natural disaster.
 - b. Information specific to the consumer or transaction that the creditor relied on in providing the Loan Estimate was inaccurate or changed after the Loan Estimate was provided.
 - Creditor relied on the consumer’s initial request for a loan amount of \$500,000, but it turns out the consumer needs to borrow \$550,000, which affects the amount of certain charges, including the title fees.
 - c. The creditor receives new information specific to the consumer or transaction that the creditor did not rely on.
 - After issuing the Loan Estimate, the creditor learns that a claim has been filed against the property by the seller’s neighbor, contesting the boundary of the property to be sold.

2. The consumer is ineligible for an estimated charge previously disclosed on the Loan Estimate because a changed circumstance affected the consumer's creditworthiness or the value of the subject property.
 - Creditor provides Loan Estimate thinking that the consumer qualifies for a loan program that doesn't require an appraisal, so the creditor did not disclose an appraisal fee. Subsequently the underwriter determines that the consumer was delinquent on mortgage loan payments in past, making the consumer ineligible for the loan program originally disclosed, but the consumer remains qualified for a different loan program that requires an appraisal.

3. Consumer requests a change that causes a charge previously disclosed to increase.
 - The consumer decides to grant a power of attorney authorizing a family member to consummate the transaction on the consumer's behalf after the creditor issued the Loan Estimate. The creditor may reissue the Loan Estimate with the recording fee increased to cover the fee to record the power of attorney.

4. Interest rate is locked. The points or lender's credits change because the interest rate was not locked when the Loan Estimate was issued. On the date the interest rate is locked, the creditor is required to provide a revised Loan Estimate to the consumer with the revised interest rate, points, lender credits, and any other interest rate dependent charges and terms.

5. Loan Estimate expires. The Loan Estimate expires 10 business days after it is issued, which means it ceases to be binding. In other words, if the consumer indicates an intent to proceed more than 10 business days after the Loan Estimate was provided, the creditor is not bound by the original Loan Estimate. This means the creditor is entitled to issue a "new" Loan Estimate with any changes to the disclosures that the creditor chooses to make.

6. Delayed settlement date on certain construction loans.
 - a. On “new construction,” where creditor reasonably expects settlement to occur more than 60 days after providing the Loan Estimate, creditor may provide revised Loan Estimate.
 - b. But to take advantage of this exception, the original Loan Estimate must have a clear and conspicuous statement that at any time prior to 60 days before consummation, the creditor may issue revised disclosures.
 - c. The problem with this requirement is that there are no instructions in the regulation or commentary regarding where to place this statement and changes to the Loan Estimate model forms are not permitted in connection with loans subject to RESPA.

VI. FORM OF THE LOAN ESTIMATE

- A. If a transaction is a federally related mortgage loan (a consumer-purpose loan secured by 1-4 residential real property), use of the model forms in Appendix H-24 is mandatory.
- B. See Exhibit A to this Outline for sample form H-24(B) for a fixed-rate loan, Exhibit B for sample form H-24(C) for an interest-only adjustable-rate loan, and Exhibit C for sample form H-24(D) for a refinance.
- C. For other transactions use of the Model Forms isn't strictly mandatory but very tight restrictions still apply to the form, terminology and order of the disclosures. (So why not just use the model forms?)

VII. RESTRICTIONS ON OTHER WRITTEN ESTIMATES

- A. If a creditor (or any other person, including a mortgage broker) provides a consumer with a written estimate of the terms or costs specific to that consumer before that consumer receives the Loan Estimate, the written estimate must include this statement at the top of its first page. Note that this statement must be clear and conspicuous and in at least 12-point font.

***Your actual rate, payment and costs could be higher.
Get an official Loan Estimate before choosing a loan.***

VIII. CONTENTS OF LOAN ESTIMATE

- A. General Information section. Identity of creditor, date issued, name of applicant, property address, etc.
1. Sale Price (if purchase-money loan) or Property Value (for all other loans).
 2. If a seller is involved in the transaction, state the contract sale price as "Sale Price."
 3. If there is no seller in the transaction (for example, a refinance or equity loan), state the estimated value of the property as "Prop. Value."
 4. Loan Term.
 5. Loan Purpose: "Purchase," "Refinance," "Construction," and "Home Equity Loan" are the only permissible choices.

6. Product. Permissible choices are:
 - a. “Adjustable Rate,” “Step Rate” or “Fixed Rate.”
 - b. But you must also add before the product description one of the following, if applicable:
 - (1) Negative amortization;
 - (2) Interest-only;
 - (3) Step payment;
 - (4) Balloon payment; or
 - (5) Seasonal payment.
 - c. If more than one of these features applies to a loan, state only one description in the order of priority listed above. For example, if an adjustable rate loan includes interest-only payments and a balloon payment, “Product: Interest-only Adjustable Rate.”
7. Loan Type:
 - a. Conventional (not government guaranteed) (including jumbo loans that aren’t government guaranteed);
 - b. FHA;
 - c. VA;
 - d. Other (only for government-insured or guaranteed loans other than FHA or VA).
8. Rate Lock. Whether the rate is locked and, if so, the date and time the lock expires.

- B. Loan Terms section. This includes the loan amount, interest rate, and estimated periodic payment, including (if applicable) any mortgage insurance and escrow payment.
1. If the payment can increase (“Can this amount increase after closing?”), the answer “Yes” must appear, followed by additional details regarding rate or payment changes.
 2. Disclose whether the loan has a prepayment penalty.
 3. Disclose the presence of a balloon payment and certain details.
- C. Projected Payments table. An itemization of:
1. Each projected payment stream on the loan;
 2. Taxes, insurance and assessments (even if no escrow will be established);
 3. Any required escrow payments; and
 4. A total (“Total Monthly Payment”).

Not surprisingly, this all gets more complicated if the interest rate or payment can change over the life of the loan. This part of the disclosure bears some resemblance to the Interest Rate and Payment Summary table that currently appears in the TIL Disclosure Statement.

- D. Costs at Closing table. A separate table which has two rows:
1. Estimated Closing Costs (same amount as shown in “Total Closing Costs” estimate discussed below); and
 2. Estimated Cash to Close, with a reference to the “Calculating Cash to Close” table on page 2 of the Loan Estimate.
 3. Some variations are allowed for transactions without a seller.
- E. Closing Cost Details page (page 2 of Loan Estimate). This page is broken into two broad categories, “Loan Costs” and “Other Costs.”
1. Loan Costs.
 - a. Origination charges: All amounts paid directly to a creditor or loan originator (mortgage broker) (essentially this concept is unchanged from the current RESPA concept of loan originator charges).
 - (1) Points (discount points);
 - (2) Other origination charges, listed in alphabetical order;
 - b. Services You Cannot Shop For. This covers settlement services the creditor requires as to which the creditor selects the provider.
 - (1) Examples – appraisal, lender’s title insurance, flood zone determination, credit report, etc.
 - (2) Title services must be preceded by the phrase “Title – _____”.

- c. Services You Can Shop For. You still must provide a Written List of Providers advising consumers of services they may shop for, if any, as under current RESPA rules. But there's now a model form – refer to Model Form H-27(A) and Sample Form H-27(B), in Exhibit D to this Outline.
 - (1) These are for those services that the creditor requires in connection with its decision to make the loan, that are provided by persons other than the creditor, and for which the creditor allows the consumer to shop (subject to reasonable requirements).
 - (2) Itemize each amount the consumer will pay for settlement services for which the consumer can shop.
 - (3) For any item that is a component of title insurance or is for conducting the closing, the introductory description “Title – ___” is to appear at the beginning of the label for that item (for example, “Title – closing agent fee”).

- 2. Other Costs table. All other costs associated with the transaction that are not already listed under “Loan Costs.” These are generally third-party fees and include:
 - a. Taxes and other government fees, such as recording fees;

 - b. “Prepays.” These are not “prepaid finance charges,” in the old sense. Instead, this section is for amounts the consumer must pay in advance of the first scheduled loan payment. It includes:
 - (1) Real estate taxes due within 60 days after consummation;

 - (2) Mortgage insurance premiums;

(3) Flood insurance premiums;

(4) Homeowners insurance premiums; and

(5) Prepaid (per diem) interest.

c. Initial Escrow Payment at Closing. Itemized by:

(1) Homeowner insurance;

(2) Mortgage insurance; and

(3) Property taxes.

F. Calculating Cash to Close table. This is a compilation of sums disclosed elsewhere on the Loan Estimate, except that it also reflects where the money will come from to pay the various costs, as follows:

1. Closing Costs Financed;

2. Downpayment and Other Funds from Borrower;

3. Deposit;

4. Other Funds from Borrower;

5. Seller Credits;

6. Adjustments and Other Credits.
 - In transactions not involving a seller, a variation is allowed in this section that shows “Total Payoffs and Payments” to reflect the payoff of existing liens.

- G. Adjustable Payment table. If the periodic principal and interest payment may change after consummation but not based on an adjustment to the interest rate, or if the transaction is a seasonal payment product, the Loan Estimate is to include a separate table under the Closing Cost Details (on page 2) with the heading, “Adjustable Payment (AP) Table.” This table includes:
 1. Interest-only payments;

 2. Optional payments;

 3. Step payments;

 4. Seasonal payments; and

 5. Principal and interest payments.

- H. Adjustable Interest Rate (AIR) table. If the interest rate may increase after consummation, the Loan Estimate must include a separate table on the Closing Cost Details page. The AIR table may not appear on fixed-rate loans. The table includes:
1. The index for rate adjustments and margin;
 2. The initial interest rate;
 3. Minimum and maximum interest rate (lifetime limits);
 4. Frequency of adjustments (including the month of the “First Change”); and
 5. Limits on rate changes, such as periodic rate caps (maximum possible first adjustment and maximum possible subsequent adjustments).
- I. Additional Information About this Loan (page 3 of the Loan Estimate). This page gathers together an assortment of disclosures, some of which formerly were given separately and some of which are new. These include:
1. A “Comparisons” table, showing:
 - a. Total payments for principal and interest, mortgage insurance, and loan costs over the first five years of the loan (or, if the loan term is less than five years, the actual loan term);
 - b. The annual percentage rate (how the mighty have fallen! This once critical disclosure is now relegated to a small row on the third page of the Loan Estimate);

- c. “Total Interest Percentage (TIP)” – the total amount of interest that the consumer will pay over the life of the loan, expressed as a percentage of the amount of credit extended.
2. A section called “Other Considerations,” which contains some miscellaneous disclosures.
- a. Appraisal disclosure (Regulation B model form C-9).
 - b. Loan assumption disclosure.
 - c. Disclosure that homeowner’s insurance is required and that consumer may choose the insurer.
 - d. Dollar amount or percentage of any late charge and the number of days late before the charge may be assessed.
 - e. Statement that “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.”
 - f. The loan servicing disclosure (lender’s intentions whether to transfer servicing).

3. Liability after foreclosure.
 - a. On refinance loans, the Loan Estimate must include a brief statement that certain state law protections against liability for any deficiency after foreclosure may be lost, the potential consequences of the loss of such protections, and a statement that the consumer should consult an attorney for additional information.
 - b. If the transaction is not to refinance another loan, this statement is not permitted to appear. Comment 37(m)(7)-1.

J. Confirm Receipt.

1. This section is optional; that is, creditors are not required to obtain an applicant's acknowledgment of receipt of the Loan Estimate.
2. If you don't include the Confirm Receipt section, then you have to include a "Loan Acceptance" disclosure in the "Other Considerations" section on page 3 of the Loan Estimate. Refer to Exhibit C-3 for an example of this disclosure.

IX. THANK YOU FOR ATTENDING – Reminder – Please join us for Friday's breakout sessions on the Closing Disclosure.

Speaker Contact Information:

Janet M. Bonnefin
Principal
Aldrich & Bonnefin, PLC
18500 Von Karman Avenue, Suite 300
Irvine, California 92612
Bus: 949-474-1944
Email: JBonnefin@ABLAWyers.com

Robert K. Olsen
Principal
Aldrich & Bonnefin, PLC
18500 Von Karman Avenue, Suite 300
Irvine, California 92612
Bus: 949-474-1944
Email: ROlsen@ABLAWyers.com

EXHIBIT A

FROM APPENDIX H OF REGULATION Z

**LOAN ESTIMATE – FIXED RATE LOAN SAMPLE
SAMPLE FORM H-24(B)**

Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations **80143**

**H-24(B) Mortgage Loan Transaction
Loan Estimate—Fixed Rate Loan
Sample**

Description: This is a sample of a completed Loan Estimate for a fixed rate loan. This loan is for the purchase of

property at a sale price of \$180,000 and has a loan amount of \$162,000, a 30-year loan term, a fixed interest rate of 3.875 percent, and a prepayment penalty equal to 2.00 percent of the outstanding principal balance of the

loan for the first two years after consummation of the transaction. The consumer has elected to lock the interest rate. The creditor requires an escrow account and that the consumer pay for private mortgage insurance.

80144 Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations

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 \$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

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

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

PAGE 1 OF 3 • LOAN ID # 123456789

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	\$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.

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 _____

EXHIBIT B

FROM APPENDIX H OF REGULATION Z

**LOAN ESTIMATE – INTEREST-ONLY ADJUSTABLE RATE LOAN SAMPLE
SAMPLE FORM H-24(C)**

Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations **80147**

**H-24(C) Mortgage Loan Transaction
Loan Estimate—Interest Only
Adjustable Rate Loan Sample**

Description: This is a sample of a completed Loan Estimate for an adjustable rate loan with interest only payments. This loan is for the purchase of property at a sale price of \$240,000

and has a loan amount of \$211,000 and a 30-year loan term. For the first five years of the loan term, the scheduled payments cover only interest and the loan has an introductory interest rate that is fixed at 4.00 percent. After five years, the payments include principal and the interest rate adjusts every three

years based on the value of the Monthly Treasury Average index plus a margin of 4.00 percent. The consumer has elected to lock the interest rate. The creditor does not require an escrow account with the loan. The creditor requires that the consumer pay for private mortgage insurance.

80148 Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations

FICUS BANK

4321 Random Boulevard • Somerville, 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?	
Loan Amount	\$211,000	NO
Interest Rate	4%	YES • Adjusts every 3 years starting in year 6 • Can go as high as 12% in year 15 • See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	YES • Adjusts every 3 years starting in year 6 • Can go as high as \$2,068 in year 15 • Includes only interest and no principal until year 6 • See AP Table on page 2 for details
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments	Does the loan have these features?			
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
Estimated Total Monthly Payment	\$812	\$1,137–\$1,468	\$1,137–\$1,713	\$1,028–\$2,068
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$533 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? NO NO

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

PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

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

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

C. Services You Can Shop For	
C. Services You Can Shop For	\$1,921
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

D. TOTAL LOAN COSTS (A + B + C)	\$5,851
--	----------------

Adjustable Payment (AP) Table	
Interest Only Payments?	YES for your first 60 payments
Optional Payments?	NO
Step Payments?	NO
Seasonal Payments?	NO
Monthly Principal and Interest Payments	
First Change/Amount	\$1,028 - \$1,359 at 61st payment
Subsequent Changes	Every three years
Maximum Payment	\$2,068 starting at 169th payment

LOAN ESTIMATE

Other Costs	
E. Taxes and Other Government Fees	\$152
Recording Fees and Other Taxes	\$152
Transfer Taxes	
F. Prepays	\$1,352
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.	

H. Other	\$1,436
Title - Owner's Title Policy (optional)	\$1,436

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,940
---	----------------

J. TOTAL CLOSING COSTS	\$8,791
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
Estimated Cash to Close	\$27,791

Adjustable Interest Rate (AIR) Table	
Index + Margin	MTA + 4%
Initial Interest Rate	4%
Minimum/Maximum Interest Rate	3.25%/12%
Change Frequency	
First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

PAGE 2 OF 3 - LOAN ID # 123456789

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	\$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
------------------------------	---------------	---------------------------------	---------------

EXHIBIT C

FROM APPENDIX H OF REGULATION Z

**LOAN ESTIMATE – REFINANCE SAMPLE
SAMPLE FORM H-24(D)**

Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations **80151**

**H-24(D) Mortgage Loan Transaction
Loan Estimate—Refinance Sample**

Description: This is a sample of a completed Loan Estimate for a transaction that is for a refinance of an existing mortgage loan that secures the

property, for which the consumer is estimated to receive funds from the transaction. The estimated property value is \$180,000, the loan amount is \$150,000, the estimated outstanding balance of the existing mortgage loan is

\$120,000, and the interest rate is 4.25 percent. The consumer has elected to lock the interest rate. The creditor requires an escrow account and that the consumer pay for private mortgage insurance.

80152 Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations

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	LOAN TERM	30 years
APPLICANTS	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345	PURPOSE	Refinance
PROPERTY	123 Anywhere Street Anytown, ST 12345	PRODUCT	Fixed Rate
EST. PROP. VALUE	\$180,000	LOAN TYPE	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID #	123456789
		RATE LOCK	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 4/16/2013 at 5:00 p.m. EDT

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	\$150,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$737.91	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments	Years 1-4	Years 5-30
Payment Calculation		
Principal & Interest	\$737.91	\$737.91
Mortgage Insurance	+ 82	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,026	\$944

Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$206 a month	This estimate includes <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>	In escrow? YES YES
---	------------------	--	---

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

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

LOAN ESTIMATE PAGE 1 OF 3 - LOAN ID # 123456789

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges		E. Taxes and Other Government Fees	
	\$1,950		\$80
.5 % of Loan Amount (Points)	\$750	Recording Fees and Other Taxes	\$80
Application Fee	\$250	Transfer Taxes	
Origination Fee	\$450		
Underwriting Fee	\$500		
		F. Prepays	
			\$1,585
		Homeowner's Insurance Premium (6 months)	\$605
		Mortgage Insurance Premium (1 months)	\$82
		Prepaid Interest (\$17.71 per day for 15 days @ 4.25%)	\$266
		Property Taxes (6 months)	\$632
		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	
			\$0
		I. TOTAL OTHER COSTS (E + F + G + H)	
			\$2,078
		J. TOTAL CLOSING COSTS	
			\$5,099
		D + I	\$5,599
		Lender Credits	- \$500
		Calculating Cash to Close	
		Loan Amount	\$150,000
		Total Closing Costs (J)	- \$5,099
		Estimated Total Payoffs and Payments	- \$120,000
		Estimated Cash to Close <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	\$24,901
		Estimated Closing Costs Financed (Paid from your Loan Amount)	\$5,099
D. TOTAL LOAN COSTS (A + B + C)			\$3,521

LOAN ESTIMATE

PAGE 2 OF 3 - LOAN ID # 123456789

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	\$51,932	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$13,788	Principal you will have paid off.
Annual Percentage Rate (APR)	4.537%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.28%	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.

Loan Acceptance You do not have to accept this loan because you have received this form or signed a loan application.

Liability after Foreclosure Taking this loan could end any state law protection you may currently have against liability for unpaid debt if your lender forecloses on your home. If you lose this protection, you may have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.

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.

WRITTEN LIST OF SERVICE PROVIDERS SAMPLE FORM H-27(B)

80220 Federal Register / Vol. 78, No. 251 / Tuesday, December 31, 2013 / Rules and Regulations

H-27(B) Mortgage Loan Transaction— transaction in the sample Loan Estimate
Sample of Written List of Providers illustrated by form H-24(B).

Description: This is a sample of the
Written List of Providers for the

Additional Details for Services You Can Shop For

To get you started with shopping, this list identifies some providers for the services you can shop for (see Section C on page 2 of your Loan Estimate).

Service Provider List		You can select these providers or shop for your own providers.	
Service	Estimate	Provider We Identified	Contact Information
Pest Inspection Fee	\$135	Pest Co.	Jane Polk 123 Avenue A Anytown, ST 12345 janep@pestco.com 111-222-3333
Survey Fee	\$65	Surveyor LLC	Bill Barnes 456 Avenue B Anytown, ST 12341 billb@surveyorllc.com 111-333-4444
Title – Insurance Binder	\$700	Gamma Title Co.	Joanna Campbell 789 Avenue C Anytown, ST 12333 joannac@gammatitle.com 222-444-5555
Title – Lender’s Title Policy	\$535		
Title – Settlement Agent Fee	\$502		
Title – Title Search	\$1,261		
Title – Lender’s Title Insurance	\$1,100	Delta Title Inc.	Frank Fields 321 Avenue D Anytown, ST 12321 frankf@deltatitle.com 222-444-6666
Title – Other Title Services	\$1,000		
Title – Settlement Agent Fee	\$350		

APPLICANTS: Michael Jones and Mary Stone

DATE ISSUED: 2/15/2013

LOAN ID # 123456789