Truth in Lending – RESPA Integrated Disclosure (TRID) Readiness: Part 1

Presented by:
Marissa Blundell, J.D. and Margaret Wright, J.D.
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• Provide premium file evaluation services for mortgage credit risk and compliance assessments in the area of fair lending, state, and federal regulations
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Speaker Introductions

• **Marissa Aquila Blundell, J.D.**
  Marissa is the Chief Operating Officer for Bankers Advisory – a CliftonLarsonAllen LLP Division. She serves as a contracts administrator and customer relationship manager. Marissa develops and implements compliance training to clients and serves on the compliance committee and co-chairs the Legislative Committee for the Massachusetts Mortgage Bankers Association. She is a graduate of Skidmore College and earned her Juris Doctor at the New England School of Law.

• **Margaret Wright, J.D., VP, Regulatory Compliance Director**
  Margaret is a regulatory compliance director with Bankers Advisory – a CliftonLarsonAllen LLP Division. She manages a team of compliance consultants and oversees fair lending assessment services. She received her bachelor’s from Stonehill College and Juris Doctor from Suffolk University Law School.
Learning Objectives

• At the end of this session, you will be able to:
  – Identify the TRID changes made by the CFPB
  – Summarize the TRID readiness plan
  – Prepare for implementation of the new TRID disclosures
Truth in Lending / RESPA Disclosure (TRID) Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directs the Consumer Financial Protection Bureau (Bureau) to integrate the mortgage loan disclosures under TILA and RESPA Sections 4 and 5. Section 1032(f) of the Dodd-Frank Act mandated that the Bureau propose for public comment rules and model disclosures that integrate the TILA and RESPA disclosures by July 21, 2012.

The Consumer Financial Protection Bureau (CFPB)
The Bureau satisfied this statutory mandate and issued proposed rules and forms on July 9, 2012. The CFPB has now finalized a rule with new, integrated disclosures - Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z) (78 FR 7973, Dec. 31, 2013) (TILA-RESPA rule).
Summary

The TILA-RESPA rule also provides a detailed explanation of how the forms should be filled out and used.

First, the Good Faith Estimate (GFE) and the initial Truth-in-Lending disclosure (initial TIL) have been combined into a new form, the **Loan Estimate**. Similar to those forms, the new Loan Estimate form is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage loan for which they are applying, and must be provided to consumers no later than the third business day after they submit a loan application.

Second, the HUD-1 and final Truth-in-Lending disclosure (final TIL and, together with the initial TIL, the Truth-in-Lending forms) have been combined into another new form, the **Closing Disclosure**, which is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction. This form must be provided to consumers at least three business days before consummation of the loan.
Summary

The forms use clear language and design to make it easier for consumers to locate key information, such as interest rate, monthly payments, and costs to close the loan. The forms also provide more information to help consumers decide whether they can afford the loan and to facilitate comparison of the cost of different loan offers, including the cost of the loans over time.

The final rule applies to most closed-end consumer mortgages. It does not apply to home equity lines of credit (HELOCs), reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (i.e., land). The final rule also does not apply to loans made by persons who are not considered “creditors,” because they make five or fewer mortgages in a year.

Consolidation of Four Disclosures

The TILA-RESPA rule consolidates four existing disclosures required under TILA and RESPA for closed-end credit transactions secured by real property into two forms: a Loan Estimate that must be delivered or placed in the mail no later than the third business day after receiving the consumer’s application, and a Closing Disclosure that must be provided to the consumer at least three business days prior to consummation.
Covered Transactions

The TILA-RESPA rule applies to most closed-end consumer credit transactions secured by real property (land). Credit extended to certain trusts for tax or estate planning purposes is not exempt from the TILA-RESPA rule. The rule does not apply to:

- HELOCs;
- Reverse mortgages; or
- Chattel-dwelling loans, such as loans secured by a mobile home or by a dwelling that is not attached to real property

The rule also does not apply to loans made by a person or entity that makes five or fewer mortgages in a calendar year and thus is not a creditor. There is also a partial exemption for certain transactions associated with housing assistance loan programs for low- and moderate-income consumers. Certain types of loans that are currently subject to TILA but not RESPA are subject to the TILA-RESPA rule’s integrated disclosure requirements, including:

- Construction-only loans
- Loans secured by vacant land or by 25 or more acres
- Credit extended to certain trusts for tax or estate planning purposes also are covered by the TILA-RESPA rule.
Effective Date

The new Integrated Disclosures must be provided by a creditor or mortgage broker that receives an application from a consumer for a closed-end credit transaction secured by real property on or after August 1, 2015.

The TILA-RESPA rule includes some new restrictions on certain activity prior to a consumer’s receipt of the Loan Estimate. These restrictions take effect on the calendar date August 1, 2015, regardless of whether an application has been received on that date. These activities include:

- Imposing fees on a consumer before the consumer has received the Loan Estimate and indicated an intent to proceed with the transaction
- Providing written estimates of terms or costs specific to consumers before they receive the Loan Estimate

For transactions where the application is received prior to August 1, 2015, creditors will still need to follow the current disclosure requirements under Regulations X and Z, and use the existing forms (Truth-in-Lending disclosures, GFE, HUD-1).
Record Retention

The creditor must retain copies of the Closing Disclosure (and all documents related to the Closing Disclosure) for five years after consummation. The creditor, or servicer if applicable, must retain the Post-Consummation Escrow Cancellation Notice (Escrow Closing Notice) and the Post-Consummation Partial Payment Policy disclosure for two years.

For all other evidence of compliance with the Integrated Disclosure provisions of Regulation Z (including the Loan Estimate) creditors must maintain records for three years after consummation of the transaction.

Record Retention for Sold or Transferred Loans

If a creditor sells, transfers, or otherwise disposes of its interest in a mortgage and does not service the mortgage, the creditor shall provide a copy of the Closing Disclosure to the new owner or servicer of the mortgage as a part of the transfer of the loan file.

Both the creditor and such owner or servicer shall retain the Closing Disclosure for the remainder of the five-year period.

Records can be maintained by any method that reproduces disclosures and other records accurately, including computer programs.
Creditors are required to provide the consumer with good-faith estimates of credit costs and transaction terms on a new form called the Loan Estimate. This form integrates and replaces the existing RESPA GFE and the initial TIL for these transactions. The creditor is generally required to provide the Loan Estimate within three-business days of the receipt of the consumer’s loan application.

The Loan Estimate must contain a good faith estimate of credit costs and transaction terms. If any information necessary for an accurate disclosure is unknown, the creditor must make the disclosure based on the best information reasonably available at the time the disclosure is provided to the consumer, and use due diligence in obtaining the information.

- The Loan Estimate must be in writing and contain the information prescribed in the Rule. The creditor must disclose only the specific information set forth in Section 1026.37(a) through (n), as shown in the Bureau’s form in appendix H-24.

- Delivery must satisfy the timing and method of delivery requirements. The creditor is responsible for delivering the Loan Estimate or placing it in the mail no later than the third business day after receiving the application.
The Loan Estimate  continued

- Delivery must satisfy the timing and method of delivery requirements. The creditor is responsible for delivering the Loan Estimate or placing it in the mail no later than the third business day after receiving the application.

- Creditors may only use revised or corrected Loan Estimates when specific requirements are met. Creditors generally may not issue revisions to Loan Estimates because they later discover technical errors, miscalculations, or underestimations of charges. Creditors are permitted to issue revised Loan Estimates only in certain situations such as when changed circumstances result in increased charges.

- In certain situations, mortgage brokers may provide a Loan Estimate. If a mortgage broker receives a consumer’s application, either the creditor or the mortgage broker may provide the Loan Estimate.
Guide to the Loan Estimate Form
**Page 1:** General information, loan terms, projected payments, and costs at closing

![Loan Estimate Form](image)

- **Loan Estimate**
  - **Purpose:**
  - **Product:**
  - **Loan Type:** Conventional, FHA, VA
  - **Loan ID:**
  - **Rate Lock:**

Before closing your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs are approximate.

### Loan Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Can this amount increase after closing?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td></td>
</tr>
<tr>
<td>Interest Rate</td>
<td></td>
</tr>
</tbody>
</table>

### Monthly Principal & Interest

See Projected Payments below for your Estimated Total Monthly Payment.

### Prepayment Penalty

### Balloon Payment

### Projected Payments

**Payment Calculation**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount can increase over time</th>
<th>In escrow?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal &amp; interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Escrow</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Estimated Total Monthly Payment

**Estimated Taxes, Insurance & Assessments**: Amount can increase over time

- Property Taxes
- Homeowner's Insurance
- Other

See Section G on page 2 for escrowed property costs. You must verify all property costs against your.

### Costs at Closing

**Estimated Closing Costs**

- Includes: In Loan Costs + In Other Costs = In Lender Credits. See page 2 for details.

**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.
Page 1: General information, loan terms, projected payments, and costs at closing

Page 1 of the Loan Estimate includes general information, a Loan Terms table with descriptions of applicable information about the loan, a Projected Payments table, a Costs at Closing table, and a link for consumers to obtain more information about loans secured by real property at a website maintained by the Bureau.

Page 1 of the Loan Estimate includes the title “Loan Estimate” and a statement of “Save this Loan Estimate to compare with your Closing Disclosure.” The top of page 1 also includes the name and address of the creditor. A logo or slogan can be used along with the creditor’s name and address, so long as the logo or slogan does not exceed the space provided for that information.

If a mortgage broker is completing the Loan Estimate, use the name of the creditor if known. If not yet known, leave this space blank. The top of page 1 also includes the name and address of the creditor. A logo or slogan can be used along with the creditor’s name and address, so long as the logo or slogan does not exceed the space provided for that information.

If there are multiple creditors, use only the name of the creditor completing the Loan Estimate. If a mortgage broker is completing the Loan Estimate, use the name of the creditor if known. If not yet known, leave this space blank.
## Closing Cost Details

<table>
<thead>
<tr>
<th>Loan Costs</th>
<th>Other Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Origination Charges</td>
<td>E. Taxes and Other Government Fees</td>
</tr>
<tr>
<td>- Self-Loss Amount (Origina)</td>
<td>- Recorded Fees and Other Taxes</td>
</tr>
<tr>
<td>- Transfer Taxes</td>
<td>- Homeowner’s Insurance Premium (per month)</td>
</tr>
<tr>
<td>B. Services You Cannot Shop For</td>
<td>- Mortgage Insurance Premium (per month)</td>
</tr>
<tr>
<td>- Property Taxes (per month)</td>
<td></td>
</tr>
<tr>
<td>C. Services You Can Shop For</td>
<td></td>
</tr>
<tr>
<td>- Initial Escrow Payment at Closing</td>
<td></td>
</tr>
<tr>
<td>- Mortgage Insurance per month for</td>
<td></td>
</tr>
<tr>
<td>- Property Taxes per month for</td>
<td></td>
</tr>
</tbody>
</table>

### Calculating Cash to Close

1. **Total Closing Costs**
   - Total Closing Costs
   - Closing Costs Financed (Paid from your Loan Amount)
   - Down Payment/Funds from Borrower
   - Deposit
   - Funds for Borrower
   - Seller Credits
   - Adjustments, and Other Credits

2. **Estimated Cash to Close**

### Adjustable Payment (AP) Table

<table>
<thead>
<tr>
<th>Interest Only Payments?</th>
<th>Optional Payments?</th>
<th>Step Payments?</th>
<th>Seasonal Payments?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Principal and Interest Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Change Amount</td>
<td>Subsequent Changes</td>
<td>Maximum Payment</td>
<td></td>
</tr>
</tbody>
</table>

### Adjustable Interest Rate (AIR) Table

<table>
<thead>
<tr>
<th>Index</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Interest Rate</td>
<td>Minimum/Maximum Interest Rate</td>
</tr>
<tr>
<td>Change Frequency</td>
<td>First Change</td>
</tr>
<tr>
<td>Subsequent Changes</td>
<td>First Change</td>
</tr>
<tr>
<td>Limits on Interest Rate Changes</td>
<td>Subsequent Changes</td>
</tr>
</tbody>
</table>
Page 2: Closing Cost Details

Four main categories of charges are disclosed on page 2 of the Loan Estimate:

- A good-faith itemization of the Loan Costs and Other Costs associated with the loan.
- A Calculating Cash to Close table to show the consumer how the amount of cash needed at closing is calculated.
- For transactions with adjustable monthly payments, an Adjustable Payment (AP) Table with relevant information about how the monthly payments will change.
- For transactions with adjustable interest rates, an Adjustable Interest Rate (AIR) Table with relevant information about how the interest rate will change.

The items associated with the mortgage are broken down into two general types, Loan Costs and Other Costs. Generally, Loan Costs are those costs paid by the consumer to the creditor and third-party providers of services the creditor requires to be obtained by the consumer during the origination of the loan. Other Costs include taxes, governmental recording fees, and certain other payments involved in the real estate closing process.

Items that are a component of title insurance must include the introductory description of “Title”. If State law requires additional disclosures, those additional disclosures may be made on a separate document; not presented as part of the Loan Estimate.
Page 3: Additional Information About This Loan

Additional Information About This Loan

**Comparisons**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 5 Years</td>
<td>Totall you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.</td>
</tr>
<tr>
<td>Annual Percentage Rate (APR)</td>
<td>Your costs over the loan term expressed as a rate. This is NOT your interest rate.</td>
</tr>
<tr>
<td>Total Interest Percentage (TIP)</td>
<td>The total amount of interest that you will pay over the loan term as a percentage of your loan amount.</td>
</tr>
</tbody>
</table>

**Other Considerations**

- **Appraisal**: We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
- **Assumption**: If you sell or transfer this property to another person, we will allow, under certain conditions, this person to assume this loan on the original terms. We 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 to service your loan. If so, you will make your payments to us. We transfer servicing of your loan.

**Confirm Receipt**

By signing you are only confirming that you have received this item. You do not have to accept this loan because you have signed or received this item.
Page 3: Additional Information About This Loan

Page 3 of the Loan Estimate contains:

- Contact information
- Comparisons table
- Other Considerations table

and, if desired,

- Signature Statement for the consumer to sign to acknowledge receipt.
**General Timing and Delivery of the Loan Estimate**

Generally, the creditor is responsible for ensuring that it delivers or places in the mail the Loan Estimate form no later than the third **business day** after receiving the consumer’s application.

The Loan Estimate must also be delivered or placed in the mail no later than the seventh business day before consummation of the transaction.

The Loan Estimate must be delivered or placed in the mail to the consumer no later than the third business day after the creditor receives the consumer’s application for a mortgage loan.

If the Loan Estimate is not provided to the consumer in person, the consumer is considered to have received the Loan Estimate three business days after it is delivered or placed in the mail.
Definition of “Business Day” for Delivery of Loan Estimate

For purposes of providing the Loan Estimate, a business day is a day on which the creditor’s offices are open to the public for carrying out substantially all of its business functions.

Note that the term business day is defined differently for other purposes; including counting days to ensure the consumer receives the Closing Disclosure on time.

Business day means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year’s Day, the Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.
Waiver of the 7-Day Waiting Period by Consumers

The consumer may modify or waive the seven-business-day waiting period after receiving the Loan Estimate if the consumer has a bona-fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period. Whether a consumer has a bona fide personal financial emergency is determined by the facts surrounding the consumer’s individual situation.

An example of a bona fide personal financial emergency is the imminent sale of the consumer’s home at foreclosure, where the foreclosure sale will proceed unless loan proceeds are made available to the consumer during the waiting period.

To modify or waive the waiting period, the consumer must give the creditor a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and is signed by all consumers primarily liable on the legal obligation.

The creditor may not provide the consumer with a pre-printed waiver form.
Loan Estimates Provided by Mortgage Brokers

If a mortgage broker receives a consumer’s application, the mortgage broker may provide the Loan Estimate to the consumer on the creditor’s behalf.

The provision of a Loan Estimate by a mortgage broker satisfies the creditor’s obligation to provide a Loan Estimate. However, any such creditor is expected to maintain communication with mortgage brokers to ensure that the Loan Estimate and its delivery satisfy the requirements described above, and the creditor is legally responsible for any errors or defects.

If a mortgage broker provides the Loan Estimate to a consumer, the mortgage broker must comply with the three year record retention requirement.
Definition of an Application

*Six pieces of information contained in an “application” that trigger the obligation to provide a Loan Estimate*

1) The consumer’s name;
2) The consumer’s income;
3) The consumer’s social security number to obtain a credit report;
4) The property address;
5) An estimate of the value of the property; and
6) The mortgage loan amount sought.

An **application** may be submitted in written or electronic format, and includes a written record of an oral application.
Applications Denied, Withdrawn or Amended

Applications Denied or Withdrawn by the Consumer

If the creditor determines within the three-business-day period that the consumer’s application will not or cannot be approved on the terms requested by the consumer, or if the consumer withdraws the application within that period, the creditor does not have to provide the Loan Estimate. However, if the creditor does not provide the Loan Estimate, it will not have complied with the Loan Estimate requirements under Regulation Z if it later consummates the transaction on the terms originally applied for by the consumer.

Amended or Re-submitted Applications

If a consumer amends an application and a creditor determines the amended application may proceed, then the creditor is required to comply with the Loan Estimate requirements, including delivering or mailing a Loan Estimate within three business days of receiving the amended or resubmitted application.
General Accuracy Requirement

Creditors are responsible for ensuring that the figures stated in the Loan Estimate are made in **good faith** and consistent with the best information reasonably available to the creditor at the time they are disclosed.

Whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the consumer in the Closing Disclosure.

Generally, if the charge paid by or imposed on the consumer exceeds the amount originally disclosed on the Loan Estimate it is not in good faith, regardless of whether the creditor later discovers a technical error, miscalculation, or underestimation of a charge.

However, a Loan Estimate is considered to be in good faith if the creditor charges the consumer less than the amount disclosed on the Loan Estimate, without regard to any tolerance limitations.
A creditor may charge the consumer more than the amount disclosed in the Loan Estimate in specific circumstances, described below:

- Certain variations between the amount disclosed and the amount charged are expressly permitted by the TILA-RESPA rule;
- The amount charged falls within explicit tolerance thresholds (and the estimate is not for a zero tolerance charge where variations are never permitted); or
- Changed circumstances permit a revised Loan Estimate or a Closing Disclosure that permits the charge to be changed.
Charges that May Change

**Charges that May Change Without Regard to Tolerance Limitation**

For certain costs or terms, creditors are permitted to charge consumers more than the amount disclosed on the Loan Estimate without any tolerance limitation. These charges are:

- Prepaid interest; property insurance premiums; amounts placed into an escrow, impound, reserve or similar account.

- For services required by the creditor if the creditor **permits the consumer to shop** and the consumer selects a third-party service provider not on the creditor’s **written list of service providers**.

- Charges paid to third-party service providers for services not required by the creditor (may be paid to affiliates of the creditor).

However, creditors may only charge consumers more than the amount disclosed when the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to the creditor at the time the disclosure was provided.
When Consumers May Shop for Services

For certain costs or terms, in addition to the Loan Estimate, if the consumer is permitted to shop for a settlement service, the creditor must provide the consumer with a written list of providers of services for which the consumer can shop. This written list of providers is separate from the Loan Estimate, but must be provided within the same time frame—that is, it must be provided to the consumer no later than three business days after the creditor receives the consumer’s application—and the list must:

- Identify at least one available settlement service provider for each service; and
- State that the consumer may choose a different provider of that service.

The settlement service providers identified on the written list must correspond to the settlement services for which the consumer can shop as disclosed on the Loan Estimate.

The creditor may also identify on the written list of providers those services for which the consumer is not permitted to shop, as long as those services are clearly and conspicuously distinguished from those services for which the consumer is permitted to shop.
Charges Subject to a 10% Cumulative Tolerance

Charges for third-party services and recording fees paid by or imposed on the consumer are grouped together and subject to a **10% cumulative tolerance**. This means the creditor may charge the consumer more than the amount disclosed on the Loan Estimate for any of these charges so long as the total sum of the charges added together does not exceed the sum of all such charges disclosed on the Loan Estimate by more than 10%.

Where a consumer chooses a provider that is not on the creditor’s written list of providers, then the creditor is not limited in the amount that may be charged for the service. When this occurs for a service that otherwise would be included in the 10% cumulative tolerance category, the charge is removed from consideration for purposes of determining the 10% tolerance level.

If the creditor permits the consumer to shop for a required settlement service but the consumer either does not select a settlement service provider or chooses a settlement service provider identified by the creditor on the written list of providers, then the amount charged is included in the sum of all such third-party charges paid by the consumer, and also is subject to the 10% cumulative tolerance.
Charges Subject to a 10% Cumulative Tolerance continued

The creditor should compare the sum of the charges actually paid by or imposed on the consumer with the sum of the estimated charges on the Loan Estimate that are actually performed. If a service is not performed, the estimate for that charge should be removed from the total amount of estimated charges.

Whether an individual estimated charge is in good faith depends on whether the sum of all charges subject to that section increases by more than 10 percent, even if a particular charge does not increase by 10 percent. A creditor may charge more than 10% in excess of an individual estimated charge in this category, so long as the sum of all charges is still within the 10% cumulative tolerance.

Creditors also are provided flexibility in disclosing individual fees by the focus on the aggregate amount of all charges. A creditor may charge a consumer for a fee that would fall under the 10% cumulative tolerance but was not included on the Loan Estimate so long as the sum of all charges in this category paid does not exceed the sum of all estimated charges by more than 10%.
Charges Subject to Zero Tolerance

For all other charges, creditors are not permitted to charge consumers more than the amount disclosed on the Loan Estimate under any circumstances other than changed circumstances that permit a revised Loan Estimate. These zero tolerance charges are:

- Fees paid to the creditor, mortgage broker, or an affiliate
- Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop for a third party service provider for a settlement service
- Transfer taxes

A charge is paid to the creditor, mortgage broker, or an affiliate of either if it is retained by that person or entity. A charge is not paid to one of these entities when it receives money but passes it on to an unaffiliated third party.

The term affiliate is given the same meaning it has for purposes of determining Ability-to-Repay and HOEPA coverage: any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956.
Obligations When Amounts Exceed Tolerance Thresholds

If the amounts paid by the consumer at closing exceed the amounts disclosed on the Loan Estimate beyond the applicable tolerance threshold, the creditor must refund the excess to the consumer no later than 60 calendar days after consummation.

For charges subject to zero tolerance, any amount charged beyond the amount disclosed on the Loan Estimate must be refunded to the consumer.

For charges subject to a 10% cumulative tolerance, to the extent the total sum of the charges added together exceeds the sum of all such charges disclosed on the Loan Estimate by more than 10%, the difference must be refunded to the consumer.
Revisions and Corrections to Loan Estimates

Creditors generally are bound by the Loan Estimate provided within three business days of the application, and may not issue revisions to Loan Estimates because they later discover technical errors, miscalculations, or underestimations of charges. Creditors are permitted to provide to the consumer revised Loan Estimates (and use them to compare estimated amounts to amounts actually charged for purposes of determining good faith) only in certain specific circumstances:

Changed circumstances that occur after the Loan Estimate is provided to the consumer cause estimated settlement charges to increase more than is permitted under the TILA-RESPA rule:

- The interest rate was not locked when the Loan Estimate was provided, and locking the rate causes the points or lender credits disclosed on the Loan Estimate to change;

- The consumer indicates an intent to proceed with the transaction more than 10 business days after the Loan Estimate was originally provided; or

- The loan is a new construction loan, and settlement is delayed by more than 60 calendar days, if the original Loan Estimate states clearly and conspicuously that at any time prior to 60 calendar days before consummation, the creditor may issue revised disclosures.
Definition of a Changed Circumstance

A changed circumstance for purposes of a revised Loan Estimate is:

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction;

- Information specific to the consumer or transaction that the creditor relied upon when providing the Loan Estimate and that was inaccurate or changed after the disclosures were provided; or

- New information specific to the consumer or transaction that the creditor did not rely on when providing the Loan Estimate.

A creditor may provide and use a revised Loan Estimate re-disclosing a settlement charge if changed circumstances cause the estimated charge to increase or, in the case of charges subject to the 10% cumulative tolerance, cause the sum of those charges to increase by more than the 10% tolerance.
Definition of a Changed Circumstance  continued

Examples of changed circumstances affecting settlement costs include:

- A natural disaster, such as a hurricane or earthquake, damages the property or otherwise results in additional closing costs;
- The creditor provided an estimate of title insurance on the Loan Estimate, but the title insurer goes out of business during underwriting;
- New information not relied upon when providing the Loan Estimate is discovered, such as a neighbor of the seller filing a claim contesting the boundary of the property to be sold.

NOTE: Creditors are not required to collect all six pieces of information constituting the consumer’s application prior to issuing the Loan Estimate. However, creditors are presumed to have collected this information prior to providing the Loan Estimate and may not later collect it and claim a changed circumstance.  For example, if a creditor provides a Loan Estimate prior to receiving the property address from the consumer, the creditor cannot subsequently claim that the receipt of the property address is a changed circumstance.

It is possible that one of the events described above may cause one or more third-party charges subject to a 10% cumulative tolerance to increase. Creditors are permitted to provide and rely upon a revised Loan Estimate only when the cumulative effect of the changed circumstance results in an increase to the sum of all costs subject to the tolerance by more than 10%.
When a Changed Circumstance Affects Creditworthiness

A creditor also may provide and use a revised Loan Estimate if a changed circumstance affected the consumer’s creditworthiness or the value of the security for the loan, and resulted in the consumer being ineligible for an estimated loan term previously disclosed.

This may occur when a changed circumstance causes a change in the consumer’s eligibility for specific loan terms disclosed on the Loan Estimate, which in turn results in increased cost for a settlement service beyond the applicable tolerance threshold.

For example:

- The creditor relied on the consumer’s representation to the creditor of a $90,000 annual income, but underwriting determines that the consumer’s annual income is only $80,000.

- There are two co-applicants applying for a mortgage loan and the creditor relied on a combined income when providing the Loan Estimate, but one applicant subsequently becomes unemployed.
**Revised Loan Estimate**

A creditor may use a revised estimate of a charge if the consumer requests revisions to the credit terms or settlement that affect items disclosed on the Loan Estimate and cause an estimated charge to increase. Providing a revised Loan Estimate allows creditors to compare the updated figures for charges that have increased due to an event that allows for re-disclosure to the amount actually charged for those services. If amounts decrease or increase only to an extent that does not exceed the applicable tolerance, the original Loan Estimate is still deemed to be in good faith.

The general rule is that the creditor must deliver or place in the mail the revised Loan Estimate to the consumer no later than three business days after receiving the information sufficient to establish that one of the reasons for the revision described above has occurred. The timing of revised Loan Estimates are:

- The creditor may not provide a revised Loan Estimate on or after the date it provides the Closing Disclosure.

- The creditor must ensure that the consumer receives the revised Loan Estimate no later than four business days prior to consummation. If the creditor is mailing the revised Loan Estimate and relying upon the 3 business day mailbox rule, the creditor would need to place in the mail the Loan Estimate no later than seven business days before consummation of the transaction to allow 3 business days for receipt.
General Requirements of the Closing Disclosure

For loans that require a Loan Estimate and that proceed to closing, creditors must provide a new final disclosure reflecting the actual terms of the transaction called the Closing Disclosure. The form integrates and replaces the existing HUD-1 and the final TIL disclosure for these transactions. The creditor is generally required to ensure that the consumer receives the Closing Disclosure no later than three business days before consummation of the loan.

The Closing Disclosure generally must contain the actual terms and costs of the transaction.

Creditors may estimate disclosures using the best information reasonably available when the actual term or cost is not reasonably available to the creditor at the time the disclosure is made. However, creditors must act in good faith and use due diligence in obtaining the information. The creditor normally may rely on the representations of other parties in obtaining the information, including, for example, the settlement agent. The creditor is required to provide corrected disclosures containing the actual terms of the transaction at or before consummation.

- The Closing Disclosure must be in writing and contain the information prescribed in the rule.
- If the actual terms or costs of the transaction change prior to consummation, the creditor must provide a corrected disclosure that contains the actual terms of the transaction.
- New three-day waiting period. If the creditor provides a corrected disclosure, it may also be required to provide the consumer with an additional three-business-day waiting period prior to consummation.
**Definition of Consummation**

**Consummation** may commonly occur at the same time as closing or settlement, but it is a legally distinct event. Consummation occurs when the consumer becomes contractually obligated to the creditor on the loan, not, for example, when the consumer becomes contractually obligated to a seller on a real estate transaction.

The point in time when a consumer becomes contractually obligated to the creditor on the loan depends on applicable State law.

Creditors and settlement agents should verify the applicable State laws to determine when consummation will occur, and make sure delivery of the Closing Disclosure occurs at least three business days before this event.
Guide to the Closing Disclosure
Page 1:
General Information, Loan Terms, Projected Payments, and Costs at Closing

General information, the loan terms table, the projected payments table, and the costs at closing table are disclosed on the first page of the closing disclosure.
**Page 2: Loan Costs and Other Costs**

The Loan Costs and Other Costs tables are disclosed under the heading Closing Cost Details on page 2 of the Closing Disclosure. The number of items in the Loan Costs and Other Costs tables can be expanded and deleted to accommodate the disclosure of additional line items and keep the Loan Costs and Other Costs tables on page 2 of the Closing Disclosure.

Items that are required to be disclosed even if they are not charged to the consumer cannot be deleted. The Loan Costs and Other Costs tables can be disclosed on two separate pages of the Closing Disclosure, but only if the page cannot accommodate all of the costs required to be disclosed on one page.
Page 3: Calculating Cash to Close, Summaries of Transactions, and Alternatives for Transactions Without a Seller

Page 3 contains the Calculating Cash to Close table and Summaries of Transactions table.

For transactions without a seller, a Payoffs and Payments table may be substituted for the Summaries of Transactions table and placed before the alternative Calculating Cash to Close table.
On page 4 of the Closing Disclosure, Loan Disclosures, Adjustable Payment, and Adjustable Interest Rate (AIR) tables are shown with the heading Additional Information About This Loan.
**Page 5: Loan Calculations, Other Disclosures and Contact Information**

**Loan Calculations**

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula or Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of Payments</td>
<td>Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.</td>
</tr>
<tr>
<td>Finance Charge</td>
<td>The dollar amount the loan will cost you.</td>
</tr>
<tr>
<td>Amount Financed</td>
<td>The loan amount available after paying your up-front finance charge.</td>
</tr>
<tr>
<td>Annual Percentage Rate (APR)</td>
<td>Your costs over the loan term expressed as a rate. This is not your interest rate.</td>
</tr>
<tr>
<td>Total Interest Percentage (TIP)</td>
<td>The total amount of interest that you will pay over the loan term as a percentage of your loan amount.</td>
</tr>
</tbody>
</table>

**Other Disclosures**

<table>
<thead>
<tr>
<th>Description</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
<td>If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender for the information listed below.</td>
</tr>
<tr>
<td>Contract Details</td>
<td>See your note and security instrument for information about: - what happens if you fail to make your payments; - what is a default on this loan; - situations in which your lender can require early repayment of the loan; and - the rules for making payments before they are due.</td>
</tr>
<tr>
<td>Liability after Foreclosure</td>
<td>If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan, □ state law may protect you from liability for the unpaid balance. If you reference or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information. □ state law does not protect you from liability for the unpaid balance.</td>
</tr>
<tr>
<td>Questions? You have questions about the loan terms or costs on this form. Use the contact information below to get more information or make a complaint. Contact the Consumer Financial Protection Bureau at <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a></td>
<td></td>
</tr>
<tr>
<td><strong>Questions</strong>? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at <a href="http://www.consumerfinance.gov/mortgage-closing">www.consumerfinance.gov/mortgage-closing</a>.</td>
<td></td>
</tr>
</tbody>
</table>

**Contact Information**

<table>
<thead>
<tr>
<th>Name</th>
<th>Lender</th>
<th>Mortgage Broker</th>
<th>Real Estate Broker (B)</th>
<th>Real Estate Broker (S)</th>
<th>Settlement Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Confirm Receipt**

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

<table>
<thead>
<tr>
<th>Applicant Signature</th>
<th>Date</th>
<th>Co-Applicant Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

(CLOSING DISCLOSURE) PAGE 5 OF 5 — LOAN ID: X

**Disclosure Loan Calculations, Other Disclosures, Questions Notice, Contact Information, and, if desired by the creditor, Confirm Receipt tables on Page 5.**
Timing and Delivery Requirements of the Closing Disclosure

The creditor also is responsible for ensuring that the Closing Disclosure meets the content, delivery, and timing requirements. To ensure the consumer receives the Closing Disclosure on time, creditors must arrange for delivery as follows:

- By providing it to the consumer in person.

- By mailing, or by other delivery methods, including email. Creditors may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act.

- Creditors must ensure that the consumer receives the Closing Disclosure at least three business days prior to consummation.

If the Closing Disclosure is provided in person, it is considered received by the consumer on the day it is provided. If it is mailed or delivered electronically, the consumer is considered to have received the Closing Disclosure three business days after it is delivered or placed in the mail. However, if the creditor has evidence that the consumer received the Closing Disclosure earlier than three business days after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date.
Timing and Delivery Requirements continued

Creditors must ensure that consumers receive the Closing Disclosure no later than three business days before consummation. Consummation is the time that a consumer becomes contractually obligated on the credit transaction, and may not necessarily coincide with the settlement or closing of the entire real estate transaction. For timeshare transactions, the creditor must ensure that the consumer receives the Closing Disclosure no later than consummation.

*Remember that business day is given a different meaning for purposes of providing the Closing Disclosure than it is for purposes of providing the Loan Estimate after receiving a consumer’s application.*

For purposes of providing the Closing Disclosure, the term business day means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year’s Day, the Birthday of Martin Luther King, Jr., Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.
Settlement Agent May Provide Closing Disclosure

Creditors may contract with settlement agents to have the settlement agent provide the Closing Disclosure to consumers on the creditor’s behalf. Creditors and settlement agents also may agree to divide responsibility with regard to completing the Closing Disclosure, with the settlement agent assuming responsibility to complete some or all the Closing Disclosure.

Any such creditor must maintain communication with the settlement agent to ensure that the Closing Disclosure and its delivery satisfy the requirements described above, and the creditor is legally responsible for any errors or defects.

The settlement agent is required to provide the seller with the Closing Disclosure reflecting the actual terms of the seller’s transaction.

The settlement agent may comply with this requirement by providing the seller with a copy of the Closing Disclosure provided to the consumer (buyer) if it also contains information relating to the seller’s transaction.

The settlement agent may also provide the seller with a separate disclosure, including only the information applicable to the seller’s transaction from the Closing Disclosure. However, if the seller’s disclosure is provided in a separate document, the settlement agent has to provide the creditor with a copy of the disclosure provided to the seller.
Questions?

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Thank you!

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