

NATIONAL ASSOCIATION OF REALTORS®

CFPB REVIEW Regulations & Enforcement Actions

November 9, 2014

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INTEGRATED RESPA-TILA FORMS

I. INTRODUCTION

A. Background

1. RESPA

- Anti-kickback – Eliminate abusive practices that drive up cost of product to consumers
- Consumer disclosure – Give buyers and sellers full disclosure of costs of transaction

2. TILA

- Informed use of credit – Disclosure of credit terms
- Cost of credit calculations – Annual percentage rate and finance charge
- Projected payment schedule – Allow consumers to compare pricing among competitors

I. INTRODUCTION

A. Background (cont'd)

3. Similar timing of disclosure

- Both require disclosure three days after application
- Both require final disclosure shortly before consummation

4. But that's where similarities end

- Forms contain overlapping information
- Inconsistent language
- Burdensome for lenders to provide
- Difficult for consumers to understand

I. INTRODUCTION

B. Ancient History

1. Competing responsibilities

- HUD in charge of RESPA
- FRB in charge of TILA

2. 1996 Congress required integrated disclosures

- 1998 HUD/FRB met, filed joint report to Congress
- But could not agree on integration plan
- Neither agency willing to cede authority

3. One upmanship

- 2009 FRB issues closed-end proposal with significant TILA disclosures
- 2010 HUD implements brand new GFE and HUD-1

4. Public pleads for coordinated forms

I. INTRODUCTION

C. Modern History

- 1. Congress said, “We’ll take it from here.”**
 - Section 1032(f) of Dodd-Frank Act requires CFPB to propose a regulation that combines RESPA-TILA disclosures within one year of transfer
- 2. Know Before You Owe**
 - CFPB undertakes 18-month effort to get it right
- 3. Consumer testing and focus groups**
 - Interactive comment process
 - Numerous sample forms analyzed
 - Public outreach
- 4. CFPB convenes Small Business Panel**
- 5. July 9, 2012 Proposed Rule**
 - 1,099 pages long
 - Multiple LE and CD prototypes

II. FINAL REGULATION ISSUED 11-20-13

A. Goals of New Rule

- 1. Easier-to-use mortgage disclosure forms**
- 2. Improve consumer understanding**
- 3. Aid comparison shopping**
- 4. Prevent surprises at closing table**

II. FINAL REGULATION ISSUED 11-20-13

B. Two New Forms

1. The Loan Estimate

- Provided to consumers within three business days after submission of loan application
- Replaces early TIL statement and GFE
- Provides summary of key loan terms and estimates of loan and closing costs
- Idea to promote comparison shopping

2. The Closing Disclosure

- Received by consumers three business days before consummation
- Replaces final TIL statement and HUD-1 Settlement Statement
- Provides detailed accounting of transactions

C. Effective Date – August 1, 2015

III. FINAL REGULATIONS OVERVIEW

B. Coverage

- 1. Applies to most closed-end consumer mortgage loans**
- 2. Does not apply to:**
 - Home equity lines of credit**
 - Reverse mortgages**
 - Mortgages secured by mobile homes or by dwellings not attached to property**
 - Creditor that makes five or fewer mortgage loans in one year**

IV. TOP TAKEAWAYS IN FINAL RULE

Definition of “Business Day”

- **Not one, but two definitions**
- **When providing Loan Estimate to consumer within three business days of application**
 - **Defined as day on which the creditor’s offices are open to the public to carry on substantially all functions**
- **Waiting period for Loan Estimate and consumer receipt of Closing Disclosure**
 - **Defined as all calendar days except Sunday and certain federal holidays**

IV. TOP TAKEAWAYS IN FINAL RULE

Variations...the New Tolerances

- Concept of “tolerances” nowhere to be found in RESPA (though TILA adopts tolerances to facilitate compliance)
- Current Reg X creates three “Tolerance Buckets”
 - 1024.7(e)(1) Zero Tolerance
 - 1024.7(e)(2) 10% Tolerance
 - 1024.7(e)(3) No Tolerance
- Final Rule avoids the “T” word
 - “Good Faith Estimate” is essentially defined as the disclosure of the actual amount charged to a consumer at closing

IV. TOP TAKEAWAYS IN FINAL RULE

Variations...the New Tolerances *(cont'd)*

Tolerances now called “Variations”

- **No variations (Zero Bucket) expanded to include:**
 - Affiliate charges
 - Fees paid to unaffiliated SSP that consumer cannot shop for
- **Limited increases (10% Bucket)**
 - Charge paid to unaffiliated SSP selected from creditor's SSPL
- **Variations permitted (No Tolerance Bucket)**
 - SSP shopped for by consumer
 - Prepaid interest
 - Property insurance premiums
 - Escrow amounts, impound reserves

IV. TOP TAKEAWAYS IN FINAL RULE

Variations...the New Tolerances *(cont'd)*

- **No Tolerance does not mean No Tolerance**
 - **Creditor still on the hook under No Tolerance Bucket**
 - **“Best information reasonably available to the Creditor”**
 - **Don’t get off scot-free if you intentionally lowball prepaid interest, escrow amounts, etc.**
- **Changed circumstances still exist to permit revisions to Loan Estimate fees**

IV. TOP TAKEAWAYS IN FINAL RULE

Timing of Disclosures

Loan Estimate:

- “Application” trigger
- Three business days after Application
- Seven business days prior to consummation
- Waiver of waiting period permitted in *bona fide* financial emergencies
 - Written statement by consumer
 - No printed forms
- Re-disclose within three business days of change

IV. TOP TAKEAWAYS IN FINAL RULE

Timing of Disclosures (*cont'd*)

Closing Disclosure:

- Consumer must receive three business days before consummation
 - Unless
 - *Bona fide* personal financial emergency
 - Written statement by consumer
 - Printed forms prohibited
- Seller must receive no later than day of consummation

IV. TOP TAKEAWAYS IN FINAL RULE

Timing of Disclosures (*cont'd*)

Closing Disclosure:

- If Closing Disclosure becomes inaccurate before closing, provide corrected disclosure at or before consummation
 - Still must be able to inspect one business day prior to consummation
- Limited changes require a new three-business-day waiting period:
 - Changes above APR tolerance
 - Change to loan product
 - Addition of prepayment penalty
- This is a change from proposed rule
 - Changes in dollar amounts \$100 or greater would have required a new waiting period.

IV. TOP TAKEAWAYS IN FINAL RULE

Timing of Disclosures (*cont'd*)

Closing Disclosure:

- Changes post-closing require revised Closing Disclosure:
 - Event related to settlement 30 days after closing and to an amount paid by consumer and/or seller = re-disclose 30 days after learning event occurred
 - Non-numeric clerical errors = re-disclose 60 days after consummation
 - Variation (tolerance) violation occurs = refund and re-disclose 60 days after consummation

IV. TOP TAKEAWAYS IN FINAL RULE

Who Provides Closing Disclosure?

- **Either Creditor or Settlement Agent may provide Closing Disclosure to borrower**
 - Creditor still on the hook
 - Settlement Agent must meet all Section 1026.19(f) requirements
- **Settlement Agent still must prepare and provide Closing Disclosure to seller**
 - Must provide copy of seller Closing Disclosure to creditor

IV. TOP TAKEAWAYS IN FINAL RULE

Itemization of Fees and Charges

- **Change in philosophy**
- **HUD's 2010 GFE and HUD-1 big on bundled services and charges on theory that consumers care about final figures**
- **CFPB unbundles the services and separately itemizes each charge – so consumer knows exactly what they are paying**
- **Fees and charges listed alphabetically**
 - **All title insurance charges (including closing fee) must be designated by “Title – [description of fee]”**

IV. TOP TAKEAWAYS IN FINAL RULE

Penalties and Liability

- **Penalties for GFE/HUD-1 Violations under RESPA = None**
- **Penalties for Disclosure Violations under TILA =**
 - **\$4,000 per violation**
 - **Actual damages and attorneys' fees**
- **Do TILA penalties apply to any violation related to combined mortgage disclosures?**
- **UDAP concerns = creditor must use information reasonably available to make fee disclosures**

QUESTIONS?

www.klgates.com

DISCLOSURE FORMS

LOAN ESTIMATE FORM

V. LOAN ESTIMATE FORM

A. First page

- **Loan terms – loan amount, interest rate, monthly P&I, prepayment penalty, balloon payment**
- **Projected payments**
- **Escrow information**
- **Total estimated costs**
 - **Closing Costs**
 - **Cash to Close**

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

**Fixed-Rate
Purchase**

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments

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

Costs at Closing

Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

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

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
SALE PRICE \$240,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 5 Year Interest Only, 5/3 Adjustable Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$211,000	NO
Interest Rate	4%	YES <ul style="list-style-type: none"> • Adjusts every 3 years starting in year 6 • Can go as high as 12% in year 15 • See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$703.33	YES <ul style="list-style-type: none"> • Adjusts every 3 years starting in year 6 • Can go as high as \$2,068 in year 15 • Includes only interest and no principal until year 6 • See AP Table on page 2 for details
Does the loan have these features?		
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments

Payment Calculation	Years 1-5	Years 6-8	Years 9-11	Years 12-30
Principal & Interest	\$703.33 <i>only interest</i>	\$1,028 min \$1,359 max	\$1,028 min \$1,604 max	\$1,028 min \$2,068 max
Mortgage Insurance	+ 109	+ 109	+ 109	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 0	+ 0	+ 0	+ 0
Estimated Total Monthly Payment	\$812	\$1,137–\$1,468	\$1,137–\$1,713	\$1,028–\$2,068
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$533 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? NO NO

Costs at Closing

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

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

**5/3 ARM
Interest-
only
Purchase**

V. LOAN ESTIMATE FORM

B. Second page

- **Estimated settlement fees**
- **Cash to close, including credits, escrow, and down payment**
- **Adjustable payment and interest rate tables**

Closing Cost Details

Loan Costs

A. Origination Charges	\$1,802
.25 % of Loan Amount (Points)	\$405
Application Fee	\$300
Underwriting Fee	\$1,097

B. Services You Cannot Shop For	\$672
Appraisal Fee	\$405
Credit Report Fee	\$30
Flood Determination Fee	\$20
Flood Monitoring Fee	\$32
Tax Monitoring Fee	\$75
Tax Status Research Fee	\$110

C. Services You Can Shop For	\$3,198
Pest Inspection Fee	\$135
Survey Fee	\$65
Title – Insurance Binder	\$700
Title – Lender's Title Policy	\$535
Title – Settlement Agent Fee	\$502
Title – Title Search	\$1,261

D. TOTAL LOAN COSTS (A + B + C)	\$5,672
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Other Costs

E. Taxes and Other Government Fees	\$85
Recording Fees and Other Taxes	\$85
Transfer Taxes	

F. Prepays	\$867
Homeowner's Insurance Premium (6 months)	\$605
Mortgage Insurance Premium (months)	
Prepaid Interest (\$17.44 per day for 15 days @ 3.875%)	\$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing	\$413
Homeowner's Insurance \$100.83 per month for 2 mo.	\$202
Mortgage Insurance per month for mo.	
Property Taxes \$105.30 per month for 2 mo.	\$211

H. Other	\$1,017
Title – Owner's Title Policy (optional)	\$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	\$2,382
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J. TOTAL CLOSING COSTS	\$8,054
D + I	\$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	\$8,054
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$18,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$16,054

Fixed-Rate
Purchase

Closing Cost Details

Loan Costs

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

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

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

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

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

Monthly Principal and Interest Payments

First Change/Amount	\$1,028 – \$1,359 at 61st payment
Subsequent Changes	Every three years
Maximum Payment	\$2,068 starting at 169th payment

LOAN ESTIMATE

Other Costs

E. Taxes and Other Government Fees	\$152
Recording Fees and Other Taxes	\$152
Transfer Taxes	

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

G. Initial Escrow Payment at Closing

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

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

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

J. TOTAL CLOSING COSTS	\$8,791
D + I	\$8,791
Lender Credits	

Calculating Cash to Close

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

Adjustable Interest Rate (AIR) Table

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

Change Frequency

First Change	Beginning of 61st month
Subsequent Changes	Every 36th month after first change

Limits on Interest Rate Changes

First Change	2%
Subsequent Changes	2%

5/3 ARM
Interest-only
Purchase

V. LOAN ESTIMATE FORM

C. Third page

- **Comparisons, including APR and total amount of interest**
- **Other disclosures – appraisal, assumption, servicing transfer**
- **Borrower acknowledgement and signature (not required)**

Additional Information About This Loan

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

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

Fixed-Rate
Purchase

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$56,582	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$15,773	Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" 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 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

Additional Information About This Loan

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

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

5/3 ARM
Interest-
only
Purchase

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

Other Considerations

Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" 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 15 days late, we will charge a late fee of 5% of the monthly principal and interest payment.
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

CLOSING DISCLOSURE FORM

VI. CLOSING DISCLOSURE FORM

A. First page

- **Same as first page of Loan Estimate**
 - **Loan terms – loan amount, interest rate, monthly P&I, prepayment penalty, balloon payment**
 - **Projected payments**
 - **Escrow information**
 - **Total estimated costs**
 - **Closing Costs**
 - **Cash to Close**

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
 Anytown, ST 12345
Sale Price \$180,000

Transaction Information

Borrower Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
Seller Steve Cole and Amy Doe
 321 Somewhere Drive
 Anytown, ST 12345
Lender Ficus Bank

Loan Information

Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐
Loan ID # 123456789
MIC # 000654321

Fixed-Rate
Purchase

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features? YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>	\$356.13 a month This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	In escrow? YES YES NO

Costs at Closing

Closing Costs	\$9,712.10	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs – \$0 in Lender Credits. See page 2 for details.
Cash to Close	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 4/15/2013
 Closing Date 4/15/2013
 Disbursement Date 4/15/2013
 Settlement Agent Zeta Title
 File # 12-3456
 Property 123 Anywhere Street
 Anytown, ST 12345
 Appraised Prop. Value \$180,000

Transaction Information

Borrower Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
 Lender Ficus Bank

Loan Information

Loan Term 30 years
 Purpose Refinance
 Product Fixed Rate
 Loan Type ☒ Conventional ☐ FHA
☐ VA ☐
 Loan ID # 123456789
 MIC # 009874513

Fixed-Rate
Refinance

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$150,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$737.91	NO
Does the loan have these features?		
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-4	Years 5-30
Principal & Interest	\$737.91	\$737.91
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,026.39	\$944.04
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See details on page 4</i>	\$356.13 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: HOA Dues <i>See page 4 for escrowed property costs. You must pay for other property costs separately.</i> In escrow? YES YES NO

Costs at Closing	
Closing Costs	\$5,757.57 Includes \$3,495.50 in Loan Costs + \$2,762.07 in Other Costs – \$500 in Lender Credits. See page 2 for details.
Cash to Close	\$29,677.43 Includes Closing Costs. See Calculating Cash to Close on page 3 for details. <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower

VI. CLOSING DISCLOSURE FORM

B. Second page

- **Closing cost details**
 - **All Loan Costs and Other Costs paid by borrower, seller, and other parties**
- **Similar to current page 2 of HUD-1**

Closing Cost Details

Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges		\$1,802.00				
01	0.25 % of Loan Amount (Points)	\$405.00				
02	Application Fee	\$300.00				
03	Underwriting Fee	\$1,097.00				
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		\$236.55				
01	Appraisal Fee to John Smith Appraisers Inc.		\$29.80			\$405.00
02	Credit Report Fee to Information Inc.					
03	Flood Determination Fee to Info Co.	\$20.00				
04	Flood Monitoring Fee to Info Co.	\$31.75				
05	Tax Monitoring Fee to Info Co.	\$75.00				
06	Tax Status Research Fee to Info Co.	\$80.00				
07						
08						
09						
10						
C. Services Borrower Did Shop For		\$2,655.50				
01	Pest Inspection Fee to Pests Co.	\$120.50				
02	Survey Fee to Surveys Co.	\$85.00				
03	Title - Insurance Binder to Epsilon Title Co.	\$650.00				
04	Title - Lender's Title Insurance to Epsilon Title Co.	\$500.00				
05	Title - Settlement Agent Fee to Epsilon Title Co.	\$500.00				
06	Title - Title Search to Epsilon Title Co.	\$800.00				
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)		\$4,694.05				
Loan Costs Subtotals (A + B + C)		\$4,664.25	\$29.80			
Other Costs		\$85.00				
E. Taxes and Other Government Fees		\$85.00				
01	Recording Fees Deed: \$40.00 Mortgage: \$45.00	\$85.00				
02	Transfer Tax to Any State			\$950.00		
F. Prepaids		\$2,120.80				
01	Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,209.96				
02	Mortgage Insurance Premium (mo.)					
03	Prepaid Interest (\$17.44 per day from 4/15/13 to 5/1/13)	\$279.04				
04	Property Taxes (6 mo.) to Any County USA	\$631.80				
05						
G. Initial Escrow Payment at Closing		\$412.25				
01	Homeowner's Insurance \$100.83 per month for 2 mo.	\$201.66				
02	Mortgage Insurance per month for mo.					
03	Property Taxes \$105.30 per month for 2 mo.	\$210.60				
04						
05						
06						
07						
08	Aggregate Adjustment	-0.01				
H. Other		\$2,400.00				
01	HOA Capital Contribution to HOA Acre Inc.	\$500.00				
02	HOA Processing Fee to HOA Acre Inc.	\$150.00				
03	Home Inspection Fee to Engineers Inc.	\$750.00				
04	Home Warranty Fee to XYZ Warranty Inc.			\$450.00	\$750.00	
05	Real Estate Commission to Alpha Real Estate Broker			\$5,700.00		
06	Real Estate Commission to Omega Real Estate Broker			\$5,700.00		
07	Title - Owner's Title Insurance (optional) to Epsilon Title Co.	\$1,000.00				
08						
I. TOTAL OTHER COSTS (Borrower-Paid)		\$5,018.05				
Other Costs Subtotals (E + F + G + H)		\$5,018.05				
J. TOTAL CLOSING COSTS (Borrower-Paid)		\$9,712.10				
Closing Costs Subtotals (D + I)		\$9,682.30	\$29.80	\$12,800.00	\$750.00	\$405.00
Lender Credits						

Fixed-Rate
Purchase

Closing Cost Details

Loan Costs	Borrower-Paid		Paid by Others
	At Closing	Before Closing	
A. Origination Charges	\$1,950.00		
01 .5 % of Loan Amount (Points)	\$750.00		
02 Application Fee	\$250.00		
03 Origination Fee	\$450.00		
04 Underwriting Fee	\$500.00		
05			
06			
07			
08			
B. Services Borrower Did Not Shop For	\$610.00		
01 Appraisal Fee to John Smith Appraisers Inc.		\$405.00	
02 Credit Report Fee to Information Inc.		\$30.00	
03 Flood Determination Fee to Info Co.	\$20.00		
04 Flood Monitoring Fee to Info Co.	\$45.00		
05 Tax Monitoring Fee to Info Co.	\$65.00		
06 Tax Status Research Fee to Info Co.	\$45.00		
07			
08			
09			
10			
C. Services Borrower Did Shop For	\$935.50		
01 Pest Inspection Fee to Pests Co.	\$85.00		
02 Title - Insurance Binder to Epsilon Title Co.	\$50.00		
03 Title - Lender's Title Policy to Epsilon Title Co.	\$250.50		
04 Title - Settlement Agent Fee to Epsilon Title Co.	\$350.00		
05 Title - Title Search to Epsilon Title Co.	\$200.00		
06			
07			
08			
D. TOTAL LOAN COSTS (Borrower-Paid)	\$3,495.50		
Loan Costs Subtotals (A + B + C)	\$3,060.50	\$435.00	
Other Costs			
E. Taxes and Other Government Fees	\$60.00		
01 Recording Fees Deed: Mortgage: \$60.00	\$60.00		
02			
F. Prepays	\$2,125.12		
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	\$1,209.96		
02 Mortgage Insurance Premium (mo.)			
03 Prepaid Interest (\$17.71 per day from 4/15/2013 to 5/1/2013)	\$283.36		
04 Property Taxes (6 mo.) to Any County USA	\$631.80		
05			
G. Initial Escrow Payment at Closing	\$576.95		
01 Homeowner's Insurance \$100.83 per month for 2 mo.	\$201.66		
02 Mortgage Insurance \$82.35 per month for 2 mo.	\$164.70		
03 Property Taxes \$105.30 per month for 2 mo.	\$210.60		
04			
05			
06			
07			
08 Aggregate Adjustment	-\$0.01		
H. Other			
01			
02			
03			
04			
05			
06			
07			
08			
I. TOTAL OTHER COSTS (Borrower-Paid)	\$2,762.07		
Other Costs Subtotals (E + F + G + H)	\$2,762.07		
J. TOTAL CLOSING COSTS (Borrower-Paid)	\$5,757.57		
Closing Costs Subtotals (D + I)	\$5,822.57	\$435.00	
Lender Credits	-\$500.00		

Fixed-Rate
Refinance

VI. CLOSING DISCLOSURE FORM

C. Third page

- **Calculating Cash to Close table**
 - **Similar to table on page 2 of Loan Estimate**
 - **Requires comparison to information on Loan Estimate**
- **Summaries of Borrower and Seller transactions**
 - **Similar to current page 1 of HUD-1**

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	\$8,054.00	\$9,712.10	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	– \$29.80	YES • You paid these Closing Costs before closing
Closing Costs Financed (Paid from your Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$18,000.00	\$18,000.00	NO
Deposit	– \$10,000.00	– \$10,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	\$0	– \$2,500.00	YES • See Seller Credits in Section L
Adjustments and Other Credits	\$0	– \$1,035.04	YES • See details in Sections K and L
Cash to Close	\$16,054.00	\$14,147.26	

Fixed-Rate
Purchase**Summaries of Transactions**

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing	\$189,762.30
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$9,682.30
04	
Adjustments	
05	
06	
07	
Adjustments for Items Paid by Seller in Advance	
08 City/Town Taxes to	
09 County Taxes to	
10 Assessments to	
11 HOA Dues 4/15/13 to 4/30/13	\$80.00
12	
13	
14	
15	
L. Paid Already by or on Behalf of Borrower at Closing	\$175,615.04
01 Deposit	\$10,000.00
02 Loan Amount	\$162,000.00
03 Existing Loan(s) Assumed or Taken Subject to	
04	
05 Seller Credit	\$2,500.00
Other Credits	
06 Rebate from Epsilon Title Co.	\$750.00
07	
Adjustments	
08	
09	
10	
11	
Adjustments for Items Unpaid by Seller	
12 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
13 County Taxes to	
14 Assessments to	
15	
16	
17	
CALCULATION	
Total Due from Borrower at Closing (K)	\$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)	– \$175,615.04
Cash to Close <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$14,147.26

SELLER'S TRANSACTION

M. Due to Seller at Closing	\$180,080.00
01 Sale Price of Property	\$180,000.00
02 Sale Price of Any Personal Property Included in Sale	
03	
04	
05	
06	
07	
08	
Adjustments for Items Paid by Seller in Advance	
09 City/Town Taxes to	
10 County Taxes to	
11 Assessments to	
12 HOA Dues 4/15/13 to 4/30/13	\$80.00
13	
14	
15	
16	
N. Due from Seller at Closing	\$115,665.04
01 Excess Deposit	
02 Closing Costs Paid at Closing (J)	\$12,800.00
03 Existing Loan(s) Assumed or Taken Subject to	
04 Payoff of First Mortgage Loan	\$100,000.00
05 Payoff of Second Mortgage Loan	
06	
07	
08 Seller Credit	\$2,500.00
09	
10	
11	
12	
13	
Adjustments for Items Unpaid by Seller	
14 City/Town Taxes 1/1/13 to 4/14/13	\$365.04
15 County Taxes to	
16 Assessments to	
17	
18	
19	
CALCULATION	
Total Due to Seller at Closing (M)	\$180,080.00
Total Due from Seller at Closing (N)	– \$115,665.04
Cash <input type="checkbox"/> From <input checked="" type="checkbox"/> To Seller	\$64,414.96

Payoffs and Payments

Use this table to see a summary of your payoffs and payments to others from your loan amount.

TO	AMOUNT
01 Rho Servicing to pay off existing loan	\$115,000.00
02	
03	
04	
05	
06	
07	
08	
09	
10	
11	
12	
13	
14	
15	
K. TOTAL PAYOFFS AND PAYMENTS	\$115,000.00

Fixed-Rate Refinance

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Loan Amount	\$150,000.00	\$150,000.00	NO
Total Closing Costs (J)	– \$5,099.00	– \$5,757.57	YES • See Total Loan Costs (D) and Total Other Costs (I)
Closing Costs Paid Before Closing	\$0	\$435.00	YES • You paid these Closing Costs before closing
Total Payoffs and Payments (K)	– \$120,000.00	– \$115,000.00	YES • See Payoffs and Payments (K)
Cash to Close	\$24,901.00	\$29,677.43	
	<input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	<input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	Closing Costs Financed (Paid from your Loan Amount) \$5,322.57

VI. CLOSING DISCLOSURE FORM

D. Fourth page

- **Loan disclosures**
 - Assumption
 - Demand feature
 - Late payment
 - Negative amortization
 - Partial payments
 - Security interest
 - Escrow account
- **Adjustable Payment and Interest Rate Tables**
 - But, only if applicable to the transaction

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

☐ will allow, under certain conditions, this person to assume this loan on the original terms.

☒ will not allow assumption of this loan on the original terms.

Demand Feature

Your loan

☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.

☒ does not have a demand feature.

Late Payment

If your payment is more than 15 days late, your lender will charge a late fee of 5% of the monthly principal and interest payment.

Negative Amortization (Increase in Loan Amount)

Under your loan terms, you

☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☒ do not have a negative amortization feature.

Partial Payments

Your lender

☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.

☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.

☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest

You are granting a security interest in
456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account

For now, your loan

☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: Homeowner's Insurance Property Taxes
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: Homeowner's Association Dues You may have other property costs.
Initial Escrow Payment	\$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Fixed-Rate
Purchase

Additional Information About This Loan

Loan Disclosures

Assumption

If you sell or transfer this property to another person, your lender

☐ will allow, under certain conditions, this person to assume this loan on the original terms.

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Your lender

☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.

☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.

☐ does not accept any partial payments.

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Escrow		
Escrowed Property Costs over Year 1	\$2,473.56	Estimated total amount over year 1 for your escrowed property costs: Property Taxes, Homeowner's Insurance
Non-Escrowed Property Costs over Year 1	\$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: HOA Dues You may have other property costs.
Initial Escrow Payment	\$576.95	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$206.13	The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Fixed-Rate
Refinance

VI. CLOSING DISCLOSURE FORM

E. Fifth page

- **Loan calculations**
 - **Total of payments**
 - **Finance charge**
 - **Amount financed**
 - **APR**
 - **Total interest percentage**
- **Other disclosures**
 - **Appraisal (if applicable)**
 - **Contract details**
 - **Liability after foreclosure**
 - **Refinance**
 - **Tax deductions**
- **Contact Information**
- **Signature lines (but not required)**

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$285,803.36
Finance Charge. The dollar amount the loan will cost you.	\$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	\$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%



Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

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

Applicant Signature

Date

CLOSING DISCLOSURE

Other Disclosures

Appraisal

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

- ☒ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- ☐ state law does not protect you from liability for the unpaid balance.

Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Fixed-Rate Purchase

Co-Applicant Signature

Date

PAGE 5 OF 5 - LOAN ID # 123456789

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$273,214.50
Finance Charge. The dollar amount the loan will cost you.	\$121,029.00
Amount Financed. The loan amount available after paying your upfront finance charge.	\$148,241.94
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.543%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	77.29%



Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at www.consumerfinance.gov/mortgage-closing

Other Disclosures**Appraisal**

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

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- what happens if you fail to make your payments,
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If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Mortgage Broker	Settlement Agent
Name	Ficus Bank		Zeta Title
Address	4321 Random Blvd. Somecity, ST 12340		321 Uptown Dr. Anytown, ST 12345
NMLS ID			
ST License ID			P76821
Contact	Joe Smith		Joan Taylor
Contact NMLS ID	12345		
Contact License ID			
Email	joesmith@ficusbank.com		joan@zt.biz
Phone	123-456-7890		555-321-9876

Confirm Receipt

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

Applicant Signature

Date

Co-Applicant Signature

Date

Fixed-Rate Refinance

CFPB ENFORCEMENT ACTIONS

CONSUMER FINANCIAL PROTECTION BUREAU

Transfer of Existing Consumer Laws

- EFTA
- ECOA
- FCRA
- GLB
- FDCPA
- HOEPA
- HMDA
- TIL
- **RESPA**
- SAFE Act
- FDIC
- INTERSTATE LAND SALES

CONSUMER FINANCIAL PROTECTION BUREAU

Enormous Powers

1. **Authority for Numerous Statutes**
2. **Power to Write Rules**
 - a. **Carry out purposes and objectives of federal consumer financial laws and prevent evasions thereof**
 - b. **Mandate form/content of disclosures**
 - c. **Identify unfair and deceptive practices**
 - d. **Restrict pre-dispute arbitration**
 - e. **Impose registration requirements**
3. **Enforcement authority**

CFPB PACKS A WALLOP

Penalties

1. Nuclear arsenal of weaponry
 - a. Including:
 - Rescission
 - Refunds
 - Restitution
 - Damages
 - Unjust enrichment
 - Public notification
2. Enforcement authority beyond original statutes
 - a. Can launch investigations (C&D power)
 - b. Can bring litigation
 - c. Can conduct studies, collect information and make reports

CFPB PACKS A WALLOP (cont'd)

Penalties (cont'd)

3. Civil \$ penalties

- **Up to \$5,000 per day**
- **\$25,000 per day for reckless violation**
- **Up to \$1.0 million for knowing violation**

CIVIL INVESTIGATIVE DEMAND / NORA

- 1. CFPB's initiation of an investigation**
- 2. Production of documents and/or testimony**
- 3. Strict timelines**
- 4. Standards for electronic production of documents**
- 5. May result in Notice and Opportunity to Respond and Advise (NORA) process if CFPB is considering enforcement action**

RESPA ENFORCEMENT ACTIONS

1. **45 total enforcement actions thus far by CFPB**
 - a. **12 of 45 involve RESPA**
 - In 2014, 6 are RESPA related
 - b. **Many RESPA actions carried over from HUD investigations**
 - c. **Topics include:**
 - **Affiliated business arrangements (2)**
 - **Captive mortgage reinsurance (5)**
 - **Rental of office space (1)**
 - **Splitting of fees (1)**
 - **Referral fees to salespersons (1)**
 - **GFE (1)**
 - **Marketing Services Agreement (1)**
2. **Lawsuit filed - affiliated business arrangements**

RESPA ENFORCEMENT ACTIONS

2. CFPB sought to recover:

- a. Disgorgement of profits**
- b. Civil money penalties**
- c. Compliance monitoring and reporting**
- d. Production of records**

3. Payments to CFPB range from \$30,000 to \$20.0M

PMI & CAPTIVE REINSURANCE

Civil Action and Settlement

1. Allegation: PMI companies payments to Lender owned reinsurance companies were in excess of risk assumed by reinsurance companies
2. Three waves
 - a. Genworth, United Guaranty, Radian, MGIC
 - Collectively pay \$15M
 - Cease arrangements
 - Enjoined from entering into new arrangements
 - Submit to compliance monitoring and reporting
 - b. Republic Mortgage Insurance Corp.
 - Similar Consent Order
 - \$100,000 civil penalty
 - c. CFPB v. PHH
 - Civil lawsuit
3. All HUD referrals

Paul Taylor Corp. Affiliated Business Arrangement

1. Allegation: Paul Taylor owns interest in two joint venture mortgage companies. CFPB alleges they are shams.
 - work performed by bank and mortgage company venturers
 - no employees, no origination, processing, underwriting
2. CFPB relying on HUD 1996-2 Policy Statement
3. Taylor pays \$118,149, full amount of distributions over 3 years
 - Agrees to cease and desist for 5 years from owning another settlement service provider (other than sale of homes)
4. FDIC referral

Borders & Borders PLC

Affiliated Business Arrangement

1. Allegation: Law firm's nine joint venture title agencies a sham
 - did not have own offices
 - email address, phone numbers
 - single independent contractor did the title work
 - no outside customers
 - no attempt to get outside business
 - much of work done by B&B
2. No settlement – CFPB files Civil Suit
 - Disgorgement of all revenues
 - Injunctions against B&B and its members
3. HUD referral
 - B&B shut down jvs before CFPB started investigation

Fidelity Mortgage Corporation Room/Desk Rentals

1. Allegation: Fidelity did not use space it leased from Bank and amount paid for rent was disguised referral payment
 - Rent based upon revenues received by Fidelity from Bank
 - \$27,000 amount Fidelity paid to Bank in “rent”
2. Fidelity agreed to cease and desist activities
 - Paid \$57,000 civil money penalty
3. Bank not charged

1st Alliance Lending, LLC

Section 8(b) Investigation

1. Allegation: 1st Alliance provided loss-mitigation financing to distressed borrowers. Hedge Fund funded these loans
 - 1st Alliance paid Hedge Fund a split of monies earned on loans
 - 1st Alliance continued to split fees with Hedge Fund even after it made other financing arrangements in 83 deals
2. 1st Alliance discovers improprieties
 - Self-reports to CFPB
 - Fully cooperates in investigation
 - Admits liability
3. Consent Order
 - Paid civil money penalty of \$83,000
 - Agrees to comply with RESPA

Realty South Required Use/AfBA Disclosure

1. Allegation: Realty South's Purchase Contract required use of Title South and Title South Closing Center
 - AfBA disclosure language promoted and marketed affiliates
 - Defective AfBA Disclosure Statement (font, capital lettering, format)
2. Realty South self-corrected Purchase Contract
 - Now provide consumers a choice: select one of 2 boxes
 - Title South or Other
3. Consent Order
 - Realty South AfBA statement to mirror Appendix D of Reg X
 - Revise training manuals to inform agents of no required use
 - Civil money penalty of \$500,000
 - Produce all HUD-1s from errant Purchase Contracts

Stonebridge Title Services

Referral Fees/Fee Splits/Employee Payments

1. Allegation: Stonebridge paid referral fees to independent salespeople in return for soliciting and referring title insurance business to Stonebridge
 - Received commissions for each title order based on value of title insurance
 - Salespeople paid on W-2 basis
 - No supervision or control over salespeople; acted as independent contractors
2. Consent Order
 - Civil money penalty of \$30,000
 - Amount based on ability to pay

Amerisave Mortgage Corporation GFE/Affiliated Business Arrangement

1. Allegations: (RESPA only)

- Charged fees before providing consumers with GFEs
- Charged more than actual cost of credit report
- Did not disclose affiliation with AMC before scheduling appraisal and/or charging fees

2. Consent Order (not directly tied to RESPA allegations)

- Payment of \$14.8M for consumer redress
- Civil money penalty of \$4.5M
- Civil money penalty of \$1.5M for owner of company
- Agree to give AfBA disclosure before making a referral or at time of loan application
- Engage Independent Consultant and provide compliance plan in response to report of Independent Consultant for three years

Lighthouse Title Marketing and Services Agreements

1. First statement from CFPB on MSAs
2. Allegation: Lighthouse entered into MSAs with real estate companies and paid marketing fees in return for the referral of title business
 - No determination or documentation of fair market value
 - Payments based on referrals and what competitors were willing to pay under MSA
 - No verification that marketing services actually performed
3. Lighthouse agreed to end MSAs and refrain from entering into MSAs in the future
 - Paid \$200,000 civil money penalty
 - Agreed to document all things of value given in excess of \$5