

Outlook Live Webinar- October 1, 2014

# TILA-RESPA Integrated Disclosures

Presented by the Consumer Financial Protection Bureau

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OUTLOOK LIVE

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The opinions expressed in this presentation are intended for informational purposes, and are not formal opinions of, nor binding on, the Board of Governors of the Federal Reserve System.

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## Disclaimer

- 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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## CFPB Resources

- **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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## August 2014 Webinar – Recap

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

The screenshot shows the Loan Estimate Form (Page 1) with various sections and regulatory citations. Annotations include:

- Loan Estimate** (Section 1026.37(a)(1))
- APR** (Section 1026.37(a)(2))
- Interest Rate** (Section 1026.37(a)(3))
- Monthly Payment** (Section 1026.37(a)(4))
- Payment Periodicity** (Section 1026.37(a)(5))
- Prepayment Penalties** (Section 1026.37(a)(6))
- Other Charges** (Section 1026.37(a)(7))
- Estimated Closing Costs** (Section 1026.37(a)(8))
- Estimated Cash to Close** (Section 1026.37(a)(9))

- 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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## Loan Estimate form: General Questions

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

*Save this Loan Estimate to compare with your Closing Disclosure.*

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	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
PROPERTY	<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>
SALE PRICE	

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

*Save this Loan Estimate to compare with your Closing Disclosure.*

Loan Estimate	
DATE ISSUED	LOAN TERM
APPLICANTS	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
PROPERTY	<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>
SALE PRICE	

- 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:
  - o Is the broker required to generate and disclose a unique ID number?
  - o Is the creditor required to disclose its own unique loan ID once there is a creditor for the loan?

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

Projected Payments	
<b>Payment Calculations</b>	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow <small>Amount can increase over time</small>	
<b>Estimated Total Monthly Payment</b>	
<b>Estimated Taxes, Insurance &amp; Assessments</b> <small>Amount can increase over time</small>	<input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 2 on page 2 for recorded property costs. You must pay for other property costs separately.</small>

Projected Payments		Year 1 P	Year 1 B
<b>Payment Calculations</b>			
Principal & Interest			
Mortgage Insurance			
Estimated Escrow <small>Amount can increase over time</small>			
<b>Estimated Total Monthly Payment</b>			
<b>Estimated Taxes, Insurance &amp; Assessments</b> <small>Amount can increase over time</small>			
		<input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 2 on page 2 for recorded property costs. You must pay for other property costs separately.</small>	<input type="checkbox"/> In escrow? <b>YES</b> <b>YES</b>




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### Projected Payments 1

Projected Payments	
<b>Payment Calculations</b>	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow <small>Amount can increase over time</small>	
<b>Estimated Total Monthly Payment</b>	
<b>Estimated Taxes, Insurance &amp; Assessments</b> <small>Amount can increase over time</small>	<input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 2 on page 2 for recorded property costs. You must pay for other property costs separately.</small>

- 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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### Projected Payments 2

Projected Payments	
<b>Payment Calculations</b>	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow <small>Amount can increase over time</small>	
<b>Estimated Total Monthly Payment</b>	
<b>Estimated Taxes, Insurance &amp; Assessments</b> <small>Amount can increase over time</small>	<input type="checkbox"/> Property Taxes <input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Section 2 on page 2 for recorded property costs. You must pay for other property costs separately.</small>

- 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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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, Surpage 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, Surpage 2 for details.	In Other Costs -
Estimated Cash to Close	Includes Closing Costs. See Calculating Cash to Close on page 2 for details. (2) Points (2) Surpage	

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))



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

- 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



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

- 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?



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

**Other Costs**

**A. Origination Charge**  
to whom interest accrues

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**B. Services Not Covered Elsewhere**

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**C. Services Not Covered Elsewhere**

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

**Other Costs**

**K. Taxes and Other Government Fees**  
 Recording Fees and Other Taxes  
 Transfer Taxes

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**L. Prepaids**  
 Homeowners Insurance Premium ( monthly)  
 Mortgage Insurance Premium ( monthly)  
 Prepaid Interest ( per day for days)  
 Property Taxes ( months)

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**M. Initial Expense Payment at Closing**  
 Homeowners Insurance per month for mo.  
 Mortgage Insurance per month for mo.  
 Property Taxes per month for mo.

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**N. Other**

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**O. TOTAL OTHER COSTS (K + L + M + N)**

- 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))

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

<p><b>Standard</b></p> <p><b>Calculating Cash to Close</b></p> <p>Closing Credit</p> <p>Closing Costs Financed (Paid from your Loan Amount)</p> <p>Cash Payment/Good Faith Estimate</p> <p>Fee(s)</p> <p>Escrow Account</p> <p>Seller Credits</p> <p>Adjustments and Other Credits</p> <p>Estimated Cash to Close</p>	<p><b>Alternative for transactions without a seller</b></p> <p><b>Calculating Cash to Close</b></p> <p>Loan Proceed</p> <p>Total Closing Costs (A)</p> <p>Estimated Good Faith Estimate</p> <p>Estimated Cash to Close (B from 2.3.2) (C) to Borrower</p> <p>Estimated Credit/Debit Received</p> <p>Rebate from your Loan Proceed</p>
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- 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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### Calculating Cash to Close 2

**Standard**

Calculating Cash to Close	
Net Closing Costs	
Closing Costs (Netted) that Exceed Loan Amount	
Down Payment/Funds from Borrower	
Payoff	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

**Alternative for transactions without a seller**

Calculating Cash to Close	
Loan Amount	
Net Closing Costs	
Estimated Total Payoffs and Payments	
Estimated Cash to Close (From "To Borrower")	
Estimated Closing Costs Received	
Net from your Lender Account	

- 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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### Calculating Cash to Close 3

**Standard**

Calculating Cash to Close	
Net Closing Costs	
Closing Costs (Netted) that Exceed Loan Amount	
Down Payment/Funds from Borrower	
Payoff	
Funds for Borrower	
Seller Credits	
Adjustments and Other Credits	
Estimated Cash to Close	

**Alternative for transactions without a seller**

Calculating Cash to Close	
Loan Amount	
Net Closing Costs	
Estimated Total Payoffs and Payments	
Estimated Cash to Close (From "To Borrower")	
Estimated Closing Costs Received	
Net from your Lender Account	

- 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))

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

Additional Information About This Loan

Origin	02/11	Market Origin
Product/Program	203 Conventional	
State	ND	
NMMLS#	1012	
Loan Officer	1012	
Branch	1012	

**Disclosures** (02/11) *Read these disclosures to compare this loan with other loans.*

**Loan Fees** (02/11) *Total fees you will have paid for this loan, including finance and loan costs, excluding any fees you would pay for a comparable rate. Excludes fees from another lender.*

**Annual Percentage Rate (APR)** (02/11) *Shows what the loan cost, including fees. This is not your interest rate.*

**Total Interest Percentage (TIP)** (02/11) *The total amount of interest that you will pay over the loan term as a percentage of your loan amount.*

**Other Disclosures**

**Appraisal** (02/11) *See section 4, separately disclose the property value and if you pay for the appraisal, which appraisal you used to determine your loan amount. Excludes fees from another lender.*

**Acceleration** (02/11) *If you fail to make your payments as agreed, the lender may require you to pay back all the money you owe at once. This may include the principal and interest you have not yet paid.*

**Arbitration** (02/11) *If you have a dispute with the lender, you may have to go to arbitration, which is a way of settling a dispute that is different from going to court. You may be able to choose arbitration if you are not required to do so.*

**Loan Features** (02/11) *Point out any special features of the loan, such as a rate that may change, or a feature that allows you to pay less than you agreed to.*

**Refinance** (02/11) *Refinancing a loan may involve a new mortgage or interest rate. The company will provide information for you to compare the new mortgage with your current one.*

**Penalty** (02/11) *See section 4, separately disclose the penalty for early payment or prepayment.*

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

LENDER  
 NMMLS# \_\_\_\_\_ LICENSER ID  
 LOAN OFFICER  
 NMMLS# \_\_\_\_\_ LICENSER ID  
 EMAIL  
 PHONE

MORTGAGE BROKER  
 NMMLS# \_\_\_\_\_ LICENSER ID  
 LOAN OFFICER  
 NMMLS# \_\_\_\_\_ LICENSER 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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Comparisons (1026.37(l); Guide to Forms Section 2.4.2)

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

Other Considerations	
<b>Appraisal</b>	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 risk.
<b>Assumption</b>	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.
<b>Homeowner's Insurance</b>	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
<b>Late Payment</b>	If your payment is more than _____ days late, we will charge a late fee of _____.
<b>Refinance</b>	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.
<b>Servicing</b>	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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### 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).

Service Provider List			
You can select these providers or shop for your own providers.			
Service	Estimate	Provider We Identified	Contact Information

- 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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