



**TILA-RESPA Integrated Disclosures**  
Presented by the Consumer Financial Protection Bureau

*Transcript prepared by BuckleySandler LLP<sup>1</sup>*

**Outlook Live Webinar- October 1, 2014**

# **TILA-RESPA Integrated Disclosures**

***Presented by the Consumer Financial Protection  
Bureau***

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<sup>1</sup> The audio recording and original slides are available at: <http://www.philadelphiafed.org/bank-resources/publications/consumer-compliance-outlook/outlook-live/2014/FAQ-on-TILA-RESPA-Integrated-Disclosures-Rule-3.cfm>. The transcript was prepared from the audio recording provided by the Federal Reserve Bank and may have minor inaccuracies due to sound quality. In addition, the transcript has not been reviewed by the CFPB or the Federal Reserve for accuracy or completeness. This transcript inserts an image of the slide that corresponds to the discussion, but all insertions are approximate. This transcript also revises citations for clarity and for consistency with the Code of Federal Regulations where necessary (e.g. "§ 1026.19(f)(4)(i)" instead of "1026.19(f)(4)(1)").

**INTRODUCTION:** Charlene Van Horn, the floor is yours.

**Charlene Van Horne:** Thank you. Hello everyone, my name is Charlene Van Horne, and I would like to welcome you to Outlook Live, the Federal Reserve System's audio conference series on consumer compliance topics. It is my pleasure to be opening today's webinar, presented by the Consumer Financial Protection Bureau, on Frequently Asked Questions on the TILA-RESPA Integrated Disclosures. This session will cover a lot of information, so before I hand things off to the CFPB, I would like to go over a few logistics.

Since this session is delivered using a webinar format, you should be receiving both the audio and the video through your computer. If you experience any technical difficulties, contact us by clicking on the "ask question" button. With the webinar format, we will be advancing the presentation slides during the event. You may also download a copy of the presentation by clicking on the "materials" button, which will enable you to download a PDF version of either the full slides or handout version. At any time during the presentation you may also use the "ask question" feature to email questions directly to our speakers.

Last thing I will mention, the Federal Reserve System also publishes a quarterly newsletter entitled "Consumer Compliance Outlook." This newsletter, as well as these webinars, is part of our ongoing outreach activities. They can be accessed free of charge at [www.consumercomplianceoutlook.org](http://www.consumercomplianceoutlook.org). Also in case you want to listen to the presentation again, all of our Outlook Live webcasts are archived and are available for playback. To access the archive, use the same link you used to access today's webinar.

So with that, we're ready to begin. I will now turn things over to our first speaker, Andy Arculin, to get us started. Andy, the floor is yours.

**Andy Arculin, Counsel, CFPB Office of Regulations:** Thank you Charlene, and good afternoon to everyone out there, and welcome again to what's now the third of our ongoing webinars on the TILA-RESPA Integrated Disclosures. Today, as you probably saw from the announcement, we will be focusing on the Loan Estimate, and specifically on the contents of the Loan Estimate form. Although, I would keep in mind that a lot of the questions we cover also will relate to corresponding provisions of the Closing Disclosure. Today's presentation will focus on the Loan Estimate and the regulatory provisions in § 1026.37, but in many cases there are corresponding provisions for the Closing Disclosure set forth in § 1026.38 that will cross-reference or follow the same rules.

In our previous sessions, we have provided a high level walk through of the rule, that was back in June, and also answered specific interpretive questions about various issues, and that was in August.<sup>2</sup> A lot of the focus has been on core operational questions we have been hearing about, such as the new definition of application, disclosure timing, and the scope of the new rules. Today we will shift gears a bit, and focus on how to populate the Loan Estimate form, and address specific questions about the Loan Estimate form as we go. One thing to keep in mind is that this presentation will tie closely to the Guide to Forms, which we published several months ago, that is available on our website. [BuckleySandler Note: This guide is available at [http://files.consumerfinance.gov/f/201409\\_cfpb\\_tila-respa-integrated-](http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-)

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<sup>2</sup> BuckleySandler has prepared a transcript of the August 2014 webinar, which is available at [http://www.buckleysandler.com/uploads/1082/doc/TILA-RESPA\\_Integrated\\_Disclosures\\_8-26-2014\\_Transcription.pdf](http://www.buckleysandler.com/uploads/1082/doc/TILA-RESPA_Integrated_Disclosures_8-26-2014_Transcription.pdf). We have not prepared a transcript of the June webinar, which provided an overview of the final rule rather than any interpretive guidance.

[disclosure-guide-to-form.pdf.](#)] You will also notice references to the Guide to Forms on various slides to help you along. Today's presentation also will provide answers to some fairly technical questions, but everyone should also keep in mind that this session will be recorded and available on our website after we finish. We're addressing these questions largely in response to feedback we've received, in particular from all industry stakeholders, but in particular from technology vendors who have asked that these questions be answered to facilitate their development of software that many of you will use.

So with me today are several of my colleagues from the Bureau who are working on regulatory implementation for the integrated disclosures project, David Friend and Dania Ayoubi, who participated in the last session, and also Priscilla Walton-Fein and Shiri Wolf from the Office of Regulations. We have a lot of ground to cover today, but the format will be as follows: first I'll provide some general updates on regulatory implementation and a brief recap of our last session, which as I noted has been recorded and linked on our regulatory implementation page. And then we will address some fundamental questions about the Loan Estimate and move into specific areas of the form. We'll cover, in turn, the first page of the Loan Estimate, walking you through with an annotated version of the form to show you the corresponding regulatory provisions and what the form looks like, and then step by step through the general information, the Loan Terms, the Projected Payments table, and the Costs at Closing table. Then we'll move to the second page and we'll cover, again, in turn, Loan Costs, Other Costs, Calculating Cash to Close, and the Adjustable Payment and Adjustable Interest Rate tables. Then we'll move to the third page of the Loan Estimate and cover very briefly contact information, Comparisons, and Other Considerations, and we also will take a question about the Written List of Service Providers.

For each of these sections, the slides will show the applicable regulatory provisions and a graphic of the applicable sections of the form, along with a reference to the guide to forms for your convenience. Also keep in mind that the slides, as I've mentioned, contain annotated versions of each page of the form to show the corresponding regulatory provisions. When we look at the individual boxes the annotations won't be there, but they will be a few slides back for your reference and also spelled out again in the guide to forms.

This presentation mostly will be a short walk through of the regulatory provisions to frame the questions we'll be addressing, mainly just to help everyone follow along and understand which provisions of the form and the corresponding rules we're talking to, and then the specific Q & A. We'll take turns providing background and answering questions as we go, so you will hear some different voices. So that's it for an intro, we can move to the next slide. We can advance to the next slide.

## Disclaimer

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- The Bureau issued the TILA-RESPA Integrated Disclosure final rule in November of 2013 to implement provisions under the Dodd Frank Wall Street Reform and Consumer Protection Act.
- The Final Rule will take effect in August 2015.
- This presentation is current as of October 1, 2014. This presentation does not represent legal interpretation, guidance or advice of the Bureau. While efforts have been made to ensure accuracy, this presentation is not a substitute for the rule. Only the rule and its Official Interpretations can provide complete and definitive information regarding requirements. This document does not bind the Bureau and does not create any rights, benefits, or defenses, substantive or procedural, that are enforceable by any party in any manner.



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**Arculin:** This next slide is something you all have seen before, this will be our disclaimer. This is the same disclaimer that always applies to our presentations. Again, this is a reminder that while we are here to be helpful and to give our interpretations of the questions that you have asked, the answers, the goal is to provide answers to the questions you have asked, and we've made every effort to ensure that our answers to these questions are accurate. Ultimately the rules do speak for themselves, we cannot change their meaning through webinar or other means outside of notice and comment rulemaking. That's something that we do every time we do one of these, and I just pointed out again. We can move to the next slide.

# CFPB Resources

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- **Dedicated Regulatory Implementation Website:**  
<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>
  - Small Entity Compliance Guide
  - Guide to Forms
  - Sample and Annotated Forms
  - Links to Webinars
  - Disclosure timeline illustration
  - Additional Guidance Materials
- **eRegulations Tool:**  
<http://www.consumerfinance.gov/eregulations>



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**Arculin:** This next slide is a reminder of the various resources that we have made available and a link to the website where you can find them. One thing to note since our last webinar is that we've released a disclosure timeline to illustrate the rules of timing and delivery requirements. [BuckleySandler Note: This timeline is available at [http://files.consumerfinance.gov/f/201409\\_cfpb\\_tila-respa-integration-disclosure-timeline-example.pdf](http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integration-disclosure-timeline-example.pdf).] This is an illustration of how the timing and delivery requirements will apply in a sample transaction. And that's linked on our regulatory implementation page, and I encourage all of you to take a look at it. We can advance to the next slide.

## August 2014 Webinar – Recap

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- Addressed recurring issues and interpretive questions
  - Submitted to CFPB by industry and trade groups
  - Collected during last webinar
  - Raised through other channels
- Topics Covered
  - Application (continued from last session)
  - Scope
  - Record Retention
  - Timing for delivery and redisclosure
  - Tolerance
  - Loan Estimate form contents (Introduction)



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**Arculin:** This is a recap of what we covered in our last session, this is here more for your reference. I don't think, in the interest of time, that we need to go through all of it, but as I noted a minute ago we focused more on core operational questions in the last webinar, such as application, scope, timing, and we also introduced Loan Estimate form content. But today we'll be diving deeper into the form itself. So without any further delay, I'll turn the presentation over to Dania to start us off with a walk through of the first page of the Loan Estimate. We can advance slides.

## Loan Estimate Form, Page 1: 1026.37(a)-(e)

12 CFR 1026.37

Bank Name - (a)(3)	Save this Loan Estimate to compare with your Closing Disclosure (a)(2)
<b>Loan Estimate</b> (a)(1)	
DATE MADE (a)(4)	LOAN TERM (a)(6)
APPLICANT (a)(5)	PURPOSE (a)(6)
PROPERTY (a)(6)	PRODUCT (a)(7)
SALE PRICE (a)(7)	LENDER TYPE (a)(7) Conventional (a)(7) or (a)(11)
	LENDER (a)(2)
	DEBT SERVICE (a)(13)
	<small>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs are set.</small>
Loan Terms	
Loan Amount	(b)(1)
Interest Rate	(b)(2)
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	(b)(3)
Can this amount increase after closing?	
Prepayment Penalty	(b)(4)
Balloon Payment	(b)(5)
Does the loan have these features?	
Principal & Interest	(b)(6)
Mortgage Insurance	(b)(7)
Estimated Escrow <small>Amount to Accrue over Time</small>	(b)(8)
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments <small>Annual Loan Increase over Time</small>	(b)(9)
This estimate includes:	
<input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 12 page 2 for increased property costs. You must pay for other property costs separately.</small>	
In escrow?	
Costs of Closing	
Estimated Closing Costs	(b)(10)
<small>Includes:</small> In Loan Costs & in Lender Credits, Separate Mortgages <small>In Other Costs:</small> <input type="checkbox"/> Fees <input type="checkbox"/> No Brokerage	
Estimated Cash to Close	(b)(11)
<small>Includes Closing Costs. See Calculating Cash to Close on page 2 for details.</small> <small><input type="checkbox"/> Fees <input type="checkbox"/> No Brokerage</small>	

Visit [www.consumerfinance.gov/tira-respa/#disclosures](http://www.consumerfinance.gov/tira-respa/#disclosures) for general information and tools. (a)  
Lender ID: F10001 Issue 1 of 3 - 10/24/2014

- Annotations provide regulatory citations to 12 CFR 1026.37
- See also Section 2.2 of the Guide to Forms
- Sample forms available on website

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**Dania Ayoubi, Counsel, CFPB Office of Regulations:** Great, thanks Andy. As we've covered previously, the Loan Estimate is three pages, and here on slide five we have page one of the Loan Estimate. As you can see, this form is annotated with the corresponding paragraphs in § 1026.37 that address the specific disclosures required on the Loan Estimate. This annotated form, along with other sample forms, can be found on the Bureau's TILA-RESPA Integrated Disclosures Rule Implementation rule web page that Andy pointed you to. [BuckleySandler Note: The sample forms are available at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/#disclosures>.]

I also encourage you to consult Section 2.2 of the Guide to Forms, which you'll find on the Bureau's website for more information on page one of the Loan Estimate. [BuckleySandler Note: As stated previously, this guide is available at [http://files.consumerfinance.gov/f/201409\\_cfpb\\_tila-respa-integrated-disclosure-guide-to-form.pdf](http://files.consumerfinance.gov/f/201409_cfpb_tila-respa-integrated-disclosure-guide-to-form.pdf).] The forms were heavily consumer tested to indicate what information consumers found most helpful or relevant when shopping for a mortgage, and that information was placed on the first page of the Loan Estimate. For RESPA covered transactions, federally related mortgage loans subject to the new disclosures, the Loan Estimate form is not a model, but a standard required form.

We will drill down on more details as we answer related questions, but generally as you can see on the slide, the top of page one of the Loan Estimate includes general information about the loan. The legal requirements for these disclosures are set forth in § 1026.37(a) and its sub-parts. This includes basic

information, like the loan terms, purpose, product, loan type, and information about the applicants. Next, you have loan terms, for which the disclosure requirements are set forth in § 1026.37(b) and its sub-parts. This provides information about the specific loan terms, such as the loan amounts, interest rates, monthly principle and interest, and statements regarding whether the loan includes a pre-payment penalty or balloon payments. The Projected Payments table is also on page one, and its disclosures are set forth in § 1026.37(b). This will show the payment schedule for the loan and how consumer's payments may change. This replaces the TIL payment table. The bottom of page one of the Loan Estimate includes disclosures related to costs at closing, including estimated closing costs, and estimated cash to close, as set forth in § 1026.37(d). This provides an estimate of the amount of money a consumer needs to close the loan. And finally, at the very bottom of page one, is a reference to the Bureau's website, as required by § 1026.37(e). Next slide please.

## Loan Estimate form: General Questions

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- Q: Is there a required font and font size for the Loan Estimate? (1026.37(o); Comment 37-2)
- Q: Can the designation “N/A” be used where no value is to be disclosed on the Loan Estimate? (Comment 37-1)
- Q: Is there a required naming convention used for charges on the Loan Estimate?
- Q: Does the creditor have to disclose an itemization of the amount financed with the Loan Estimate?



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**Ayoubi:** I will now turn it over to Shiri, who will ask us a few questions related to page one of the Loan Estimate.

**Shiri Wolf, Counsel, CFPB Office of Regulations:** Thank you Dania. Before we get into the field by field questions, we want to go through some general questions about the Loan Estimate to address questions regarding the prescribed font and naming conventions. Is there a required font and font size for the Loan Estimate?

**Ayoubi:** Thanks, Shiri. There are required font sizes, but no specific font type is required for the new integrated disclosures. As the preamble explains, for federally related mortgage loans covered under RESPA, the forms are standard mandated forms, not model forms. Therefore, for these transactions, §§ 1026.37(o)(3) and 38(p)(3) require the use of form H-24 and H-25, including all of their elements, meaning various font sizes, bolding, shading, and underscoring. This is explained in the preamble, section by section analysis, § 1026.37(o)(3). We construe this to mean that the various font sizes used in appendices H-24 and H-25 must be used for the Loan Estimate and Closing Disclosure, respectively. However, the final rule does not prescribe the font type to be used on the form.

**Wolf:** Can the designation “N/A” be used where no value is to be disclosed on the Loan Estimate?

**Ayoubi:** No. the designation “N/A” cannot be used where no value is to be disclosed. As comment 37-1 makes clear, the term “N/A” may not be used on the Loan Estimate. In general, when a disclosure is not applicable, that disclosure is either omitted from the Loan Estimate, or left blank.

**Wolf:** This question is for Andy. Andy, is there a required naming convention used for charges on the Loan Estimate?

**Arculin:** No, the Bureau did not prescribe a uniform naming convention outside of the general label set forth in the rule, for example, taxes and other government fees, prepaids and so on. The Bureau also did not create a standard or prescribed list of fee names. However, anyone applying these rules should read each provision carefully, because there are some specific types of charges that must be identified in a prescribed manner on the form.

A couple of examples, just to highlight how this works. One is points charged to the creditor. According to § 1026.37(f)(1), creditors must itemize and label points paid to the creditor to reduce the interest rate, separately and as a percentage of the loan amount, and title that change, number, percentage of the loan amount (Points). The commentary to § 1026.37(f)(1) provides further instruction on how to apply this provision. Another example is title insurance services. Section 1026.37(f)(2) and (f)(3) require the description title dash to precede any title related services. Those are examples though, and, again, I would encourage everyone to closely review the rule.

**Wolf:** Ok, and this question is for David. David, does the creditor have to disclose an itemization of the amount financed with the Loan Estimate?

**David Friend, Counsel, CFPB Office of Regulations:** No, the creditor would not disclose an itemization of the amount financed. Some disclosures are required to be made only on the Closing Disclosure and not the Loan Estimate. These include some of the Fed Box disclosures such as the amount financed and the finance charge. These disclosures are required to be on the Closing Disclosure pursuant to § 1026.38(o)(2) and (o)(3). But they’re not required to be included on the Loan Estimate. Note, however, that even for the Closing Disclosure, the amount financed is not itemized. Section 1026.38(o)(3) and Comment 38(o)(3)-1 require only the amount financed itself, which is calculated in accordance with § 1026.18(b) and its associated commentary. The itemization of amount financed, which currently may be required pursuant to § 1026.18(c) is not required for transactions disclosed with the Loan Estimate and Closing Disclosure.

**Wolf:** Thank you David. Next slide, please, and I’ll turn it over to Andy.

## Page 1 (1026.37(a); Guide to Forms Section 2.2.1)

		Save this Loan Estimate to compare with your Closing Disclosure.	
<b>Loan Estimate</b>			
DATE ISSUED	APPLICANTS	LOAN TERM	
PROPERTY	SALE PRICE	PURPOSE	
		PRODUCT	
		LOAN TYPE	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID #	
		RATE LOCK	<input type="checkbox"/> NO <input type="checkbox"/> YES, until <small>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on</small>

- Q: When the Sale Price of the property is not yet known, does the creditor disclose a label other than "Sale Price" for the Sale Price on the Loan Estimate? (1026.37(a)(7))
- Q: If a loan product consists of a combination of two product types – e.g. a step rate for a set period of time, followed by an adjustable rate for the remaining term of the loan – how is the product to be described? Should it be described as an Adjustable Rate loan or as a Step Rate loan? (1026.37(a)(10))
- Q: Is the mailing address for each Applicant the U.S. postal mailing address or can it be some other type of address? (1026.37(a)(5))



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**Arculin:** Ok. Now that we have given an overview of the first page, we plan to address just a few questions about the form content. As I noted before, we'll first provide a general overview and walk through the different fields in the form and the corresponding regulatory provisions. We believe this will provide a high level orientation to the forms and help lay the groundwork for the questions we will address, and we of course hope that you find that helpful. I'll begin with a walkthrough of the general information section and the corresponding regulatory provisions, which are found in § 1026.37 (a)(1)-(13). I'll walk you through these provisions in turn, and the discussion should track the image that you have on your slide, and for your reference as well, the corresponding regulatory provisions can be referenced on the annotated version a few slides back. You'll also want to remember that we have a Guide to Forms that will also track this discussion and provide some additional detail to what I explain during this part of this session.

So first, you see the form title **Loan Estimate** in large bold. The title **Loan Estimate** is provided at the top left, and this is pursuant to § 1026.37(a)(1), in large bolded font. There's nothing else to note here, other than a reminder that there are restrictions found in § 1026.19(e)(2), which we covered back in the June webinar, which make clear that you cannot put this title on forms other than the **Loan Estimate**. That's just something to note.

Next we have the form's purpose, which is up at the top right where it says "Save this Loan Estimate to compare with your Closing Disclosure." This is essentially stock language that goes on every Loan Estimate, and, again, it can't go on other types of disclosures or written estimates.

The next thing to discuss is not illustrated on this particular table because it's blank, but if you go back to the annotated version you can see it and you can also see it on the sample forms that we've provided on our website. That's the name of the creditor. On the top left line above the words "Loan Estimate" is where you would disclose the name and address of the creditor making the disclosures. Again, there are sample forms on our website that show you what this will look like, and we will also cover some questions in a minute about how this is disclosed when a broker is making that disclosure.

**[BuckleySandler Note: As stated previously, the sample forms are available at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/#disclosures>.]**

Next we have the "Date Issued" right under the words "Loan Estimate." This is the date the Loan Estimate is delivered or placed in the mail. One thing to note here is that this is not necessarily the date the document is printed or generated, but it is intended to be the date the document is delivered or placed in the mail. Under that we have applicants, and that is § 1026.37(a)(5). This is the name and mailing address of the consumer or consumers applying for the credit, labeled "Applicants." I would also point out that in our last webinar session we addressed a specific question about how this is disclosed when there are multiple applicants. I would encourage everyone to go back and review that recording of our discussion. **[BuckleySandler Note: An unofficial transcript of that webinar is available at <http://www.buckleysandler.com/uploads/1082/doc/TILA-RESPA Integrated Disclosures 8-26-2014 Transcription.pdf>.]**

Next we have property, that's disclosed pursuant to § 1026.37(a)(6). This is the address and zip code of the property that will secure the transaction. There's also some additional discussion in the commentary about when there are multiple properties, or when there is personal property securing the transaction that I would encourage you to read. Underneath that we have "Sale Price," which is disclosed pursuant to § 1026.37(a)(7). For transactions with the seller, this is the contract price of the property being sold that is disclosed here. I would note however that for transactions without a seller, such as a refinance, then the estimated value of the property is substituted for the sale price, and that's covered again in § 1026.37(a)(7).

Then, moving to the other side of the box we have "Loan Term" up at the top. This is the term to maturity of the transaction and it is disclosed pursuant to § 1026.37(a)(8). This, for example, would be thirty years. Under that, we have "Purpose." This is disclosed pursuant to § 1026.37(a)(9), and this is where the general information section starts to get more technical and require a little more analysis of the regulatory provisions and the commentary, so I would encourage everyone to review those closely. But in sum there's a set list of options here: there's purchase, refinance, construction, and home equity, one of which is disclosed in this field. And I would point out that some terms like refinance are given specific meanings for disclosures that aren't necessarily the same as colloquial meanings or meanings in other provisions of Regulation Z, such as § 1026.20, so review those carefully.

Another thing to note is that home equity is treated as a catch-all. That means that any other credit transactions subject to the Rule, meaning within the scope, that is not a purchase, refinance or construction would be disclosed as home equity. However, of course, the additional caveat to that is that open-end home equity, or HELOC, is not within the scope of the Rule and would not be disclosed using this form.

Next we move to product, also a very technical provision, that's § 1026.37(a)(10). This rule requires that creditors disclose one of three product types, followed by any applicable features that may change the periodic payments. In general you first disclose one of three product types, and those are: adjustable, step rate, or fixed. Then you disclose, and again this is in a specific hierarchical order, one of any applicable features that may change the periodic payment, such as negative amortization, interest-only, step payment, balloon payment, and seasonal payment, including the length of the introductory period. I would note, again, that this provision has some additional details, and I would encourage you to review the Guide to Forms as well as the Rule and commentary.

Underneath that we have the "Loan Type," that is disclosed pursuant to § 1026.37(a)(11). Here you disclose one loan type again from a prescribed list, and those are: Conventional, FHA, VA, and Other. Next you have the "Loan ID," that's disclosed pursuant to § 1026.37(a)(12). This is a unique loan ID determined by the creditor that may be used by the creditor, consumer, and other parties to identify the transaction. And we will address some specific questions that relate to broker transactions next.

Finally, last but not least, you have the "Rate Lock" and expiration field, and that's disclosed pursuant to § 1026.37(a)(13). This is a disclosure of whether the rate is locked, and if so, when the rate lock will expire, and it also includes a disclosure of when other estimated costs may expire. So that's it for a short overview, and I will turn it over for questions.

Oh, my apologies. I am actually asking the questions here. So, first question: when the sale price of a property is not yet known, does the creditor disclose a label other than sale price for the sale price on the Loan Estimate? And I'll ask this one to Dania.

**Ayoubi:** Thanks Andy. No. For transactions with a seller, such as a purchase transaction, the regulation in § 1026.37(a)(7) is clear that the label should be sale price. The label does not change when a creditor uses an estimated sale price, as described in Comment 37 (a)(7)-1. However, as Andy reminded us, for transactions without a seller, such as a refinance, because there is no sale the estimated value of the property is disclosed in place of the sale price and labeled property value with property abbreviated as "prop."

**Arculin:** Thanks Dania. Another question for you: if a loan product consists of a combination of two product types, for example a step rate for a set period of time followed by an adjustable rate for the remaining term of the loan, how is the product to be described? Should it be described as an adjustable rate loan or as a step rate loan?

**Ayoubi:** For the product you described, which consists of a step rate followed by an adjustable rate, should be disclosed as an adjustable rate. The product provision in § 1026.37(a)(10) does not provide for hybrid or mixed product descriptions, but requires the creditor to choose one, and only one, of adjustable, step, or fixed. The loan is only disclosed as a step rate when the rate and periods that apply for each step period are known at consummation. If, however, like in this example, the loan is what we understand creditors refer to as a hybrid adjustable loan, there will be periods for which the interest rate is not known at consummation. Therefore, even though the loan has a step rate period, because there are rates that will apply or periods for which they will apply that are not known at consummation, the product must be disclosed as an adjustable rate.

**Arculin:** Thanks Dania. One more question on this slide, and it relates to the applicants field: is the mailing address for each applicant the US Postal mailing address, or can it be some other type of address?

**Ayoubi:** The mailing address disclosed on the Loan Estimate must be the applicant's US Postal mailing address. Section 1026.37(a)(5) requires disclosure of the name and US Postal mailing addresses of the consumers applying for the credit. No other type of address, such as an applicant's email address, may be used instead.

**Arculin:** Thanks Dania. We can move to the next slide and we'll continue with the general information section, but we have some questions that relate specifically to loans where the initial Loan Estimate is being provided by a mortgage broker on behalf of a creditor.

## Brokered Transactions (1026.37(a); Guide to Forms Section 2.2.1)

Loan Estimate		Save this Loan Estimate to compare with your Closing Disclosure.	
DATE ISSUED		LOAN TERM	
APPLICANTS		PURPOSE	
PROPERTY		PRODUCT	
SALE PRICE		LOAN TYPE	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID #	
		RATE LOCK	<input type="checkbox"/> NO <input type="checkbox"/> YES, until <i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on</i>

- Q: If a broker is issuing a Loan Estimate but does not know the creditor, may the broker put its name in place of the creditor's? (1026.37(a)(3))
- Q: Section 1026.37(a)(12) indicates the creditor must disclose a unique loan ID number. If the creditor is unknown:
  - Is the broker required to generate and disclose a unique ID number?
  - Is the creditor required to disclose its own unique loan ID once there is a creditor for the loan?



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**Arculin:** Recall that § 1026.19(e)(1), and I like to say romanette, for those of you who don't speak regulatory language that's just a little Roman numeral two, or ii, allows for mortgage brokers to provide Loan Estimates on behalf of the creditor, but note that the creditor is ultimately responsible for those disclosures being accurate and delivered in accordance with the rules and requirements. However, there are some additional flexibilities the rule provides for in relation to wholesale lenders, where the creditor may not be known at the time the Loan Estimate is provided. And I'll turn it over to Priscilla to ask this question.

**Priscilla Walton-Fein, Senior Counsel, CFPB Office of Regulations:** Thanks Andy. We've received several questions about this part of the rule regarding situations where the broker is providing the Loan Estimate, but the creditor is not yet known. So first: if a broker is issuing a Loan Estimate but does not know who the creditor will be, may the broker put its name on the Loan Estimate in place of the creditor's name?

**Arculin:** No. Section 1026.37(a)(3) requires the name and address of the creditor, and a broker would not put its name and address here where the name of creditor is unknown. Comment 37(a)(3)-2 addresses situations where mortgage brokers making the disclosure and the creditor has not yet been determined. That comment provides that the broker must make a good faith effort to disclose the name of the creditor, and when the name of the creditor is not known at the time that the Loan Estimate is required to be delivered or placed in the mail, the mortgage broker may leave the creditor's name blank. It does not, however, instruct the mortgage broker to substitute its name for the creditor's.

**Walton-Fein:** Another question we have received on the subject of broker transactions has to do with the unique loan ID number disclosure. Section 1026.37(a)(12) indicates that the creditor must disclose a unique loan ID number, but if the creditor is unknown, is the broker required to generate and disclose a unique ID number?

**Arculin:** Great question, and the answer is no. A broker would not be required to generate and disclose its own unique loan ID. And assuming the creditor's loan ID is not reasonably available to the broker, the disclosure could be left blank. As the commentary states, the loan ID number must be a unique alpha numeric identifier that should be determined by the creditor, and that's Comment 37 (a)(12)-1. Creditors could outsource this function, the Rule doesn't prohibit that, and allow brokers to generate and assign IDs on their behalf. Creditors also could provide the unique loan ID to brokers in advance of the disclosures for them to include on the Loan Estimate. In those circumstances the loan ID would be reasonably available to the broker and included on the Loan Estimate. However, in circumstances where the creditor has not been determined, and the best information reasonably available to the mortgage broker at the time the disclosure is being made does not include the loan ID, this disclosure could be left blank. That is consistent with Comment 37 (a)(3)-1, which states that a creditor name may be left blank when not known at the time that the Loan Estimate is being provided, and also Comment 37-1, which provides that if any information necessary for an accurate disclosure is unknown, then the disclosure shall be made in good faith based on the best information reasonably available.

**Walton-Fein:** Thanks, and what about after the creditor is known? Is the creditor required to disclose its own unique loan ID once there is a creditor for the loan?

**Arculin:** Yes, it would. The creditor would be required to include the unique loan ID on any subsequent disclosures it provides, such as revised Loan Estimates or the Closing Disclosure in order to comply with § 1026.37(a)(12) and corresponding Closing Disclosure provisions found at § 1026.38(a)(5)(iv). As noted, the creditor is ultimately responsible for the disclosures, and that includes compliance with these provisions. So that concludes broker generated disclosures.

**Walton-Fein:** I think we can move to the next slide, and I'm going to turn it over to Shiri, who will discuss the loan term portion of the Loan Estimate.

## Loan Terms (1026.37(b); Guide to Forms Section 2.2.2)

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate	
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	
	Does the loan have these features?
Prepayment Penalty	
Balloon Payment	

- Q: What interest rate should be disclosed where the initial interest rate is calculated using a different formula than that used for subsequent rate adjustments? (1026.37(b)(2))
- Q: How does a creditor disclose items in the Loan Terms table where the applicable dates for changes to interest rate, periodic payments, balloon payments, or prepayment penalties are not in whole years? (1026.37(b)(8) and .37(a)(10))



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**Wolf:** Thanks Priscilla. Section 1026.37(b) and its various subparts require a separate table under the heading “Loan Terms” that includes basic information about the loan term, and any adjustments that may occur after consummation. In this table the creditor must disclose basic information about the loan’s term, the loan amount, interest rate, and principal and interest payments. I’m going to step through each one of these in turn.

The loan amount required under paragraph (b)(1) is the amount of credit to be extended under the terms of the legal obligation. The interest rate, which is required by paragraph (b)(2), is the interest rate that will be applicable at consummation. For an adjustable rate transaction, if the interest rate at consummation is not known, the rate disclosed shall be the fully indexed rate. In other words, the interest rate is calculated as the index value and margin at the time of consummation.

Principal and interest payments must be disclosed pursuant to paragraph (b)(3). This box includes the initial periodic payment amount that will be due under the terms of the legal obligations. Immediately preceded by the applicable units period, and also a statement to refer the reader to the projected payments table for estimated total monthly payments, which may include escrow payments.

The Loan Terms table must include statements indicating whether the amounts may increase after consummation, including the timing and amount of the potential increase. That disclosure is required by paragraph (b)(6). Specifically, the table will indicate whether or not the loan amount, interest rate, and principal and interest amounts can increase after consummation. In addition, it indicates whether any

adjustments, excuse me, it indicates when any adjustments may begin, and how often they may occur, and it discloses the maximum adjustments that may occur. And, where applicable, the table will include statements referring the reader to the Adjustable Interest Rate and Adjustable Payments tables, which we will discuss in greater detail in our discussion of the disclosures on page two of the Loan Estimate.

Finally, the table identifies whether the loan has certain loan features, meaning a prepayment penalty or balloon payments. For now let me pose a couple of questions about this section of the form to Dania: what interest rate should be disclosed where the initial interest rate is calculated using a different formula than that used for subsequent rate adjustments?

**Ayoubi:** Where the initial interest rate is calculated using a different formula than that used for subsequent rate adjustments, the creditor should disclose the initial interest rate. Section 1026.37(b)(2) states that the interest rate disclosed is the rate that will be applicable to the transaction at consummation. A different calculation is only used where the interest rate at the time of consummation is not known at the time the Loan Estimate is completed. The preamble to § 1026.37(b)(2) includes a discussion of multiple interest rates applying to different portions of a loan's principal balance in a precomputed transaction, and could be read to imply that the disclosure required would be one interest rate, but as a composite of the different interest rates applicable to the transaction. The rule itself, however, is clear that the disclosure required is the initial rate that will be applicable to the transaction at consummation.

**Wolf:** How does a creditor disclose items in the Loan Terms table where the applicable dates for changes to interest rate, periodic payments, balloon payments, or prepayment penalties are not in whole years?

**Ayoubi:** All of the time periods described in the Loan Terms table are disclosed as whole years, except when there are fewer than twenty-four months in that time period. When there are fewer than twenty-four months in that time period, then it is disclosed as whole months, followed by the designation "months" abbreviated as "mo."

**Wolf:** Thank you Dania. Next slide please. Priscilla, can you talk to us about the Projected Payments table?

## Projected Payments (1026.37(c); Guide to Forms Section 2.2.3)

Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow Amount can increase over time	
<b>Estimated Total Monthly Payment</b>	
Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	<p>This estimate includes      In escrow?</p> <input type="checkbox"/> Property Taxes <input 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>

Projected Payments		Years 1-7	Years 8-30
Payment Calculation			
Principal & Interest		\$781.78	\$781.78
Mortgage Insurance	*	82	*
Estimated Escrow Amount can increase over time	*	206	*
<b>Estimated Total Monthly Payment</b>		<b>\$1,050</b>	<b>\$968</b>
Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$206 a month	<p>This estimate includes      In escrow?</p> <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>	<small>YES</small> <small>YES</small>



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**Walton-Fein:** Thanks Shiri. The Projected Payments table is on the first page of the Loan Estimate, and shows estimates of the periodic payments that the consumer will make over the life of the loan. Creditors must disclose estimates of the following periodic payment amounts in the Projected Payments table. One: principal and interest, two: mortgage insurance, three: escrow payments, and four: the total periodic payments. The Projected Payments table will display those periodic payments amounts and the years of the loan during which the payments will apply.

First, the creditor will disclose in one column the initial periodic payment of principal and interest, mortgage insurance, estimated escrow, and the sum of those amounts as the consumer's total periodic payments. If the consumer's periodic payments will remain constant over the life of the loan, such as a fixed rate, fixed payment loan with no mortgage insurance, the creditor will disclose a single column Projected Payments table that shows the periodic payments the consumer will make over the life of the loan. If the consumer's periodic payments will not remain constant over the life of the loan, such as an adjustable rate loan, or a loan that requires mortgage insurance, subsequent periodic payments must be disclosed in additional columns on the Projected Payments table.

The following events generally trigger an additional column in the Projected Payments table to show the amount of the periodic payment after that event. One: a change to the periodic principal and interest payments, two: a scheduled balloon payment, and three: the automatic termination of mortgage insurance under applicable law. For example, a fixed rate fixed payment loan that requires periodic mortgage insurance payments that will terminate before the end of the loan term will have two columns.

The first column will show the initial periodic payment of principal and interest, mortgage insurance, estimated escrow, and the total periodic payment, and the years of the loan during which the consumer will make those payments. The second column will show the periodic payment of principal and interest and estimated escrow, but will not disclose an amount for mortgage insurance because the consumer will no longer be required to make periodic payments for mortgage insurance. The second column will also show the consumer's total periodic payments and the years of the loan during which the consumer will make those payments.

The Projected Payments table may contain a maximum of four columns of periodic payments. If changes to periodic payments would result in more than four columns, for example if there are more than three interest rate changes, the creditor will usually disclose a range of payments in a final column to reflect all remaining periodic payments not shown in the other column. Note, however, that there are special rules for the disclosure of balloon payments and the automatic termination of mortgage insurance in cases where changes to periodic payments would result in more than four columns.

In addition to showing the changes to periodic payments, the bottom of the Projected Payments table shows the total amount due for property taxes, homeowner's insurance, homeowners association and similar charges, and certain insurance premiums or charges if they are required by the creditor. These amounts are disclosed even if an escrow account will not be established [for] the payment of these amounts. The table discloses through check boxes if the charges will be paid from an escrow account.

**Wolf:** Thank you Priscilla. Next slide please. With that general framework in mind, I'm now going to address a few frequently asked questions about the Projected Payments table.

# Projected Payments 1

Projected Payments		
Payment Calculation		
Principal & Interest		
Mortgage Insurance		
Estimated Escrow Amount can increase over time		
Estimated Total Monthly Payment		
Estimated Taxes, Insurance & Assessments Amount can increase over time	This estimate includes <input type="checkbox"/> Property Taxes <input 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?

- Q: Can the amount disclosed for Estimated Taxes, Insurance & Assessments be for a time period of other than monthly? (1026.37(c)(4) and .37(o)(5))
- Q: If mortgage insurance will automatically terminate in the time period that would be included in the 4th column, how do I indicate that mortgage insurance will terminate before the end of the loan? (1026.37(c)(1)(ii))
- Q: Must the escrow row be shown if no escrow account is established? (1026.37(c)(2))



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**Wolf:** Can the amount disclosed for estimated taxes, insurance and assessments be for a time period of other than monthly?

**Walton-Fein:** Yes, the amount disclosed for estimated taxes, insurance and assessments can be for a time period other than monthly if the transaction's terms provide for other than monthly periodic payments. Section 1026.37(c)(4) provides that estimated taxes, insurance and assessments is disclosed as a monthly amount. However, § 1026.37(o)(5) provides that wherever the word "monthly" is used to describe the frequency of any payments, the creditor shall substitute the appropriate term to reflect the fact that the transaction's terms provide for other than monthly periodic payments. For example, if the transaction's terms call for biweekly payments, the estimated taxes, insurance and assessments should be disclosed as a biweekly payment amount. If the transaction's terms provide for monthly payments the amount disclosed for estimated taxes, insurance and assessments must be disclosed as a monthly amount.

**Wolf:** If mortgage insurance will automatically terminate in the time period that would be included in the fourth column, how would a creditor indicate that mortgage insurance will terminate before the end of the loan? In other words, how does a creditor disclose the automatic termination of mortgage insurance if changes to the periodic principal and interest payments have already taken up all four available columns?

**Walton-Fein:** So in this situation the automatic termination of mortgage insurance would not be disclosed. Section 1026.37(c)(1)(ii) states that the Projected Payments table shall not contain more than four separate periodic payments or ranges of payments.

Generally, the creditor discloses the first four separate periodic payments or ranges of payments that occur during the loan term. However, § 1026.37(c)(1)(ii)(b) provides a special rule for the disclosure of the automatic termination of mortgage insurance under applicable law. That section says that the automatic termination of mortgage insurance is only disclosed if there are no more than three other separate periodic payments or ranges of payments. If there are more than three other separate periodic payments or ranges of payments, meaning the four available columns are already used up to show changes to periodic principal and interest payments, regardless of when those changes occurred during the loan term, the creditor would not disclose the automatic termination of mortgage insurance on the Projected Payments table.

I also want to highlight that Comment 37(c)(1)(iii)-1 clarifies that mortgage insurance premiums are not disclosed as a range of payments. So in the situation you just described, all four columns on the Projected Payments table would show a single dollar amount for mortgage insurance.

**Wolf:** Must the escrow row be shown if no escrow account is established?

**Walton-Fein:** Yes. If no escrow account is established the escrow row should be disclosed, but the amount disclosed on that row would be zero.

**Wolf:** Thank you. Next slide please.

## Projected Payments 2

Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow Amount can increase over time	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments Amount can increase over time	<p>This estimate includes</p> <p><input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other:</p> <p><i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i></p>

- Q: Are flood insurance premiums included in Homeowner's Insurance for purposes of the Escrow disclosure and the Taxes, Insurance & Assessments disclosure on the Projected Payments table? (1026.37(c)(4))



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**Wolf:** Are flood insurance premiums included in homeowner's insurance for purposes of the escrow disclosure and the taxes, insurance and assessments disclosure on the Projected Payments table?

**Walton-Fein:** Yes, flood insurance is included in homeowner's insurance. Under § 1026.37(c)(4)(ii), the items included in homeowners insurance are those charges identified in § 1026.4(b)(8). The charges identified in § 1026.4(b)(8) are premium or other charges for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property written in connection with the credit transaction. This would include flood insurance.

**Wolf:** Thank you. Let me turn it over to David now for an overview of the Costs at Closing table. Next slide please.

## Costs at Closing (1026.37(d); Guide to Forms Section 2.2.4)

Costs at Closing		
Estimated Closing Costs	Includes in Loan Costs + in Lender Credits. See page 2 for details.	in Other Costs =
Estimated Cash to Close	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.

### Alternative for transactions without a seller

Costs at Closing		
Estimated Closing Costs	Includes in Loan Costs + in Lender Credits. See page 2 for details.	in Other Costs =
Estimated Cash to Close	Includes Closing Costs. See Calculating Cash to Close on page 2 for details. <input type="checkbox"/> From <input type="checkbox"/> To   Borrower	

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

- Q: Are the modifications to the Loan Estimate for transactions without a seller required? (1026.37(d) and .37(h))



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**Friend:** Thank you Shiri. The last table on page one of the Loan Estimate is the Costs at Closing table, which is disclosed under § 1026.38(d) [BuckleySandler Note: This appears to be a reference to § 1026.37(d), which requires the Costs at Closing table on the Loan Estimate. Section 1026.38(d) requires a similar table be disclosed on the Closing Disclosure.] There are two items disclosed in the table, the estimated closing costs and the estimated cash to close. Estimated closing costs are the total amount of closing costs as itemized on page two of the Loan Estimate, with some breakdown of the amount of this total to the right of the total number. Estimated cash to close is the total cash the consumer is expected to bring, or will be paid to the consumer, at consummation. The calculation of this amount is also itemized on page two of the Loan Estimate in the Calculating Cash to Close table.

There is an alternative Costs at Closing table for transactions without a seller which shows a check box to indicate whether the consumer will be expected to bring cash, or will receive cash at consummation for the estimated cash to close amount.

**Wolf:** Are the modifications to the Loan Estimate for transactions without a seller required?

**Friend:** No, the modifications to the Loan Estimate under §§ 1026.37(d)(2) and 1026.37(h)(2) for transactions without a seller are not required, but are optional. We will discuss the alternatives to Calculating Cash to Close table later when we talk about page two of the Loan Estimate. A creditor could choose to disclose transactions without a seller with the standard Loan Estimate instead. However, both

of the modifications must be used when using the alternative Loan Estimate for transactions without a seller. See Comment 37(d)(2)-1. So if I could have the next slide please.

## Loan Estimate Form, Page 2: 12 CFR 1026.37(f)-(j)

**Closing Cost Details**

<b>A. Origination Charges</b> % of Loan Amount (Formal)  (f)(1)	<b>E. Taxes and Other Government Fees</b> Recording Fees and Other Taxes Transfer Taxes (g)(1)
<b>B. Services You Cannot Shop For</b>  (f)(2)	<b>F. Prepaid</b> Homeowner's Insurance Premium (per month) Mortgage Insurance Premium (per month) Private Mortgage Insurance (per day) Property Taxes (per month) (g)(2)
<b>C. Services You Can Shop For</b>  (f)(3)	<b>G. Initial Escrow Payment at Closing</b> Homeowner's Insurance Mortgage Insurance Property Taxes (g)(3)
<b>D. TOTAL LOAN COSTS (A + B + C)</b> (g)(4)	<b>H. Other</b> (g)(4)
<b>I. TOTAL OTHER COSTS (E + F + G + H)</b> (g)(5)	

**Adjustable Payment (AP) Table**

Interest Only Payments?	(g)(1)
Optional Prepayments?	(g)(2)
Step Payments?	(g)(3)
Seasonal Payments?	(g)(4)
Monthly Principal and Interest Payments	
First Change Amount	(g)(5)
Subsequent Changes	(g)(6)
Maximum Payment	(g)(7)

**Adjustable Interest Rate (AIR) Table**

Index or Margin	(g)(1)
Initial Interest Rate	(g)(2)
Minimum/Maximum Interest Rate	(g)(3)
Change Preposting	
First Change	(g)(4)
Subsequent Changes	(g)(5)
Subsets on Interest Rate Changes	
First Change	(g)(6)
Subsequent Changes	(g)(7)

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- Annotations provide regulatory citations to 12 CFR 1026.37
- See also Section 2.3 of the Guide to Forms
- Sample forms available on web site

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**Friend:** I'm going to go over just a brief overview of page two of the Loan Estimate Form. Page two of the Loan Estimate consists of the closing costs associated with the loan. These costs are generally broken down into two groups: loan costs and other costs. Note that the loan costs are on the left-hand column, and the other costs are in the right-hand column.

Loan costs are broken down into three other categories: originator charges, third party services that the consumer cannot shop for (because the creditor has selected the provider), and third party services that the consumer can shop for (and the creditor has provided a written list so the consumer can start shopping). Each category is subtotalled, and these subtotals are then added together to arrive at the total loan costs.

Other costs are broken down into four other categories: taxes and other government fees (including transfer taxes), prepaids, the initial escrow payment at closing (broken down by each item included in any escrow account), and the other category (which covers costs that are not required by the creditor). These costs are included on the Loan Estimate based on the best information reasonably available to the creditor at the time the Loan Estimate is provided.

Each category is subtotalled, and these subtotals are then added together to arrive at the total other costs. Then, total loan costs and total other costs are added together, applicable lender credits are subtracted, and the resulting amount is disclosed as the total closing costs.

The next table on page two is the Calculating Cash to Close table. The Calculating Cash to Close table will be discussed in detail a bit later in the presentation. Lastly, there are two dynamic tables: the Adjustable Interest Rate, or “AIR” table, in the right-hand column, and the Adjustable Payments, or “AP” table in the left-hand column, when applicable. These tables are only disclosed when the terms of the legal obligation provide for adjustable interest rates or adjustable payments, respectively. If I could have the next slide, I’m going to... Dania has some questions associated with these items that we will go over.

## Loan Costs 1 – Origination Charges (1026.37(f)); Guide to Forms Section 2.3.1)

Loan Costs
A. Origination Charges % of Loan Amount (Points)
B. Services You Cannot Shop For
C. Services You Can Shop For
D. TOTAL LOAN COSTS (A + B + C)

- Q: If a creditor charges an origination fee that is a percentage of the loan amount, but it is not a “point paid to the creditor to reduce the interest rate,” may the creditor identify it as a point in some way to preserve its tax deductibility for the consumer? (1026.37(f)(1))
- Q: Assume the creditor will pay a Loan-Level Price Adjustment (LLPA) to the secondary market purchaser (1026.37(f)(1)):
  - If the creditor does not charge the consumer an upfront fee, but passes the cost of the LLPA on to the consumer through interest, is the creditor required to disclose the LLPA?
  - If the creditor does charge the consumer an upfront fee, should it be disclosed as a “point” or an “origination charge”?
  - If the creditor offers the borrower a zero or lower point option, and the consumer chooses to pay for discount points in an amount greater than the LLPA to obtain a lower rate, may the creditor disclose the amount paid as discount points rather than an origination charge?



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**Ayoubi:** Thanks David. We’re going to now talk about questions related to loan costs, particularly those related to origination charges, and I’ll direct these questions to Andy. If a creditor charges an origination fee that is a percentage of the loan amount, but it is not a “point paid to the creditor to reduce the interest rate,” may the creditor identify it as a point in some way to preserve its tax deductibility for the consumer?

**Arculin:** Thank you Dania. So the question is whether something that does not meet the definition of points as set forth in our rule, particularly § 1026.37(f)(1), could be identified as a point on the form for tax deductibility purposes. And the answer to that question is no, they could not.

Section 1026.37(f)(1)(i) is clear that only points paid to the creditor to reduce the interest rate and charged as a percentage of the loan amount may be labeled “points” on the form. I mentioned this a few minutes ago when I was going through the examples earlier; the Loan Estimate Form is meant to provide accurate disclosures to consumers, not to document eligibility for tax benefits or other purposes.

For support you should reference comment 37(f)(1)-3, which says, quoting, “[o]ther than for points charged in connection with the transaction to reduce the interest rate, for which specific language must be used, the creditor may use a general label that uses terminology that... clearly and conspicuously describes the service that is disclosed as an origination charge...” This means that only those points charged as a percentage of the loan amount in connection with a reduction in the interest rate may be disclosed with the terminology “point.”

Comment 37(f)(1)-4 provides further support stating, and again I’m quoting the comment, “[i]f there are no points charged in connection with the transaction to reduce the interest rate, the creditor leaves blank the percentage of points used in the label of the dollar amount disclosed.”

**Ayoubi:** Let’s assume that the creditor will pay a loan-level price adjustment, or LLPA, to the secondary market purchaser. If the creditor does not charge the consumer an upfront fee, but passes the cost of the LLPA on to the consumer through interest, is the creditor required to disclose the LLPA?

**Arculin:** So this question is essentially whether a creditor that’s accounting for a loan-level pricing adjustment through the rate, but not charging the consumer directly up-front, would have to disclose that charge as an origination charge, and the answer is no. In this scenario the creditor is not charging the consumer an up-front fee at all to recover the costs of the LLPA or the adjustments, but presumably is recovering the costs through the interest rate.

As we understand it, this is commonly how pricing adjustments are factored into loan pricing. In those circumstances there is no settlement cost to disclose, and this is consistent with general disclosure rules that require the disclosure of charges based on the terms of the legal obligation between the parties and to the best information reasonably available to the creditor at the time the disclosures are made will be charged to the consumer.

**Ayoubi:** What if the creditor does charge the consumer an upfront fee, should it be disclosed as a point or an origination charge?

**Arculin:** Comment 37(f)(1)-5 provides some clarification on this question and the previous question. The charge paid by the creditor in [unintelligible] interest would not be disclosed. [Comment 37(f)(1)-5 states] that the following charges should be itemized separately: a charge imposed to pay for a loan-level pricing adjustment assessed on the creditor, which the creditor passes on to the consumer as a charge at consummation and not as an adjustment to the interest rate.

That’s Comment 37(f)(1)-5. And as far as this specific question goes, as to what happens if it is being charged up front, the answer would depend on how the upfront fee was charged. If the creditor charges the consumer up front for the price of the LLPA, just as a flat origination charge, as I understand it this is not a particularly common practice but it is possible, then the LLPA would be itemized and labeled as an origination charge in accordance with § 1026.37(f)(1) and Comment 37(f)(1)-5.

However the creditor could, if it chooses, again, include the cost of the LLPA in the rate and then allow the borrower to subsequently pay a point as we have defined it to lower the rate. This point would essentially be different than the pricing adjustment but would be an actual point. Assuming the creditor is charging the consumer as a percentage of the loan amount to reduce the rate instead of just an up-front fee, then the consumer would be paying a point and the charge would be disclosed as a percentage point and not an LLPA.

**Ayoubi:** And a follow up question related to a point you made: if the creditor offers the borrower a zero or lower point option, and the consumer chooses to pay for discount points in an amount greater than the LLPA to obtain a lower rate, may the creditor disclose the amount paid as discount points rather than an origination charge?

**Arculin:** Yes, this ties directly into the answer to the last question and essentially seeks confirmation that creditors have some degree of flexibility in how they factor in the loan-level pricing adjustment specifically in situations where the creditor is including the LLPA costs and the rate that is subsequently discounted through the payment of a point. As I stated, the rule does allow flexibility here, assuming that the cost of the LLPA in this scenario is not being charged to the consumer up-front but is included in the rate that the point is being paid to reduce. If that's the case, the point being paid could be separate from and not necessarily equal to the cost of the LLPA, which is essentially a different type of charge.

This is consistent with guidance the Bureau has provided in the past on bona fide discount points and fees, which generally permits the undiscounted rate, the rate that is going to be discounted, to include loan-level pricing adjustments. However, determining whether to classify a charge as a point for disclosure purposes does not require the same analysis as the bona fide discount point test, and I'm sure everyone is happy to hear that. Whether or not the discount point satisfies the bona fide discount point test under 1026.32(b)(3), and therefore is excludable from points and fees, does not matter for purposes of determining whether or not the points are for disclosure on the Loan Estimate.

**Ayoubi:** Thanks Andy, next slide please. This brings us to a series of questions also related to loan costs, and I'll direct this first question to Shiri. Must a creditor disclose fees that are not allowed by FHA or VA? If so, where?

## Loan Costs – 2 (1026.37(f) and (g); Guide to Forms Section 2.3.1)

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The image shows a screenshot of the Loan Estimate form. It includes four horizontal sections labeled A through D. Section A is titled 'A. Origination Charges' and includes the sub-instruction '% of Loan Amount (Points)'. Section B is titled 'B. Services You Cannot Shop For'. Section C is titled 'C. Services You Can Shop For'. Section D is titled 'D. TOTAL LOAN COSTS (A + B + C)'.

- Q: Must a creditor disclose fees that are not allowed by FHA/VA? If so, where? (Comment 37-1; 1026.17(c))
- Q: How does the creditor disclose charges for third-party administrative and processing fees that are currently rolled up into Block 1 of the GFE? (1026.37(f)(1) and (f)(2))
- Q: Can a creditor change the number of lines for each category of costs if there are more or fewer charges in each category? (1026.37(f)(6))
- Q: How should premium rate credit or “negative points” be disclosed? May the creditor add a separate addendum to detail the offset? (1026.37(g)(6))



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**Wolf:** The disclosures the creditor must make on the Loan Estimate must reflect the terms of the legal obligation between the parties. If any information necessary for an accurate disclosure is unknown to the creditor, the creditor must make the disclosure in good faith and based on the best information reasonably available as required by §§ 1026.17(c) and 1026.19(e).

If the legal obligation between the parties is a type of loan, such as an FHA or VA loan that prohibits a particular fee, then the best information reasonably available to the creditor indicates that the disallowed fees will not be charged. In that circumstance, the creditor should not disclose the charge. If the program in question allows the creditor to charge the fee and offset it with a lender credit, then the lender credit should be disclosed because the consumer will pay it. But the creditor will have to discuss whether the charge violates FHA or VA requirements with FHA or VA. The Bureau does not weigh in on whether the creditor can charge consumer for those charges.

**Ayoubi:** And I'll pose the next two questions to David. How does the creditor disclose charges for third-party administrative and processing fees that are currently rolled into block one of the GFE?

**Friend:** A creditor generally decides the extent of the itemization of origination charges on the Loan Estimate, except where a charge is required to be disclosed in a specific manner, such as points under

§ 1026.37(f)(1)(i) and loan-level pricing adjustments charged to or passed onto the consumer as a charge per Comment 37(f)(1)-5. To the extent that these charges are settlement services the consumer will pay for, the charge is itemized pursuant to § 1026.37(f)(2) as services the consumer cannot shop for. In other words, if the creditor requires the consumer to pay for the third party settlement service in order to originate the loan, the charge must be itemized. The question whether an origination service that a creditor contracts out to a third party is to be separately disclosed is determined on whether the creditor requires the consumer to pay for that charge, or if the creditor treats the charge as normal business overhead expenses such as rent, utilities, wages, etc.

**Ayoubi:** If there are more or fewer charges in each category, can a creditor change the number of lines for each category of costs?

**Friend:** No. A creditor cannot change the number of lines for each category of costs on the Loan Estimate. The Loan Estimate has a prescribed number of lines for each category of loan costs and other costs. In the event that more lines are needed for a particular category, generally the charges in excess of that number are totaled into one charge and described as additional charges. See § 1026.37(f)(6)(i). Only the services totaled in the “consumer can shop for” section can be itemized on an addendum. See § 1026.37(f)(6)(ii).

**Ayoubi:** And then an additional question for Shiri. How should premium rate credit or negative points be disclosed? May the creditor add a separate addendum to detail the offset?

**Wolf:** Well, first let's make sure we're all using the same terminology. Although that term is not defined in our rule, we're interpreting negative points as used in your question [to] mean lender credits provided to the consumer to offset closing costs. The industry may have multiple ways of referring to lender credits. With respect to negative points the credit provided may result in a higher interest rate, but it still involves a payment from the creditor to the consumer. As such, it should be disclosed as a lender credit pursuant to § 1026.37(g)(6). Comment 37(g)(6)(ii)-2 directly addresses this question. It states that rebates or credits that the creditor pays to offset the consumer closing costs for no-cost loans should be disclosed as lender credits under § 1026.37(g)(6)(ii). Negative points, as we understand them, are essentially this type of lender credit. A creditor may not add a separate addendum to detail the negative points, however. These are considered general lender credits and are disclosed as an aggregate sum pursuant to § 1026.37(g)(6)(ii). On the Loan Estimate the lender credit offsets the total of all closing costs. The Bureau made a policy decision not to have such credit itemized. See § 1026.37(g)(6)(ii).

**Ayoubi:** Thanks Shiri, next slide please.

## Other Costs (1026.37(g); Guide to Forms Section 2.3.2)

Other Costs			
<b>E. Taxes and Other Government Fees</b>			
Recording Fees and Other Taxes			
Transfer Taxes			
<b>F. Prepays</b>			
Homeowner's Insurance Premium (    months)			
Mortgage Insurance Premium (    months)			
Prepaid Interest (    per day for    days @    )			
Property Taxes (    months)			
<b>G. Initial Escrow Payment at Closing</b>			
Homeowner's Insurance	per month for	mo.	
Mortgage Insurance	per month for	mo.	
Property Taxes	per month for	mo.	
<b>H. Other</b>			
<b>I. TOTAL OTHER COSTS (E + F + G + H)</b>			
<b>J. TOTAL CLOSING COSTS</b>			
D + I Lender Credits			



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- Q: Recording fees and other taxes appear to encompass all government taxes which are not transfer taxes. Does this include taxes on separate services, such as title insurance? (1026.37(g)(1))
- Q: Credit life insurance is usually paid on a monthly basis, but is only mentioned in the “Other” section of “Other Costs.” Is that where I should disclose the premium? (1026.37(g)(4))

**Ayoubi:** Now we have a few questions related to other costs. David, as you know, recording fees and other taxes appear to encompass all government taxes which are not transfer taxes. Does this include taxes on separate services, such as title insurance?

**Friend:** No, they do not. The types of government fees and taxes encompassed by § 1026.37(g)(1)(i) are limited to those associated with the recording of documents. For example, government taxes and fees can include a flat technology service or additional type of additional fee on top of the recording fee, a charge for each recorded mortgage paid by the creditor on a semi-annual basis, assessed based on the total numbers of mortgages recorded by the creditor, and other miscellaneous charges associated with the recording of instruments. Sales taxes or other types of taxes that are assessed against individual services provided during the real estate closing process and are paid by the individual service provider are not included in the cost of the [unintelligible], sorry, are included in the cost of the individual recording service and are not disclosed as recording fees and other taxes.

**Ayoubi:** And Andy, credit life insurance is usually paid on a monthly basis, but is only mentioned in the “other” section of “other costs.” Is that where a creditor should disclose the premium?

**Arculin:** No, assuming that this question is about optional credit insurance premiums that are charged to the consumer monthly after consummation, they would not be disclosed in this section of the form pursuant to § 1026.37(g). Comment 37(g)(4)-3 provides some reference to optional items charged for, among other things, credit life insurance, debt suspension coverage, debt cancellation coverage,

when written in connection with the credit transaction. However, any amount disclosed pursuant to this section of the rule would be amounts that are paid in connection with the transaction as a closing cost. The Bureau recognizes that lump sum credit insurance premiums are limited in light of the Bureau's adoption of § 1026.36(i), that was adopted through the loan originator rule amended last summer, which prohibits the financing of credit insurance premiums, and that credit insurance is commonly paid on a monthly basis after consummation. For purposes of answering this question, § 1026.36(g) would, section 37(g), excuse me, would only include amounts paid up-front to the extent permissible in light of these new laws.

**Ayoubi:** Next slide please.

## Calculating Cash to Close 1 (1026.37(h); Guide to Forms Sections 2.3.3 and 2.3.4)

### Standard

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
<b>Estimated Cash to Close</b>	

### Alternative for transactions without a seller

Calculating Cash to Close	
Loan Amount	
Total Closing Costs (J)	
Estimated Total Payoffs and Payments	
<b>Estimated Cash to Close</b>	<input type="checkbox"/> From <input type="checkbox"/> To Borrower
Estimated Closing Costs Financed	
(Paid from your Loan Amount)	

- Q: How does a creditor determine the "third party" payments to be deducted from the loan amount to calculate the Closing Costs Financed? (1026.17(c) and .37(g))
- Q: Is the deposit or down payment subtracted as part of the calculation of Closing Costs Financed? (1026.37(h))
- Q: Is the calculation of the Closing Costs Financed line item affected by a seller credit? (1026.37(h))



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**Friend:** Thank you Dania. I'm going to be talking about the next table on page two of the Loan Estimate. This is the Calculating Cash to Close table. The Calculating Cash to Close table is designed to provide the consumer a line by line calculation of the cash the consumer will have to pay or will receive from the transaction.

There are two tables used for this disclosure. One: standard, for all transactions, and an alternative for transactions without a seller. The standard table contains lines for total closing costs, closing costs

financed, down payment or funds from borrower, deposit, funds for borrower, seller credits, and adjustments and other credits. The table is very technical and mandates whether the amounts disclosed are shown as positive or negative numbers. This was created to ensure that the sum of the numbers disclosed to the consumer arrive at the total cash to close.

On the Loan Estimate this amount is estimated based on the best information reasonably available to the creditor. In purchase transactions where the standard table is always used, the table reconciles the amounts due to and from the seller, the amounts due from the consumer to the creditor, other third party settlement service providers, and other parties that must be paid out of settlement proceeds, the amounts already paid by the consumer as a deposit, the amounts that will be paid by other parties, and the adjustments to these amounts based on the purchase and sale contracts. Accordingly, many of the calculations involved in the table are off sheet, based on the best information reasonably available to the creditor.

Ultimately, the amount disclosed is the amount the consumer is expected to pay at consummation. In the event that the consumer will receive money back in the transaction, the result will be a negative number on the standard table.

In transactions without a seller, such as a refinance transaction, the alternative table can be used. This table is abbreviated, since there is no seller, and the interactions between the seller and consumer do not have to be estimated. The alternative table has fewer entries: one for the loan amount, one for the total closing costs, and one for the estimated payoffs and payments to third parties, such as the satisfaction of any current lien on the property. The sum of these amounts is then disclosed as a positive number and check boxes are used to indicate whether the consumer must pay or receive cash from the transaction. Also, on the bottom of the table to the right, the amount of the closing costs financed would also be disclosed. I think there are some questions about this table, and I think Priscilla has those for us.

**Walton-Fein:** David, thanks. Yes, there are a few frequently asked questions about the Calculating Cash to Close table. So first, how does a creditor determine the third party payments to be deducted from the loan amount to calculate the closing costs financed line items on the Calculating Cash to Close table?

**Friend:** The amount deducted from the loan amounts are third party payments not otherwise disclosed as closing costs under §§ 1026.37(f) or 1026.37(g). They would include the payoff of the existing loan with the same creditor, if the creditor did not include the payoff in the "other" category of Other Costs under § 1026.37(g)(4) due to the creditor not knowing the payoff amount based on the best information available to the creditor when the Loan Estimate was provided, such as the creditor not knowing that the existing obligation is held by the creditor.

**Walton-Fein:** Thanks David. The next two questions on this slide relate to the Standard Calculating Cash to Close table. So first, we've been asked if the deposit or down payment is subtracted as part of the calculation of closing costs financed.

**Friend:** No, the deposit would not be subtracted. The calculation of the closing costs financed line items is not affected by the deposit. The deposit has its own line item in the Calculating Cash to Close table.

**Walton-Fein:** And is the calculation of the closing costs financed line item affected by a seller credit?

**Friend:** No. Likewise, the calculation of the closing costs financed line item is not affected by a seller credit. Seller credits are disclosed as a separate line item in the Calculating Cash to Close table.

**Walton-Fein:** Thanks David. We can move to the next slide.

## Calculating Cash to Close 2

### Standard

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
<b>Estimated Cash to Close</b>	

### Alternative for transactions without a seller

Calculating Cash to Close	
Loan Amount	
Total Closing Costs (J)	
Estimated Total Payoffs and Payments:	
<b>Estimated Cash to Close</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	
Estimated Closing Costs Financed (Paid from your Loan Amount)	

- Q: For the “Downpayment/Funds for Borrower” line item, does the “existing debt” being satisfied include any type of debt, other than debts disclosed under §1026.37(g), whether or not the creditor required it to be repaid?
- Q: What debt is disclosed under §1026.37(g) instead of as part of Payoffs and Payments under the alternative Calculating Cash to Close table?
- Q: Does the payoff of any outstanding debt of the consumer included as part of Payoffs and Payments or only those debts of the consumer that are required to be paid as a condition of the extension of credit? (1026.37(h)(2))



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**Walton-Fein:** And this next slide covers a few additional questions we've been asked about the Calculating Cash to Close table. So the first question deals with the Standard Calculating Cash to Close table. For the down payment/funds from borrower line item, does the existing debt being satisfied include any type of debt, other than debts disclosed under § 1026.37(g), whether or not the creditor required it to be repaid?

**Friend:** Yes. Any type of debt would be included in the funds from borrower line item. Except for purchase transactions, which have special rules, see Comment 37(h)(1)(v)-1 for those. Note that the creditor is responsible to complete this section based on the best information reasonably available at the time of issuing the Loan Estimate under § 1026.17(d).

**Walton-Fein:** Thanks. The next two questions relate to Alternative Calculating Cash to Close table. The first question is: what debt is disclosed under § 1026.37(g)(4), which is the “Other” category of the Other Costs table, instead of as part of the “Payoffs and Payments” line item in the Alternative Calculating Cash to Close table?

**Friend:** To the extent that the creditor discloses debts that the creditor knows about, based on the best information reasonably available at the time that the Loan Estimate was delivered or placed in the mail, the creditor may disclose these amounts in the “Other” category of the Other Costs under § 1026.37(g)(4). If the creditor does not disclose the debt in the “Other” category of the Other Costs, then its approximate value is included as part of the “Payoffs and Payments” line item on the alternative Calculating Cash to Close table.

**Walton-Fein:** And the third question on this slide deals with the alternative Calculating Cash to Close table. The question is: does the payoff of any outstanding debt of the consumer get listed in the alternative Calculating Cash to Close table, or would you only disclose those debts of the consumer that are required to be paid as a condition of the extension of credit?

**Friend:** The “Payoffs and Payments” line item includes any amount paid or a payoff or payment, based on the best information reasonably available to the creditor at the time of the issuance of the Loan Estimate. The amount is not limited to those debts that are required to be paid by the creditor. See comment 37(h)(2)(iii)-1.

**Walton-Fein:** Ok we can move to the next slide.

## Calculating Cash to Close 3

### Standard

Calculating Cash to Close	
Total Closing Costs (J)	
Closing Costs Financed (Paid from your Loan Amount)	
Down Payment/Funds from Borrower	
Deposit	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
<b>Estimated Cash to Close</b>	

### Alternative for transactions without a seller

Calculating Cash to Close	
Loan Amount	
Total Closing Costs (J)	
Estimated Total Payoffs and Payments	
<b>Estimated Cash to Close</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	
Estimated Closing Costs Financed (Paid from your Loan Amount)	

- Q: Can the alternative cash to close table be used for multiple loan transactions without a seller? There is no line for the application of subordinate financing in the alternative Cash to Close table. (1026.37(h)(2))
- Q: Can the standard Calculating Cash to Close table disclose the Estimated Cash to Close amount as a negative number? (1026.37(h)(1))

**Walton-Fein:** We have one more question about the alternative Calculating Cash to Close table. That question is: can the alternative Cash to Close table be used for multiple loan transactions without a seller? This question seems to come up because there is no line for the application of subordinate financing in the alternative Calculating Cash to Close table.

**Friend:** Yes, the alternative table can be used. To the extent that there are multiple transactions, each loan covered by the Rule will have a separate Loan Estimate and Closing Disclosure. At consummation, each Closing Disclosure will indicate the cash due to or from the consumer for each loan. In the rare scenario with a cash out refinance and a subordinate lien consummating at the same time, the settlement agent can total up the amounts due to and from the consumer across all of the loans to determine the final amount that is due from or payable to the consumer.

This is a change from the existing use of the HUD-1A form, which has a line for subordinate financing to provide a master transaction record. However, the current GFE and the current Truth in Lending statements are not required, do not have a requirement to provide a calculation of cash to close or a total cash to close number. There is no equivalent provision in the alternative Calculating Cash to Close table for one of the transactions to be a master transaction record for one of the loans on the Loan Estimate or the Closing Disclosure in this scenario.

**Walton-Fein:** Ok thanks David. And the last question on this slide deals with the standard Calculating Cash to Close table. Can the standard Calculating Cash to Close table disclose the estimated cash to close amount as a negative number?

**Friend:** Yes, when the result of the calculation of § 1026.37(h)(1)(viii), which is the sum of all the amounts disclosed in the Calculating Cash to Close table, results in a negative number, a negative number is disclosed as the estimated cash to close. It is also disclosed as a negative number at estimated cash to close on page one of the Loan Estimate, pursuant to § 1026.37(d)(1)(ii). The negative number would indicate that the consumer is receiving that amount at consummation on the standard Loan Estimate.

**Walton-Fein:** Thanks, we can move to the next slide.

## Loan Estimate – AP & AIR Tables (1026.37(i) and (j); Guide to Forms Sections 2.3.5 and 2.3.6)

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

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

- Q: Are the adjustable payments and adjustable interest tables disclosed for a fixed rate loan? (1026.37(i) and .37(j))



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**Walton-Fein:** So this next question has to do with the Adjustable Payments and Adjustable Interest Rate tables. We've been asked, are the Adjustable Payments and Adjustable Interest Rate tables disclosed for a fixed rate loan? David, can you tell us when these tables are required to be disclosed?

**Friend:** Yes I can. The Adjustable Payments table is used only when there are adjustable payment features. If there are no such features in the legal obligations, the Adjustable Payments table is not disclosed at all. Accordingly, the Adjustable Payments table will be disclosed if the fixed rate loan has adjustable payment features. The "AIR" table, or Adjustable Interest Rate table, is only disclosed when the interest rate can change, which would be contrary to the definition of a fixed rate loan, and therefore the Adjustable Interest Rate table should never be disclosed with a fixed rate loan.

**Walton-Fein:** Great, thanks David. Now I'm going to turn it over to Shiri to talk about the third page of the Loan Estimate.

## Loan Estimate Form, Page 3: 12 CFR 1026.37(k)-(n)

Additional Information About This Loan			
LENDER LOAN OFFICER PHONE	(b)(1)	MORTGAGE BROKER LOAN OFFICER PHONE	(b)(2) - (b)(4)
<b>Comparisons</b> Use these resources to compare this loan with other loans.			
In 5 Years	(b)(1)	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.	
Annual Percentage Rate (APR)	(b)(2)	Your costs over the loan term expressed as a rate. This is not your interest rate.	
Total Interest Percentage (TIP)	(b)(3)	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	
<b>Other Considerations</b>			
Appraisal	(b)(1)	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	(b)(2)	If you will or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms; <input type="checkbox"/> will not allow assumption of this loan on the original terms.	
Homeowner's Insurance	(b)(3)	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	(b)(4)	If your payment is more than _____ days late, we will charge a late fee of _____.	
Refinance	(b)(5)	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	(b)(6)	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us; <input type="checkbox"/> to transfer servicing of your loan.	
<b>Customer Receipt</b> (b)			
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

**cfpb** Consumer Financial Protection Bureau

- Annotations provide regulatory citations to 12 CFR 1026.37

- See also Section 2.4 of the Guide to Forms
- Sample forms available on web site

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**Wolf:** Thank you Priscilla. I'm going to provide a very brief overview of the next several disclosures on page three of the Loan Estimate, which are required by § 1026.37(k) through (h). Under the label "Additional Information About This Loan," there's contact information for the creditor and loan officer. Under "Comparisons," there are amounts consumers can use to compare the loan with other loan offers. Next are "Other Considerations," such as whether the creditor will require an appraisal, or will allow for an assumption of the loan. And finally, there is an optional box where a creditor can require the consumer to confirm receipt of the estimate with a signature. Next slide please.

## Contact Information (1026.37(k); Guide to Forms Section 2.4.1)

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LENDER  
NMLS/\_ LICENSE ID  
LOAN OFFICER  
NMLS/\_ LICENSE ID  
EMAIL  
PHONE

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

- Q: In a loan with a mortgage broker, must both a creditor's loan officer and a mortgage broker's loan officer be listed? (1026.37(k); 1026.36(g))
- Q: Should we use the same person's NMSLR identification number that will be identified on the note and other documents? (1026.37(k); 1026.36(g))



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**Wolf:** Now I have a couple of questions about these disclosure items directed to Andy. In a loan with a mortgage broker, must both a creditor's loan officer and a mortgage broker's loan officer be listed?

**Arculin:** Yes, assuming that both are known based on the best information reasonably available to the party making the disclosure, and in this case that would be the broker. In a loan with a mortgage broker, both the creditor's loan officer and the mortgage broker's loan officer must be disclosed. Section 1026.37(k) provides for the disclosure of the names and the NMLS IDs of both the creditor and the broker where applicable, and the individual loan officer for each. However, this is assuming that both the names and IDs are available to the party making the disclosures, again in this case the broker, at the time the disclosures are being made according to the best information reasonably available. The creditor or broker making the disclosures must do so, must make these disclosures according to the general good faith and best information reasonably available standards, which does include an obligation to exercise due diligence to determine the names and IDs.

However, if no individual loan officer for the creditor, for example, has been assigned or if the creditor name is not known, as we have discussed a while ago, and the best information reasonably available does not indicate who the loan officer will be, we do not interpret this provision to require that a loan officer be assigned prior to making the disclosures, so an ID may be disclosed. In our view that is consistent with Comment 37-1, which states that if any information necessary for an accurate disclosure is unknown to the creditor, the creditor shall make the disclosure in good faith based on the best

information reasonably available to the creditor. So in sum, creditors or brokers making this disclosure could leave the information blank, provided that the name and ID is not known or reasonably available [unintelligible].

**Wolf:** Ok, and relatedly, should we use the same person's [NMLSR] identification number that will be identified on the note and other documents?

**Arculin:** Yes. Creditors should use the same person's NMLSR ID that is being identified on the note and other documents, pursuant to the Loan Originator Rules. For your reference, that is § 1026.36(g), which requires that the NMLSR identification number of the person with primary responsibility to originate the loan be included on specific loan documents, including the note.

Section 1026.37(k) contains the requirements to place the NMLSR ID on the Loan Estimate, and describes this person as the consumer's primary point of contact. Remember, this section of the Form is contact information, whereas § 1026.36(g) describes the person as the individual loan originator with primary responsibility for the origination. We acknowledge that the wording is slightly different, but the two provisions should be read consistently. Therefore the person and ID identified on the Loan Estimate should be the same that is required under § 1026.36(g) and its commentary, and included on other documents.

For further guidance, § 1026.36(g)(2)(ii) is currently reserved, but if you read the loan originator compensation final rule, it is meant to include a reference to the integrated disclosures when the new rules take effect next August; that provision will be updated to reference the disclosures required by §§ 1026.19(e) and (f), in other words the Loan Estimate and the Closing Disclosure. Prior to that time [unintelligible] that the two provisions be read consistently.

One follow-on point to the first question, just to make sure I was clear. While it is acceptable to leave the initial disclosures blank for the NMLS IDs and the name of the loan officer, as I explained earlier, when the creditor does have the loans [unintelligible] a broker transaction and is providing by the disclosures, of course the creditor would at that time provide a loan officer and an NMLSR ID.

**Wolf:** Thanks for that clarification Andy. We can move on to the next slide.

## Comparisons (1026.37(l); Guide to Forms Section 2.4.2)

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

- Q: Is the Annual Percentage Rate disclosed as a rounded amount or is it truncated at three decimal places? (1026.37(l) and .37(o)(4))



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**Wolf:** So we've already provided you with an overview of the Comparisons table. One of the amounts that's required to be disclosed on that table is the APR. Priscilla, I understand we've gotten some questions about the rounding rules that apply to that disclosure. Can you walk us through those?

**Walton-Fein:** Sure. The APR is not rounded. And it should be disclosed up to three decimal places. However, if the APR is a whole number, then the amount disclosed is truncated at the decimal point. For example, an APR of seven percent would be disclosed using the numeral "7" with no decimal points or zeros added. If the APR has only two decimal points, a zero is added to the amount to bring the figure to three decimal points. So for example, an APR of seven point two five would be disclosed as "7.250." This is unlike other percentage disclosures on the Loan Estimate that are not rounded, and that are disclosed up to two or three decimal points. For example, a total interest percentage of seven point two five percent would be disclosed as "7.25" without adding a zero to the end to bring it to three decimal places.

**Wolf:** Thanks Priscilla. Next slide and I'm going to turn it over back to Andy.

## Other Considerations (1026.37(m); Guide to Forms Section 2.4.3)

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

- Q: Does the creditor need to disclose on the Loan Estimate that it will transfer servicing if the transfer is not immediate, but will happen at some later point in time during the life of the loan? (1026.37(m)(6))
- Q: Does the creditor need to disclose on the Loan Estimate that it will transfer servicing if the transfer is to the creditor's subsidiary or affiliate? (1026.37(m)(6))
- Q: Does the Appraisal notice satisfy the requirements of Regulation B, or does the creditor need to provide a separate disclosure for that requirement? (1026.37(m)(7))



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**Arculin:** Ok, so we only have a few minutes left and in the interest of time I won't go through this entire section, as Shiri already introduced it to you. But again, this is just the other considerations and we have some questions that relate to the servicing transfer provision, as well as the appraisal provision that we will just go ahead and get right to. So this first question is for Dania, and it relates to the servicing transfer provision. Does the creditor need to disclose on the Loan Estimate that it will transfer servicing if the transfer is not immediate, but will happen at some point in time during the life of the loan?

**Ayoubi:** Yes. The creditor must disclose that it will transfer servicing at some point later during the life of the loan if that is the creditor's intent at the time the Loan Estimate is issued. Section 1026.37(m)(6) requires disclosure of a statement of whether the creditor intends to service the loan or transfer the loan to another servicer. The same for the creditor is required to disclose whether it intends to service the loan directly, or transfer servicing to another servicer at any time after consummation. As Comment 37(m)(6)-1 explains, a creditor complies with § 1026.37(m)(6) if the disclosure requests the creditor's intent at the time the Loan Estimate is issued.

**Arculin:** Ok thank you. Next question that relates to the same provision: does the creditor need to disclose on the Loan Estimate that it will transfer servicing if the transfer is to the creditor's subsidiary or affiliate?

**Ayoubi:** Yes. The creditor must disclose that it will transfer servicing to a subsidiary or affiliate if that is the creditor's intent at the time the Loan Estimate is issued. Again, § 1026.37(m)(6) requires a creditor to disclose a statement of whether the creditor intends to service the loan or transfer the loan to another servicer. A creditor's subsidiary or affiliate is another servicer if it is a person responsible for receiving scheduled periodic payments from a borrower.

**Arculin:** Thanks Dania. One last question on this slide that I'll direct to Shiri that relates to the appraisal provision. Does the appraisal notice satisfy the requirements of Regulation B, as we commonly refer to the ECOA Valuation Rule, or does the creditor need to provide a separate disclosure for that requirement?

**Ayoubi:** In general, Reg B requires creditors to do two things: first, they have to provide applicants with a notice in writing of the applicant's right to receive a copy of all written appraisals developed in connection with the application. And second, creditors must provide the applicant with those copies of all written appraisals promptly after they are completed. New § 1026.37(m)(1) requires creditors to include the notice required by Reg B on the Loan Estimate. As a result, for loans that are subject to both Reg B and Reg Z, creditors can satisfy their ECOA and TILA notice requirements in a single disclosure. Separately, creditors will still be subject to the independent Reg B requirement to provide the copies of the appraisals once they are completed. For more information, the preamble of the final Rule discusses at length how this provision satisfies the requirement of ECOA. That's 78 F.R. 79730 and pages 79985 through 87.

**Arculin:** Alright, thank you. We can advance to the next slide, and it should be the last slide, and I'll turn it over to David to tell you a few things about the Service Provider List.

## Loan Estimate – Service Provider List (1026.19(e)(1)(vi) and Appendix H-27)

#### **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).

- Q: How can a creditor communicate to the consumer that the identification of a service provider on the written list is not an endorsement of that service provider?



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**Friend:** Thank you Andy. A written list of service providers must be given to the consumer when the consumer can shop for a third party settlement service pursuant to § 1026.19(e)(1)(vi)(c), which are disclosed as services you can shop for on the Loan Estimate under § 1026.37(f)(3). The final Rule also includes a form with some examples for this written list in Appendix H-27, and would be provided with the Loan Estimate for those services disclosed as services you can shop for.

**Arculin:** Ok, one question about the service provider list. How can a creditor communicate to the consumer that the identification of a service provider on the written list is not an endorsement of that service provider?

**Friend:** A creditor is permitted to add language indicating that the inclusion of a service provider on the written list is not an endorsement under Comment 19(e)(1)(vi)-6. However, there is no specific language required to be provided when the creditor wishes to do so. The general requirement that the creditor must provide the information clearly and conspicuously on the disclosures under § 1026.17(a) would apply to the language included by the creditor.

**Arculin:** Ok, and it looks like we are right at our ninety minutes, and that is it for our presentation. Thanks to everyone for tuning in, hopefully you found this informative. Please continue to give us your feedback, we take it very seriously, as well as your questions, so we can both improve your experience and

consider questions to address in the future as we continue to cover these topics and coming up next I would expect it to be the Closing Disclosure. I will turn it over to Charlene, and I thank everyone again.

**Van Horne:** Ok, well that concludes our time today. I would like to thank the CFPB and our speakers for their presentation, and a very special thank you to all of you who participated in today's webinar. As you exit the webinar, please be sure to complete the evaluation form that will automatically pop up when you exit the event player. Your feedback is very important to us as we continue these events and other efforts to maintain a dialogue with the industry. Again thank you for joining us, and we look forward to welcoming you back to our next Outlook Live webinar, which is scheduled for Wednesday, October 22<sup>nd</sup>. This is an interagency presentation on fair lending hot topics. So please be on the lookout for more information on this event, again Wednesday October 22<sup>nd</sup> for our next Outlook Live. Thank you all, goodbye.