

COUNT DOWN TO JANUARY 2014

**DODD FRANK ACT - MORTGAGE REFORM
IMPLEMENTATION WORKSHOP**

SEPTEMBER 2013

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Flexible Agenda

“Here’s what we
figured out.....”

“I have a
question.....”

2

Morning:

- ✓ Rules and their requirements

LUNCH

Afternoon:

- ✓ Interactive Discussion on Implementation Challenges

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Rules & Implementation Dates

3

Origination→	Loan Originator Compensation and Qualifications (TILA)	1/1/14 - except prohibitions on arbitration clauses (effective 6/1/13) and financing credit life insurance (effective 1/10/14)
	ECOA Valuations & TILA HPML Appraisals	applications taken on or after 1/18/14
	Homeownership Counseling	applications taken on or after 1/10/14
	High Cost Mortgage Loans (TILA) ("2013 HOEPA Rule")	applications taken on or after 1/10/14
	Ability to Repay & Qualified Mortgages ("ATR-QM") (TILA)	applications taken on or after 1/10/14; except the "Rural and Underserved" exemption would apply to applications taken on or after 1/1/14
	Escrows	HPML escrow extension effective 6/1/13; otherwise, with applications taken on or after 1/10/14
← Servicing	Mortgage Servicing (TILA & RESPA)	Applications taken on or after January 10, 2014. However, as clarified 7/24/13, ARM rate changes apply to loans made at any time, with: (a) an initial rate change 210-240 days from 1/10/14 or (b) a subsequent rate change 60-120 days from 1/10/14.

Dodd Frank Act

Title XIV - Mortgage Reform and Anti-Predatory Lending Act

4

Subtitle A – Residential Mortgage Loan Origination Standards

- **Sec. 1402. Residential mortgage loan origination.**
- **Sec. 1403. Prohibition on steering incentives.**
- **Sec. 1405. Discretionary authority for UDAAP or predatory lending.**

Subtitle B – Minimum Standards for Mortgages

- **Sec. 1411. Ability to repay.**
- **Sec. 1412. Safe harbor and rebuttable presumption.**
- **Sec. 1413. Defense to foreclosure.**
- **Sec. 1414. Additional standards and requirements.**
- **Sec. 1418. ARM notices.**
- **Sec. 1419. Required disclosures.**
- **Sec. 1420. Monthly statements.**

Subtitle C – High Cost Mortgages

- **Sec. 1431. Definitions.**
- **Sec. 1432. Amendments to existing requirements.**
- **Sec. 1433. Additional requirements.**

Subtitle D – Office of Housing Counseling

Subtitle E - Mortgage Servicing

- **Sec. 1461. Escrow.**
- **Sec. 1462. Disclosure notice for waived escrow.**
- **Sec. 1463. RESPA amendments.**
- **Sec. 1464. TILA amendments.**

Subtitle F – Appraisal Activities

- **Sec. 1471. Appraisal requirements.**
- **Sec. 1472. Appraisal independence.**
- **Sec. 1473. FFIEC amendments.**
- **Sec. 1474. ECOA amendments.**
- **Sec. 1475. RESPA amendments.**

LO Compensation & Qualifications – “Outlier” Prohibitions

5

- **Arbitration Clause** -- Eff 6/1/13 - Any consumer purpose dwelling-secured loan, or principal dwelling-secured LOC:

1036.36(h) – Contract may not require arbitration or any other non-judicial procedure to resolve any controversy or claim, or to bar any Federal violation claim in court

- **Financing Credit Life Insurance Premiums** -- Was effective 6/1/13, but postponed until 1/10/14:

1036.36(i) – Prohibits financing credit life insurance premiums or fees (credit life, disability, unemployment, property insurance or other accident, loss-of-income, life, or health; including debt cancellation & suspension contracts)

TILA/Regulation Z - LO Comp

6

12 CFR ...

1026.25 Record retention

1026.36 Prohibited acts or practices and certain requirements for credit secured by a dwelling

- Applies to Closed end, dwelling-secured, consumer purpose loans.**

(TILA dwelling = 1-4 family incl. boat or trailer used as residence)

- Does not apply to secondary market loan sales.**
- Substantive LO compensation & steering rules have been in effect since 7/11.**

36(a) LO Comp – Definitions

7

1. Creditor – Person to whom obligation is initially payable
2. Loan Originator (LO) – person* who, in expectation of monetary gain:
 - a. Takes application, offers, arranges, or assists a consumer in obtaining or applying to obtain, or negotiates or otherwise obtains, or makes an extension of consumer credit to another person.... or represents to the public that he/she can or will perform the above.
 - Includes producing managers
 - Expectation of monetary gain includes salaries (referral fees are not required)
 - NOT the same definition (or register requirement) as SAFE Act
 - b. *Includes a Creditor who does not finance from own funds (or warehouse line) at consummation. For qualification standards, includes all Creditors.
 - c. Can include employee, agent, or contractor of the Creditor
 - d. Excludes: administrative or clerical only; certain seller financiers; servicer's representatives for purpose of modifying an existing loan in (or likely to become in), default.
 - Exclusion for referrals to the person's employer (per 9/13/13 revision), and for processors acting on behalf of LO, or underwriter who has no communication with applicant.
3. *Loan Originator Organization – Any LO who is not an individual

LO Comp – General requirements

8

No compensation may be paid/received based on loan(s) term or proxy of a loan term

- *Term* - any right or obligation of the parties to a credit transaction
- *Proxy* - a factor that consistently varies with a loan term over a significant number of transactions, and LO has ability to add, drop or change the factor
 - i. E.g., pay differential based on portfolio or sold loans, where portfolio are all fixed rate, 5 year balloon loans. So, factor varies with rate and term and LO can advise consumer to chose 5 year term loan;
 - ii. Compare, pay differential based on State location is OK, even though State rates may differ, because LO cannot influence the State.
- Loan amount is not a loan term if compensation is based on a fixed % of loan amount, although, can be subject to minimum or maximum amounts
- Test is “Would compensation be different if transaction had been different?”

LO Comp – General requirements

9

- Contribution or benefit to designated tax-advantaged plan is OK
- Compensation under profit sharing (bonus) plan is OK if:
 - Not based on individual LO's transactions, and
 - LO originated ≤ 10 loans in 12 months prior to payment, OR aggregated bonus comp $\leq 10\%$ of corresponding period's total compensation (including bonus \$)
- Prohibition on Dual Compensation ("remember your loyalties")
 - If any LO receives comp directly from a consumer (includes any agreement between consumer and third party to pay closing costs):
 - No LO may receive comp from any other person, and
 - No person who knows of the consumer-paid comp (or has reason to) may pay any LO compensation
 - So....if LO Organization receives comp directly from a consumer, the Organization may pay comp to an individual LO (but neither can receive comp from the Creditor or any other person)
 - And....LO may receive origination fee from third party (i.e. Creditor) so long as LO does not received comp directly from consumer; even if consumer also pays discount point, origination points or fees to Creditor.

LO Comp – Commentary

10

- 4/11 Final rule commentary - general ban prohibits changes in comp based on pricing concessions *i.e.*, a change in transaction terms.
 - This prevented creditors from assessing RESPA tolerance cures back to LOs
- 1/14 Comp cannot be selectively lowered (such as lower rate to meet competition or to avoid high-cost mortgage trigger), *BUT* individual LO can lower comp in order to defray unexpected increases in settlement costs (e.g., rate lock expires due to unforeseen title issue, or to cure unforeseen violation of RESPA tolerance).

LO Comp – Steering minor change

11

- LO cannot “steer” to a transaction based on receiving greater compensation than in other transactions the originator offers or could have offered, unless in the consumer's interest.
 - Deemed in compliance if presents loan options for each type of transaction in which the consumer expressed an interest AND would likely qualify (fixed rate, variable rate or reverse mortgage):
 - options are from a significant number of the creditors with which the originator regularly does business and, for each type of transaction in which the consumer expressed an interest, must present the consumer with loan options that include:
 - loan with the lowest interest rate;
 - loan with the lowest interest rate without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first 7 years of the life of the loan, a demand feature, shared equity, or shared appreciation; or, in the case of a reverse mortgage, a loan without a prepayment penalty, or shared equity or shared appreciation; and
 - NEW: loan with the lowest total discount points and origination points or fees (or, if two or more loans have the same total dollar amount, the loan with the lowest interest rate)
- (Rate Note: for <5 year ARMs, use the fully indexed rate (without any initial premium or discount), for ≥5 year ARMs, use initial rate.)

LO – Qualifications

12

- “LO” is BROADER definition than SAFE Act’s “MLO”, except that SAFE Act counts HELOCs which LO does not.
- LO Organization/Creditor must ensure that each LO (contractor or employee) is licensed or registered and, if not licensed, if (a) hired on or after 1/10/14; (b) hired during any time in which there were no statutory or regulatory background standards in effect, or, (c) if, at any time the LO Organization/Creditor obtains reliable information based on which the LO likely does not meet the standards):
 - Obtain:
 - A criminal background check through NMLSR (if not registered, from law enforcement or other service);
 - A credit report, in compliance with FCRA; and
 - Information from NMLSR on any administrative, civil, or criminal findings by any government jurisdiction (or, if not registered, from the LO) www.nmlsconsumeraccess.org
 - Review above and determine that the LO:
 - Has not been convicted of, pled guilty, or pleaded *nolo contendere* to, a felony (classified as such at time of conviction) during prior 7 years, OR to a felony based on act of fraud, dishonesty, breach of trust, or money laundering at any time; and
 - *Expunged and pardoned convictions do not render individual unqualified; nor do pleas of nolo contendere if FDIC/FRB/NCUA has given consent to employ*
 - Has demonstrated financial responsibility, character, and general fitness, and warrants determination the/she will operate honestly, fairly and efficiently.
 - And provide periodic training covering Federal/State law requirements that apply to LO activities

LO Qualifications - Name and NMLS Number

13

LO Organization/Creditor must provide its name and NMLS#, along with individual LO name and NMLS# with primary responsibility on:

- Application;
- Note; and
- Mortgage/security instrument

when provided, or presented to consumer for signature.

- Commentary recommends establishing and following a written policy on determining which individual has primary responsibility
- Note: SAFE Act still requires NMLS# “upon request”; with first documentation/communication; and before acting as a MLO

LO Qualifications - Recordkeeping

14

Recordkeeping of agreement and compensation paid, for 3 years after payment:

- Creditor must keep records of payment to LO, and
- LO Organization must keep records of payment from Creditor or Consumer, and payment to individual LO
- If comp changed due to unforeseen increase in actual settlement cost, must keep the documentation of the decrease and reasons for it

LO Comp & Qualifications - Policies and procedures

15

Depository Institution must establish and maintain written policies and procedures reasonably designed to ensure and monitor compliance by the institution, its employees, its subsidiaries and its subsidiaries' employees with respect to:

- LO Compensation
- Steering
- Qualifications
- Name and NMLS on documents

Appraisals & Valuations – effective 1/18/14

16

ECOA/Reg B – for 1st lien 1-4 family (condo units, mobile homes and RVs) dwelling secured loans (open and closed end, business or consumer credit), regardless if credit is denied, withdrawn or incomplete:

- Provide written notice to primary applicant of this right within 3 business days. Sample C-9:
 - *“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.”*
- Provide free copy of all appraisals and other written valuations (and any integral attachments or exhibits) promptly after completed
- Must provide ≥ 3 “business days” (not defined in reg) before consummation. Advance delivery can be waived orally or in writing, but must be delivered at consummation. Delivery presumed 3 business days after you mail or transmit, unless you have evidence of receipt.
- “Valuation” includes any document staff prepares to assign value to the property (unless totally public record or manufacturer’s invoice), automated valuation model reports, or broker’s price opinions; includes appraisal reviews if it states a different estimate of value.
- Some GSE and third parties may have special forms you must use to provide valuations to consumers.

Appraisals & Valuations – effective 1/18/14

17

FIRREA/TILA/Reg Z HPML Appraisal Rule - Joint with other Banking agencies:

- For HPML, except Qualified Mortgages (later slides).
- Note: initial construction, bridge loans of ≤ 12 months, HELOCs and reverse mortgage loans are excluded from HPML definition. Also, although TILA definition of dwelling includes mobile homes and boats/campers/trailers used as a residence, the rule exempts them. A loan secured by a new manufactured home is also exempt. (*exemptions are not the same as the HPML general rule*)
- *Proposal to exempt existing manufactured loans without land; certain streamlined refis; and loans of \$25,000 or less.*
- Contrast with ECOA valuation Rule, TILA Appraisal rule does apply to subordinate liens; but, only covers principal dwellings on consumer-purpose loans.
- Reminder: HPML = APR exceeds APOR at time rate is set by $\geq 1.5\%$ (first lien), $\geq 2.5\%$ (if jumbo), or $\geq 3.5\%$ (subordinate lien)

Appraisals & Valuations – effective 1/18/14

18

- TILA HPML Appraisal Rule requires:
 - Disclosure within 3 business days (when creditors office are open to the public for carrying on substantially all of its business functions) of application to any applicant
 - ECOA appraisal disclosure suffices, although it says “promptly”
 - Physical inspection and full interior appraisal by licensed or certified appraiser; certified USPAP compliance.
 - “Safe Harbor” provided by following Appendix N (re: appraisal request, verify 8 factors of the appraisal, verify license/registration on day certified, and no contrary knowledge)
 - Flips: Second *independent* appraisal (at creditor’s expense) required if property was held ≤ 90 days and being sold for $>10\%$ price increase, or held ≤ 180 days and $>20\%$ price increase; must analyze the price differential. Exemptions from acquisitions from government, foreclosure, inheritance, employer relocation, service member, disaster area or property located in a rural area, QMs, bridge loan (≤ 12 months), initial construction, reverse mortgage, boat/RV/trailer
 - Provide appraisal copy to borrower ≥ 3 days prior to consummation. (Note: if 1st lien, ECOA applies and the “promptly upon completion” delivery deadline will come first). NO WAIVER IS ALLOWED UNDER TILA.

Appraisals & Valuations – effective 1/18/14

19

- Under both rules (ECOA and TILA):
 - You cannot condition delivery on payment for the appraisal. But, can take legal action to collect the fee or collect it up front (after GFE & Intent to proceed, of course)
 - If loan is not originated, provide within 30 days of learning it will not originate (denial, withdrawal, etc.)
 - E-SIGN delivery is OK so long as consent obtained per E-SIGN requirements
 - Appraisal disclosure can be on application provided in electronic form without E-SIGN.

Homeownership Counseling §1024.20 and §1026.36

20

- 1024.20 – Any dwelling secured loan (open and closed-end) subject to RESPA: Provide a list of homeownership organizations in the applicant's location within 3 business days:
 - Information must be updated every 30 days, taken from the CFPB website or HUD/CFPB data
 - Can be combined with other required disclosures unless prohibited
 - Broker can provide, lender must verify or mail/provide
 - OK if sent electronically if E-SIGN compliant
 - N/A if denied within 3 days
 - Multiple creditors can decide among them who will send
 - Send to any applicant
 - N/A for timeshares and reverse mortgages
- 1026.36(k) Prior to consummation by a first-time borrower of a closed-end negative amortization loan secured by a dwelling (other than reverse mortgage or timeshare), creditor must receive documentation that consumer obtained counseling from USDA or HUD approved counselor.
- Note: High cost mortgages also have a pre-closing counseling requirement. See slide 24.
- You cannot steer, and you (or your affiliates) cannot provide the counseling.

High Cost Mortgages §1026.32 and .34

21

Revised HOEPA coverage test:

- Now Includes HELOCs and purchase money mortgage loans along with refis and equity loans, that are secured by the consumer's principal dwelling – but excludes initial construction-only loans & reverse mortgages – where:
 - APR (measured as of the date the interest rate is set) exceeds APOR for comparable transaction on that date by more than-
 - 6.5% for first lien;
 - 8.5% for first lien on personal property dwellings (i.e., mobile homes or RVs) and loan < \$50,000;
 - Or 8.5% for subordinate lien loan;
 - Or, Total Points and Fees exceed (figures will be adjusted annually):
 - 5% of total loan amount if loan ≥ \$20,000
 - 8% of total loan amount or \$1,000, whichever less, if loan < \$20,000
 - Or, prepayment penalty that can be charged (HELOCs too) more than 36 months after consummation OR for >2% of the amount prepaid

High Cost Mortgages §1026.32 and .34

22

- APR is calculated using the interest rate as of the “date the rate is set” (same as HMDA rate spread)
 - if variable rate based on an index, add the maximum margin to the index rate as of the date the rate is set, or the introductory interest rate, whichever is higher.
 - If variable rate adjustments are NOT based on an index, use maximum rate
 - For a variable-rate HELOC, the most closely comparable closed-end transaction will be a variable rate loan with an initial fixed-rate period that lasts as long as the introductory period on the HELOC.
 - If the HELOC has no initial fixed rate period, assume an initial fixed rate period of one year
- Open- and closed-end points and fees includes the same ones as ATR-QM (see slides 36-38) but also, for HELOCs:
 - any fees charged for participation in the credit plan (payable at or before consummation), or
 - any transaction fee, including any minimum fee or per-transaction fee, that will be charged for a draw
- Prepayment penalty does not include waived third-party charges that creditor imposes if the consumer terminates the credit plan or fully prepays a closed-end loan sooner than 36 months after origination.

High Cost Mortgages §1026.31, .32 and .34

23

If you have a high cost mortgage loan:

- Balloon payment ($>2x$ regular payment) is not allowed unless
 - Qualified Mortgage made by certain lenders (see later slides);
 - ≤ 12 month bridge loan to finance purchase of new home until existing home sells
 - payments adjusted for seasonal or irregular income of borrower;
 - HELOC changing to repayment phase where no draws are allowed.
- Other requirements are essentially the same as had been.....i.e., No prepayment penalties (even if QM); No fee for payoff statements (except reasonable processing fee if provided by fax or courier, and the same fee as charged to non-high-cost mortgage loans); No acceleration of debt clauses (with some exceptions); No late fees over 4% of regular payment or before end of 15th day after due date (or, if interest is paid in advance, the 30th day); Cannot advise homeowner not to make payments; Cannot charge for modification; Cannot finance points and fees; Cannot structure loan to evade high cost provisions; and Any assignment must include Notice to Assignee.....

High Cost Mortgages §1026.32 and .34

24

- 1036.32(c) - Must give disclosure, 3 business days (Saturdays included) prior to consummation (Sample disclosure for closed end at H-16; added “amount borrowed”):
 - Changed terms require new disclosure, which can be provided by phone so long as new disclosures provided at consummation and consumer and creditor sign statement that ones were provided by phone 3 business days prior.
 - Waiver is allowed for bona fide personal financial emergency.
 - NEW, for HELOCs (no sample in rule)—example of first payment during draw and repayment phase, and balance outstanding at beginning of repayment period. Assume full line advanced at consummation and borrower makes only the minimum payments and takes no further draws. Use rate for plan, or rate after introductory period expires. Disclose balloon, and other required disclosures.
 - Give to all consumers who have rescission rights.
- Prior to consummation of a High Cost Mortgage Loan, the creditor must receive a written certification that borrower (by name) has received homeownership counseling (on date and from counselor, by name & address and it CANNOT be an affiliate but it need not be in-person (phone is fine)) about the particular high cost mortgage loan (based on the GFE or the HELOC application disclosures); and counselor must verify the consumer received ALL the disclosures (so, counseling typically in 2-stages – upon GFE/application disclosure, then upon all the additional required disclosures).

High Cost Mortgages §1026.32 and .34

25

- Rule has an Ability to Repay rule built in for HELOCs – (i.e., verify income and assets, using 3rd party records; verify all dwelling related mortgage debt) including a “presumption of compliance” if underwritten using the maximum APR that can apply, but excluding those with balloon payments at the end (unless allowed per prior slide).
- Closed end loans (other than ≤ 12 month bridge loans) must follow the ATR-QM Rules.....
- NOTE: A good faith failure to comply with high cost mortgage rules can be cured if,
 - within 30 days of consummation: consumer is notified, restitution is made, and adjustments are made so the loan complies OR (at consumer’s option) loan is no longer a high cost mortgage loan OR
 - within 60 days of discovery of unintentional and bona fide error: consumer is notified; restitution is made; and adjustments are made so the loan complies OR (at consumer’s option) loan is no longer a high cost mortgage loan.

Ability to Repay and Qualified Mortgages

26

1026.25 – Record Retention

1026.32(b)(1) – Points and Fees

1026.43 Minimum Standards for transactions secured by a dwelling:

- Scope, Definitions
- Repayment Ability (ATR)
 - Exceptions (Qualified Mortgages, QM):
 1. QM safe harbor OR presumption
 2. Agency mortgages (temporary)
 3. Small creditors
 4. Balloon loans by small, rural creditors
 5. Balloon loans by small creditors (temporary)
 6. Not QM but still exempt: Refinancing non-standard into standard

ATR-QM Scope = “Covered Transaction”

27

Consumer-purpose loan secured by a 1-4 family dwelling except HELOC and timeshares (same as Comp rules)

For ATR-QM, also excludes:

- reverse mortgage;
- temporary/bridge loan of ≤ 12 months;
- the construction phase of ≤ 12 months (or any length if to finance the initial construction) of a c-perm loan; or
- Loan made through a housing finance agency program, by a community development FI, downpayment assistance secondary financing provider, community housing development organization, or tax exempt creditor who made ≤ 200 dwelling-secured loans (all to LMI) in prior calendar year and for which the creditor followed written procedures and determined the consumer (whose income does not exceed household limits) has a reasonable ability to pay
- Prohibits structuring loans as HELOCs to avoid coverage

ATR-QM Prepayment Penalties

28

Closed covered transactions can only have a prepayment penalty (PP) if:

1. Allowed by law
2. APR cannot increase after consummation
3. Loan is a QM, and is not a HPML (1026.35(a))
4. PP is $\leq 2\%$ during 1st 2 years after consummation
5. PP is $\leq 1\%$ during 3rd year after consummation
6. None allowed after 3 years after consummation
7. Creditor (including a funding creditor/LO) also offers consumer a loan without a prepayment penalty, that:
 - a. had an APR that could not increase after consummation
 - b. was same type of rate as the loan with a PP (i.e. fixed rate, or step rate)
 - c. had same loan term as the loan with PP
 - d. had regular periodic payments that are substantially equal; ARMs OK so long as principal cannot increase or be deferred & no balloon payment results (other than allowed by Balloon Exception)
 - e. meets the Points and Fees test
 - f. consumer would qualify for the loan based on information known at the time of the offer

If offer is made through a mortgage broker, the creditor must present the offer to the broker and, by agreement, require the broker to present it (or another creditor's offer that has lower rate or points and fees)

ATR-QM – Ability to Repay General Rule

29

- A creditor shall not make a loan that is a covered transaction unless the creditor makes a reasonable and good faith determination at or before consummation that the consumer will have the ability to repay the loan according to its terms.
- Creditor must consider and verify, using reasonably reliable third party records:
 1. Income or assets
 2. Current employment status, if income from employment is relied on
 3. Monthly payment on the covered transaction
 4. Monthly payment on any simultaneous loan that creditor knows of (or should know of)
 5. Monthly payment for mortgage related obligations
 6. Current debt obligations, alimony, and child support
 7. Monthly residual income OR monthly debt-to-income
 8. Credit history
- This does not prevent a creditor from making any type of loan
- Third Party Record = document prepared or reviewed by someone other than the consumer, or the creditor or mortgage broker or their agent (unless an employee regarding income or employment) or a copy of filed tax return.

ATR-QM – General Rule criteria

(keep these in mind for exceptions....)

30

1. Income or assets - NOT value of dwelling

Verify income via IRS transcript, filed tax return, W-2, payroll statement, bank or employer records, government agency records re: entitlements/benefits, receipts from check cashing or funds transfer service.

2. Current employment status, if income from employment is relied on.

Verbal Verification of Employment is OK so long as documented.

3. Monthly payment on the covered transaction

- For ARMs, interest-only or neg-am loans, use fully indexed rate or introductory rate, whichever is greater
- Use monthly, fully-amortizing payments that are substantially equal (even if i-only)
 - If balloon payment and not a HPCT (see slide 32), use the maximum payment during the 1st five years after the 1st periodic payment
 - If balloon payment and a HPCT (see slide 32), use the maximum payment (i.e. balloon payment)
 - If neg-am, use monthly, substantially equal payments of P&I that will repay the maximum loan amount (includes any increase in principal balance assuming the consumer makes the minimum periodic payments for the maximum possible time until it becomes fully amortizing) over the remaining term after the loan is recast.

ATR-QM – General Rule criteria

(keep these in mind for exceptions....)

31

4. Monthly payment on any simultaneous loan that creditor knows of (or should know of)
 - Simultaneous loan = another covered transaction or HELOC secured by the same dwelling and made to the same consumer, at or before consummation of the subject loan or, one made after consummation if it will cover the closing costs of the subject loan.
 - Calculate payment as under 3 above, except, for HELOC, use the payment called for under the plan and the amount to be drawn at or before consummation of the subject loan.
5. Monthly payment for mortgage related obligations
 - Taxes; hazard/flood/credit life/debt cancellation; condo or HOA dues; ground rent/leasehold
6. Current debt obligations, alimony, and child support
 - Can verify by credit report alone
7. Monthly residual income (Total monthly income *minus* 3, 4, 5 & 6) OR monthly debt-to-income (Total monthly income *divided by* 3, 4, 5 & 6)
8. Credit history

ATR-QM – Exceptions for Qualified Mortgage ...and Definition of Higher Priced Covered Transaction:

32

- There are “safe harbor” exceptions to the Ability to Repay requirement, called Qualified Mortgages. The extent of the safe harbor depends on the APR:
- Check the APR as of the date the rate is set. If it is.....
 - A. $\geq 1.5\%$ over Average Prime Offer Rate (APOR) for 1st lien, or
 - B. $\geq 3.5\%$ over APOR for subordinate lien, or QM#3 (small creditor) QM#4 (balloon loan by small, rural creditor) or QM#5 (balloon loan by small creditor)....

.....it is a Higher Priced Covered Transaction (HPCT)
- A non-HPCT QM is Deemed to comply with ATR.
- A HPCT QM is Presumed to comply with ATR -- Debtor bears the burden by proof that, despite meeting QM requirements, the consumer's income vs. total monthly debt left him/her with insufficient income for living expenses and recurring and material non-debt obligations of which the creditor was aware at the time of consummation.

ATR-QM – Exception #1 Agency Loan QM

33

Until 1/21/21 or the agency writes their own QM rule, a QM is a covered loan that is eligible to be purchased, insured or guaranteed by FNMA, FHLMC, HUD, VA, USDA or RS.

- Can rely on agency's automated recommendation ("Approve/Eligible" by Desktop Underwriter, or "Accept" and "Freddie Mac Eligible" from Loan Prospector).
- Must have cleared any requirement to verify income or assets, credit history, debt-to-income ratio or residual income, and other credit risk factors, but NOT matters wholly unrelated to ability to repay (e.g., delivering, securitization, or servicing.)
- Repurchase demands are evaluated on case by case basis, depending on the reason (related to ATR criteria?).

ATR-QM – Exception #2 Qualified Mortgage Loan

34

Requirements for a Qualified Mortgage Loan:

1. Regular periodic payments that are substantially equal
2. ARMs OK so long as principal cannot increase and no balloon (but see Exceptions #4 and 5)
3. ≤ 30 year term
4. Meets Total Points & Fees test
5. Monthly payment for mortgage related obligations calculated using maximum rate that will apply during 1st 5 years after 1st regular payment
 - P&I payments that will repay the loan over the loan term (or the remaining loan term using the maximum rate, assuming all payments made as due)
6. Creditor considers
 - Income or assets (using General Rule criteria #1 & **Appendix Q**)
 - Current debt obligations (using General Rule criteria #6 & **Appendix Q**)
7. Total monthly debt to income $\leq 43\%$ using **Appendix Q** and including mortgage related obligations and simultaneous loans that creditor knows or has reason to know will be made.

ATR-QM – Exception #2 ...and Appendix Q

35

- Appendix Q addresses:
 - Employment-related Income - stability; salary, wage and other forms of income; consumers employed by a family-owned business; self-employed income; income analysis Tax Return IRS form 1040 (Individual); form 1120 (Corporate); IRS form 1120s (“S” Corporation) and form 1065 (Partnership).
 - Non-Employment related consumer income - Alimony, child support and maintenance criteria; investment and trust income; military, government agency, and assistance program income; rental income; and non-taxable and projected income.
 - Consumer Liabilities: Recurring obligations
 - Consumer Liabilities: Contingent liability
 - Consumer Liabilities: Projected obligations and obligations not considered debt

So long as not inconsistent, can look to Agency guidance in applying Appendix.

Also, when in doubt, can exclude the income, or include the debt.

ATR-QM – Total Points and Fees (TPF) Test

36

A loan passes the Total Points and Fees (TPF) Test if:

- ❑ Loan $\geq \$100,000$, TPF $\leq 3\%$ of total loan amount
 - ❑ Loan $\geq \$60,000$, TPF $\leq \$3,000$
 - ❑ Loan $\geq \$20,000$, TPF $\leq 5\%$ of total loan amount
 - ❑ Loan $\geq \$12,500$, TPF $\leq \$1,000$
 - ❑ Loan $\leq \$20,000$, TPF $\leq 8\%$ of total loan amount
-
- ❑ Total Loan Amount = “amount financed” less real estate related fees, insurance related premiums or prepayment penalties that are financed by the creditor.
 - ❑ Per final rule issued September 13, 2013, TPF includes the same charges if paid by third parties.

ATR-QM – Total Points and Fees (TPF)

37

1. All items included in the “finance charge” under Reg Z, *except (so, take out)*:

- A. Interest;
- B. Up-front state or federal credit insurance premiums (e.g. annual FHA premiums, VA funding fees and USDA guarantee fees) or comparable premiums for other credit insurance paid at or before consummation, or any amount that is paid after consummation);
 - So, the amount of up-front PMI that exceeds the up-front MIP for FHA loans (as published in HUD mortgagee letters) would not be excepted.
- C. bona fide 3rd party (non-affiliate) charges, unless required to be included per the below list (Note: settlement fees and life of loan flood/tax can be excepted here);
- D. If loan has discount points (that reduce the consumer’s interest rate) paid by the consumer:
 - up to 2% of the bona fide discount points so long as the interest rate without the discount is not >1% over the APOR for comparable transactions (or, for mobile home loans, >1% over the National Housing Act’s average rate for an insured loan), OR
 - up to 1% of the bona fide discount point so long as the interest rate without the discount is not >2% over the APOR for comparable transactions (or, for mobile home loans, >2% over the National Housing Act’s average rate for an insured loan).

ATR-QM – Total Points and Fees (TPF)

38

Include, continued:

2. All compensation paid directly or indirectly by the consumer or creditor to a loan originator that can be attributed to the transaction at the time the rate is set:

- Salaries and other comp that is based on other factors (such as long term performance of the loans) are not attributable to the transaction.
- Added 6/13:
 - Do not include comp paid directly to broker by consumer, that has already been included in points and fees under 1, above
 - Do not include comp paid by creditor/loan originator to its own employees
 - NOTE that origination points are included in 1 above, so any comp paid from the creditor to the LO (*which includes a table funding lender but not a bona fide Creditor*) out of the creditor's origination points will be double-counted.

ATR-QM – Total Points and Fees (TPF)

39

Include, continued:

3. Any real-estate-related fee that is paid to an affiliate of creditor, are not reasonable, or for which the creditor receives direct or indirect compensation. Fees include: title exam, abstract or insurance; survey; appraisal; doc prep; credit report; notary fees; pre-consummation appraisal, flood determination or pest inspections; amounts paid into escrow (other than amounts held for future payment of taxes);
4. Credit life, disability, accident insurance or the like for premiums paid before consummation, where creditor is beneficiary (so, not hazard insurance or credit life where borrower is sole beneficiary), or any payments for debt cancellation or suspension agreement
5. Maximum prepayment penalty that may be charged under the terms of the loan
6. Total prepayment penalty if this refis your loan (as current holder, servicer, or affiliate of either).

Note: As with the high cost mortgage rules, “Prepayment penalty” does not include waived 3rd party charges (e.g., creditor paid closing costs) that would be imposed if the entire loan is prepaid within 36 months after consummation (or FHA interest charged consistent with monthly interest accrual amortization method).

ATR-QM – Exception #3 QM Small Creditor

40

- Meets criteria for Exception #2 except for 43% debt-to-income ratio and without regard for Appendix Q; and
- At or before consummation:
 - Small Creditor = end of prior calendar year originated (with affiliates) < 500 1st lien covered transactions, and had total assets of < \$2 billion;
 - Small Creditor considers the monthly DTI or residual income and verifies the debt obligation per General Rule #7 (slide 31), except that payment on this debt is calculated under QM #2 (#5 on slide 34); and
 - Is not subject to purchase commitment, unless by a small creditor.
 - If legal title is sold or assigned to non-small creditor within 3 years - except under capital restoration, merger or receivership - loan loses its QM status.

ATR-QM – Exception #4 QM Balloon loan by Small, Rural creditor

41

- Made by Small Creditor serving rural or underserved areas*
- Has substantially equal payments
- Term ≥ 5 years and amortization is ≤ 30 years
- Meets Total Points and Fees test
- Rate does not increase over the life of the loan
- Small Creditor considers the monthly DTI or residual income and verifies the debt obligation per General Rule #7 (slide 31), except that payment on this debt is calculated under QM #2 (#5 on slide 34) for the loan and mortgage related obligations, but excluding the balloon payment; and
- Is not subject to purchase commitment, unless by a small creditor (if legal title is sold or assigned to non-small creditor within 3 years (except under capital restoration, merger or receivership) loan loses its QM status.)

*During any of the 3 preceding calendar years, creditor & affiliates made ≤ 500 1st lien covered transactions (CT); and $> 50\%$ were on properties in counties designated either "rural" or "underserved," AND as of the end of the preceding calendar year, the creditor had total assets of less than \$2,000,000,000 (adjusted annually).

ATR-QM – Exception #5 QM Balloon loan by Small Creditor (Temporary)

42

Until 1/11/16, a loan with balloon payments is QM if:

- Made by Small Creditor ~~serving rural or underserved areas~~
- Has substantially equal payments
- Term ≥ 5 years and amortization is ≤ 30 years
- Meets Total Points and Fees test
- Rate does not increase over the life of the loan
- Small Creditor considers the monthly DTI or residual income and verifies the debt obligation per General Rule #7 (slide 31), except that payment on this debt is calculated under QM #2 (#5 on slide 34) for the loan and mortgage related obligations, but excluding the balloon payment; and
- Is not subject to purchase commitment, unless by a small creditor (if legal title is sold or assigned to non-small creditor within 3 years (except under capital restoration, merger or receivership) loan loses it's QM status.)

ATR-QM – Exception #6 (Not a QM, just an exception from ATR) – Certain Refinancings

43

Refinance of Non-Standard (NSCT) into Standard Mortgage Loan

1. NSCT = interest-only, neg ams, or ARMs >1 year
2. Where written application is received within 2 months of re-cast
3. No more than 1x >30 days PD within prior 12 month; NO payment >30 days PD within prior 6 months
4. By same creditor or servicer
5. Monthly payment will be materially lower (NSCT payment is calculated using fully indexed rate as of a reasonable period before or after receipt of refi application, remaining term of loan & loan amount assuming all loan payments are made. Standard loan payment is calculated using the maximum rate during 5 years after consummation).
6. If NSCT was made after 1/10/14, it was in compliance with ATR-QM
7. No new \$ except for closing costs

Standard Mortgage loan:

- a. No neg-am, no i-only or balloon
- b. Meets TPF test
- c. ≤ 30 year term
- d. ≥ 5 year ARM

ATR-QM – Record Retention

44

1026.25 – Record Retention – retain records of compliance for 2 years after disclosure, unless otherwise told by your regulator.

Retain records for 3 years after consummation for §1026.43 (ATR-QM).

Really? If ATR can be asserted as a defense to foreclosure at any time, why would you destroy evidence of compliance?

Mortgage Servicing – TILA and RESPA

45

TILA/Reg Z 12 CFR §1026

- 1026.20 ARM Adjustments
- 1026.36 Payments & Payoffs
- 1026.41(e)(4) Small Servicers

*These changes affect consumer-purpose,
1-4 family dwelling-secured loans
(TILA does not require land,
but RESPA does).*

1026.36 also applies to open-end loans.

*Lien position and occupancy is generally
irrelevant (however, some provisions only
apply to primary homes).*

RESPA/Reg X 12 CFR §1024

- 1024.17 Escrow accounts

New Subpart C – Mortgage Servicing

- 1024.30 Scope.
- 1024.31 Definitions.
- 1024.32 General disclosure requirements.
- 1024.33 Mortgage servicing transfers.
- 1024.34 Timely payments by servicer.
- 1024.35 Error resolution procedures.
- 1024.36 Requests for information.
- 1024.37 Force-placed insurance.
- 1024.38 General servicing policies, procedures, and requirements.
- 1024.39 Early intervention requirements for certain borrowers.
- 1024.40 Continuity of contact.
- 1024.41 Loss mitigation procedures.

Mortgage Servicing Rules

46

All Servicers

1. ARM Adjustments*
2. Escrow accounts, payments & payoffs
3. Error Resolution & Requests for Information
4. Force-Placed Insurance
5. Foreclosure limitations

Large Servicers *(not “small servicers,” who are exempted)*

6. Periodic Statements
7. General Servicing & Information Management
8. Early Intervention*
9. Continuity of Contact with Delinquent Borrowers*
10. Loss Mitigation*

***=primary home only**

Small Servicers §1026.41(e)(4)

47

Together with affiliates, services $\leq 5,000$ closed-end consumer credit transactions secured by a dwelling, all* of which the servicer or an affiliate is the named creditor or assignee (i.e. “owned or owns”).

Evaluated by number of loans serviced by servicer and any affiliates as of January 1 for the remainder of calendar year. Upon crossing threshold, will have 6 months or until next January 1 (whichever is later) to comply with large servicer requirements.

*exclude loans voluntarily serviced for a non-affiliated creditor/assignee for which the servicer does not receive any compensation or fees.

Also exclude timeshare and reverse mortgage loans.

ARM Adjustments §1026.20

48

Applies to closed-end loans secured by principal dwelling where APR may increase after consummation:

- Initial Payment Change on ARMs > 1 year:
 - Notice between 210 and 240 days prior to changed payment's due date (if not known, provide an estimate; another notice within 2-4 months using the Subsequent Change model)
 - If change occurs within 210 days of consummation, provide notice at consummation; if notice at consummation was not an estimate, no further notice is required
 - If change occurs within 60 days of consummation and the rate disclosed at consummation was an estimate, provide notice ASAP but ≥ 25 days
- Subsequent Payment Changes on ARMs > 1 year:
 - Notice between 60 and 120 days prior to changed payment's due date
 - Grandfather: If uniform changes occur ≤ 60 days OR loan made before 1/10/15 and "look-back" period is < 45 days, provide notice between 25 and 120 days
- Applies to creditor, assignee & servicer; may contract on who will comply
- Applies to loans made prior to 1/1/14 but that adjust for the first time after 1/1/14 – Per clarifying regulations, applies to 1st rate adjustments ≥ 210 days out (i.e. 1st rate change on or after Wednesday, July 30, 2014)
- For subsequent adjustments – current rule requires 25-120 days, so will have already provided – Per clarifying regulations, applies for rate changes ≥ 60 days out (i.e. rate changes beginning Sunday, March 2, 2014)

ARM Adjustments §1026.20

Subsequent Change Notice (Model forms H-4(D)(1) and (2)); specific format, order & headings

1. “Under loan, the time period for current rate is ending; the interest rate and mortgage payment will change”
2. Effective date of rate change, and when future changes are scheduled
3. Any other changes to terms, features or options (e.g. expiration of interest only)
4. NEW Table:
 - a. Current & new interest rates
 - b. Current & new payments, date 1st new payment is due
 - c. If interest only or neg-am, the current (most recent) & new (expected) allocations to P&I and escrow
5. Explanation of how new rate is determined, including specific index/formula and source of information; type and amount of adjustment to index (including margin and fact that margin is the addition of certain percentage points to the index) and application of previously foregone interest rate increases from past rate changes
6. Any limits on rate or payment increases, at change date or over life of loan (including whether and when foregone increases will apply to future adjustments)
7. Explain how new payment is determined, include index/formula used, adjustment such as addition of margin or foregone increases from past, loan balance and length of remaining loan term expected on adjustment date.
8. NEW If applicable, (interest only) state that payment will not be allocated to principal and will not reduce the loan balance. If neg am will result, state that payment will only pay part of interest thereby adding to loan balance; provide the payment required to fully amortize the loan.
9. NEW Circumstances under which prepayment penalty will be imposed (payoff through sale or refinance), time period for penalty, and that consumer can contact servicer for information including the maximum penalty.

ARM Adjustments §1026.20

50

Initial Change Notice (Model forms H-4(D)(3) and (4); specific format, order & headings)

1. If new rate or payment are not known, disclose and label an estimate using index within 15 days prior to date of disclosure (another disclosure will be provided between 2 & 4 months, no rule on what that looks like)
2. Date disclosure is generated
3. “Under your ARM loan, the time period for current rate is ending; any change in rate may result in payment change”
4. Effective date of rate change, and when future changes are scheduled
5. Any other changes to terms, features or options (e.g. expiration of interest only)
6. NEW Table:
 - a. Current & new interest rates
 - b. Current & new payments, date 1st new payment is due
 - c. If interest only or neg-am, the current (most recent) & new (expected) allocations to P&I and escrow
7. Explanation of how rate is determined, including specific index/formula and source of information; type and amount of adjustment to index (including margin and fact that margin is the addition of certain percentage points to the index) and application of previously foregone interest rate increases from past rate changes
8. Any limits on rate or payment increases, at change date or over life of loan (including whether and when foregone increases will apply to future adjustments)

ARM Adjustments §1026.20

9. Explain how new payment is determined, include index/formula used, adjustment such as addition of margin, loan balance and length of remaining loan term expected on adjustment date, and, if the new payment or rate is an estimate, a statement that another disclosure containing the actual new rate and payment will be provided between 2 and 4 months before the first new payment at the adjusted level is due.
10. NEW If applicable (interest only) state that payment will not be allocated to principal and will not reduce the loan balance. If neg-am will result, state that payment will only pay part of interest thereby adding to loan balance; provide the payment required to fully amortize the loan.
11. NEW Circumstances under which prepayment penalty will be imposed (payoff through sale or refinance), time period for penalty, and that consumer can contact servicer for information including the maximum penalty amount.
12. NEW Telephone number to call if they anticipate not being able to make their new payments.
13. NEW The following alternatives to paying at the new rate and a brief (simple and clear terms) explanation of each alternative:
 - a. Refinancing with current or another creditor/assignee
 - b. Selling property and using proceeds to pay loan in full
 - c. Modify terms of loan
 - d. Arranging payment forbearance with creditor/assignee/servicer
14. NEW Website to access Bureau list or HUD list, the HUD toll-free number, and Bureau website to access contact information for State housing finance authorities.

Subsequent Notice – Model H-4(D)(1)

52

Changes to Your Mortgage Interest Rate and Payments on *(date)*

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a *(duration)* period during which your interest rate stayed the same. That period ends on *(date)*, so on that date your interest rate and mortgage payment change. After that, your interest rate may change *(frequency)* for the rest of your loan term. [Also, as of *(date)* *(changes to loan terms, features or options)*.]

	Current Rate and <i>(frequency)</i> Payment	New Rate and <i>(frequency)</i> Payment
Interest Rate	___%	___%
[Principal]	[\$ ____]	[\$ ____]
[Interest]	[\$ ____]	[\$ ____]
[Escrow (Taxes and Insurance)]	[\$ ____]	[\$ ____]
Total <i>(frequency)</i> Payment	\$ ____	\$ ____ (due <i>(date)</i>)

Interest Rate: We calculated your interest rate by taking a published “index rate” and adding a certain number of percentage points, called the “margin.” Under your loan agreement, your index rate is *(index)* and your margin is ___%. The *(index)* is published *(frequency)* in *(source of information)*. [Description and amount of other adjustment(s) to the index].

[Rate Limit[s]: [Your rate cannot go higher than ___% over the life of the loan.] [Your rate can change each year by no more than ___%.] [We did not include an additional ___% interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on *(date)*.]

New Interest Rate and Monthly Payment: The table above shows your new interest rate and new monthly payment. Your new payment is based on the *(index)*, your margin, [description of other adjustment(s) to the index,] your loan balance of \$____, and your remaining loan term of ___ months.

[Interest-Only Payments: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance.]

[Warning about Increase in Your Loan Balance: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan. [In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay \$____ per month.]]

[Prepayment Penalty: [None] [Keep in mind that if you pay off your loan, refinance or sell your home before *(date)*, you could be charged a penalty. Contact *(mortgage company)* at *(telephone number)* [or *(email address)*] for more information, such as the maximum amount of the penalty you could be charged.]]

Initial Notice – Model H-4(D)(4)

53

(Date)

Changes to Your Mortgage Interest Rate and Payments on (date)

Under the terms of your Adjustable-Rate Mortgage (ARM), you had a (duration) period during which your interest rate stayed the same. That period ends on (date), so on that date your interest rate may change. After that, your interest rate may change (frequency) for the rest of your loan term. Any change in your interest rate may also change your mortgage payment. [Also, as of (date) (change(s) to loan terms, features or options).]

	Current Rate and (frequency) Payment	[Estimated] New Rate and (frequency) Payment
Interest Rate	____%	____%
[Principal]	[\$_____]	[\$_____]
[Interest]	[\$_____]	[\$_____]
[Escrow (Taxes and Insurance)]	[\$_____]	[\$_____]
Total (frequency) Payment	\$_____	\$_____ (due (date))

Interest Rate: We calculated your interest rate by taking a published “index rate” and adding a certain number of percentage points, called the “margin.” Under your loan agreement, your Index rate is (index) and your margin is ____%. The (index) is published (frequency) in (source of information). [Description and amount of other adjustment(s) to the index.]

[Rate Limit(s): [Your rate cannot go higher than ____% over the life of the loan.] [Your rate can change each year by no more than ____%.] [We did not include an additional ____% interest rate increase to your new rate because a rate limit applied. This additional increase may be applied to your interest rate when it adjusts again on (date).]

New Interest Rate and Monthly Payment: The table above shows [our estimate of] your new interest rate and new monthly payment. These amounts are based on the (index) as of now, your margin, [description of other adjustment(s) to the index,] your loan balance of \$_____, and your remaining loan term of ____ months. [However, if the (index) has changed when we calculate the exact amount of your new interest rate and payment, your new interest rate and payment may be different from the estimate above. We will send you another notice with the exact amount of your new interest rate and payment 2 to 4 months before the first new payment is due, if your new payment will be different from your current payment.]

[Interest-Only Payments: Your new payment will not cover any principal. Therefore, making this payment will not reduce your loan balance.]

[Warning about Increase in Your Loan Balance: Your new payment covers only part of the interest and no principal. Therefore, the unpaid interest will add to the balance of the loan. In order to fully pay off your loan by the end of the loan term at the new interest rate, you would have to pay \$_____ per month.])

[Prepayment Penalty: [None] [Keep in mind that if you pay off your loan, refinance or sell your home before (date), you could be charged a penalty. Contact (mortgage company) at the telephone number [or (email address)] below for more information, such as the maximum amount of the penalty you could be charged.])

If You Anticipate Problems Making Your Payments:

- Contact (mortgage company) at (telephone number) [or (email address)] as soon as possible.
- If you seek an alternative to the upcoming changes to your interest rate and payment, the following options **may** be possible (most are subject to lender approval):
 - Refinance your loan with us or another lender;
 - Sell your home and use the proceeds to pay off your current loan;
 - Modify your loan terms with us;
 - Payment forbearance temporarily gives you more time to pay your monthly payment.
- If you would like contact information for counseling agencies or programs in your area, call the U.S. Department of Housing and Urban Development (HUD) at (telephone number) or visit [(internet address of the U.S. Department of Housing and Urban Development counseling agency list) [or] [the U.S. Consumer Financial Protection Bureau (CFPB) at (internet address of the U.S. Consumer Financial Protection Bureau homeownership counselors and counseling organization list)]. If you would like contact information for a state housing finance agency, contact the U.S. Consumer Financial Protection Bureau (CFPB) at (internet address of U.S. Consumer Financial Protection Bureau state housing finance agency access list).

Payments/payoffs §1026.36

54

- Loan payments for principal dwelling:
 - For principal dwelling, must credit payment (covering P&I and escrow) as of day of receipt unless results in no charge or negative reporting, or non-conforming payments
 - Non-conforming = e.g., not with coupon, cutoff hour, money order, US\$, specific address; cannot require preauthorized EFT)
 - If less than full payment is held in suspense (not credited & not returned):
 - Must disclose the total amount held on any required periodic statement
 - Upon accumulation to full payment, must apply as if received
 - If non-conforming payment is accepted, must be credited within 5 days after receipt
 - No late fees solely for failure to pay late fee
- Payoff statement on dwelling secured loan:
 - Current creditor or assignee must provide accurate payoff statement within reasonable time of written request (≤ 7 business days unless loan in bankruptcy or foreclosure, reverse mortgage or shared appreciation, or natural disaster)

Escrow Accounts §1026.35, §1024.17 and §1024.34

55

- *As a reminder under TILA, for first lien Higher Priced Mortgage Loan (HPML – see slide 18 for definition) applications received on or after 6/1/13, escrows required for 5 years (was 1 year). However, small creditors who operate predominately in a rural or underserved area and do not escrow (other than as required by the HPML rule) are now exempt from the HPML escrow requirement altogether for portfolio loans.*
- Must pay from escrow in time to avoid penalty
- If you escrow for hazard insurance, you must renew borrower's coverage (disburse from escrow) even if past due.
 - may not force-place unless borrower's insurance is: (a) cancelled for other than non-payment OR (b) property is vacant
 - “small servicers” may force-place if it would cost less than advancing funds to renew borrower's policies (not mandatory to do so though)
- *=originated more than 50% of total covered transactions secured by a 1st lien in “rural” or “underserved” counties during any of the 3 preceding calendar years

Escrow Accounts §1024.17 and §1024.34

56

- If borrower is >30 days past due:
 - Escrow account surplus may be retained, and deficiency may be collected pursuant to loan docs
 - Annual escrow statement is not required
 - Also not required if in foreclosure or bankruptcy
 - Must give account history within 90 days of borrower becoming current (so, OK if >1 year)
- Payoffs:
 - Must pay escrow balance within 20 business days of loan payoff (may credit another escrow account on a new loan with same creditor, owner or servicer, if borrower agrees).
 - Short year statement required within 60 days of receiving payoff funds
 - Note: Payoff quote can show escrow

Forced-Placed Hazard Insurance - §1024.37

57

- Does not require force placement
- Excludes required flood insurance under National Flood Insurance Program, and renewals of borrower's policies under escrow or otherwise
- May not assess premium or fee related to forced-placed insurance unless:
 - reasonable basis to believe borrower has failed to comply with mortgage loan's requirement to maintain insurance
 - notice delivered or placed in the mail 45 days prior to charging premium/fee; and
 - (30 days later) reminder notice within 30 days, and in the 15-day period following the notice being delivered/placed in mail, servicer has not received evidence demonstrating that borrower has had continuous appropriate coverage in place

Forced-Placed Hazard Insurance - §1024.37

58

- “(c)(2)” or “(c)(1)(i)” model notice (required to be bolded as noted):
 - Date
 - Servicer’s name and mailing address
 - Borrower’s name and mailing address
 - **Request’s borrower to provide hazard insurance information for borrower’s property at identified physical address**
 - Statement that hazard (wind) insurance is expired (or will be expiring) and servicer has no evidence of coverage past expiration date (identifying the type of hazard insurance coverage)
 - **Statement that hazard insurance is required and that the servicer has purchased (or will purchase) insurance at the borrower’s expense**
 - Statement requesting borrower to promptly provide servicer with insurance information
 - A description of the requested information, how the borrower may provide the information, and, whether the information must be in writing
 - **A statement that insurance the servicer purchases(d):**
 - **May cost significantly more than hazard insurance purchased by the borrower**
 - **May not provide as much coverage as hazard insurance purchased by the borrower**
 - The servicer’s telephone number for borrower inquiries
 - If applicable, a statement advising the borrower to review additional information provided (No other information can be in this letter, but can be on separate papers in the mailing)

(c)(2) Notice –
Model
(MS-3A)

59

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

[Borrower's Mailing Address]

Subject: **Please provide insurance information for** [Property Address]

Dear [Borrower's Name]:

Our records show that your [hazard] [Insurance Type] insurance [is expiring] [expired], and we do not have evidence that you have obtained new coverage. **Because [hazard] [Insurance Type] insurance is required on your property, [we bought insurance for your property] [we plan to buy insurance for your property].** You must pay us for any period during which the insurance we buy is in effect but you do not have insurance.

You should immediately provide us with your insurance information. [Describe the insurance information the borrower must provide]. [The information must be provided in writing.]

The insurance we [bought] [buy]:

- **May be more expensive than the insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you have any questions, please contact us at [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

Forced-Placed Hazard Insurance - §1024.37

60

- “(c)(1)(i)” or (d)(2)(i) reminder notice – at least 30 days after the (c)(2) notice, and at least 15 days before a fee or premium is charged, If no insurance information is received:
 - Date
 - **Statement that this is the second and final notice**
 - Servicer’s name and mailing address
 - Borrower’s name and mailing address
 - **Request’s borrower to provide hazard insurance information for borrower’s property at identified physical address**
 - Statement that hazard insurance is expired (or will be expiring) and servicer has no evidence of coverage past expiration date (identifying the type of hazard insurance coverage)
 - **Statement that hazard insurance is required and that the servicer has purchased (or will purchase) insurance at the borrower’s expense**
 - Statement requesting borrower to promptly provide servicer with insurance information
 - A description of the requested information, how the borrower may provide the information, and, whether the information must be in writing
 - **A statement that insurance the servicer purchases(d):**
 - **May cost significantly more than hazard insurance purchased by the borrower**
 - **Does not provide as much coverage as hazard insurance purchased by the borrower**
 - The servicer’s telephone number for borrower inquiries
 - If applicable, a statement advising the borrower to review additional information provided (No other information can be in this letter, but can be on separate papers in the mailing)
 - **The cost of the force-placed insurance, stated as an annual premium, except if a servicer does not know the cost of force-placed insurance, a reasonable estimate shall be disclosed and identified as such.**

Forced-Placed Hazard Insurance - §1024.37

61

- “(c)(1)(ii) of (d)(2)(ii)” reminder notice – at least 30 days after the (c)(2) notice, and at least 15 days before a fee or premium is charged, if information is received but it does not show continuous coverage:
 - Date
 - **Statement that this is the second and final notice**
 - Servicer’s name and mailing address
 - Borrower’s name and mailing address
 - **Request’s borrower to provide hazard insurance information for borrower’s property at identified physical address**
 - **Statement that hazard insurance is required and that the servicer has purchased (or will purchase) insurance at the borrower’s expense**
 - A statement that the servicer has received the hazard insurance information that the borrower provided;
 - **A statement that requests the borrower to provide the information that is missing;**
 - A statement that the borrower will be charged for insurance the servicer has purchased or purchases for the period of time during which the servicer is unable to verify coverage;
 - **The cost of the force-placed insurance, stated as an annual premium, except if a servicer does not know the cost of force-placed insurance, a reasonable estimate shall be disclosed and identified as such.**
 - The servicer’s telephone number for borrower inquiries
 - If applicable, a statement advising the borrower to review additional information provided (No other information can be in this letter, but can be on separate papers in the mailing)

(c)(1)(ii) or
(d)(2)(i)
Notice –
Model
(MS-3B)

62

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

[Borrower's Mailing Address]

Subject: **Second and final notice – please provide insurance information for** [Property Address]

Dear [Borrower's Name]:

This is your **second and final notice** that our records show that your [hazard] [Insurance Type] insurance [is expiring] [expired], and we do not have evidence that you have obtained new coverage. **Because [hazard] [Insurance Type] insurance is required on your property, [we bought insurance for your property] [we plan to buy insurance for your property].** You must pay us for any period during which the insurance we buy is in effect but you do not have insurance.

You should immediately provide us with your insurance information.

[Describe the insurance information the borrower must provide]. [The information must be provided in writing.]

The insurance we [bought] [buy]:

- **[Costs \$[premium charge]] [Will cost an estimated \$[premium charge]] annually, which may be more expensive than insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you have any questions, please contact us at [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

(c)(1)(ii) or
(d)(2)(ii)
Notice –
Model
(MS-3C) (NOTE:
this model notice does
not exactly match
reg)

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

[Borrower's Mailing Address]

Subject: **Second and final notice – please provide insurance information for** [Property Address]

Dear [Borrower's Name]:

We received the insurance information you provided, but we are unable to verify coverage from [Date Range].

Please provide us with insurance information for [Date Range] immediately.

We will charge you for insurance we [bought] [plan to buy] for [Date Range] unless we can verify that you have insurance coverage for [Date Range].

The insurance we [bought] [buy]:

- **Costs \$[premium charge] [Will cost an estimated \$[premium charge]] annually, which may be more expensive than insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you have any questions, please contact us at [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

Forced-Placed Hazard Insurance - §1024.37

64

- “(e)(2)” renewal notice – at least 45 days prior to charging a fee or premium charge on a renewal or replacing forced-placement policy (so, annually prior to anniversary):
 - Date
 - Servicer’s name and mailing address
 - Borrower’s name and mailing address
 - **Request borrower to update the hazard insurance information for borrower’s property at identified physical address**
 - A statement that the servicer previously purchased insurance on the property and assessed the cost to the borrower because the servicer did not have evidence that the borrower had hazard insurance coverage for the property
 - A statement that the insurance the servicer previously purchased has expired or is expiring, and, **because hazard insurance is required on the property, the servicer intends to maintain insurance on the property by renewing or replacing the insurance it previously purchased**
 - **A statement that insurance the servicer purchases:**
 - **May cost significantly more than hazard insurance purchased by the borrower**
 - **May not provide as much coverage as hazard insurance purchased by the borrower**
 - **The cost of the force-placed insurance, stated as an annual premium, except if a servicer does not know the cost of force-placed insurance, a reasonable estimate shall be disclosed and identified as such.**
 - A statement that if the borrower purchases hazard insurance, the borrower should promptly provide the servicer with insurance information.
 - A description of the requested information, how the borrower may provide the information, and, whether the information must be in writing
 - The servicer’s telephone number for borrower inquiries
 - If applicable, a statement advising the borrower to review additional information provided (No other information can be in this letter, but can be on separate papers in the mailing)
- Can charge premiums for coverage during the 45 day period, if not prohibited by State or other law, upon receipt of evidence that borrower lacked coverage for a period of time following expiration of the existing forced-placed insurance.

(e)(2) Notice –
Model
(MS-D)

[Name and Mailing Address of Servicer]

[Date of Notice]

[Borrower's Name]

[Borrower's Mailing Address]

Subject: **Please update insurance information for** [Property Address]

Dear [Borrower's Name]:

Because we did not have evidence that you had [hazard] [Insurance Type] insurance on the property listed above, we bought insurance on your property and added the cost to your mortgage loan account. The policy that we bought [expired] [is scheduled to expire]. **Because [hazard][Insurance Type] insurance is required on your property, we intend to maintain insurance on your property by renewing or replacing the insurance we bought.**

The insurance we buy:

- **[Costs \$[premium charge]] [Will cost an estimated \$[premium charge]] annually, which may be more expensive than insurance you can buy yourself.**
- **May not provide as much coverage as an insurance policy you buy yourself.**

If you buy [hazard] [Insurance Type] insurance, you should immediately provide us with your insurance information.

[Describe the insurance information the borrower must provide]. [The information must be provided in writing.]

If you have any questions, please contact us at [telephone number].

[If applicable, provide a statement advising a borrower to review additional information provided in the same transmittal.]

Forced-Placed Hazard Insurance - §1024.37

66

- Within 15 days of receiving evidence of hazard insurance in place that complies with loan agreement, servicer must:
 - Cancel forced-placed insurance, and
 - Refund to borrower all premium charges and related fees paid by borrower for any period of overlapping insurance; credit account for any such charges/fees assessed
 - Commentary: assuming compliance with notice, can charge retroactive to the first day borrower did not have insurance in place, including at renewal.
- All charges related to forced-placed insurance must be bona fide and reasonable (for a service actually performed that bears a reasonable relationship to the cost of providing the service, and not prohibited by law)

Error Resolution §1024.35

67

- Written notice from borrower (or agent) that
 - Asserts error
 - Includes name
 - Includes information that allows you to ID the account and the error asserted
 - Need not consider notice on payment coupon or other payment form
 - “Error” means
 1. Failure to accept a properly made payment
 2. Failure to properly apply principal, interest, escrow or other charges
 3. Failure to credit a payment as of the day of receipt
 4. Failure to pay taxes, insurance or other items, or to refund or pay timely from escrow
 5. Imposition of fee/charge without reasonable basis
 6. Failure to provide accurate payoff
 7. Failure to provide accurate loss mitigation options and foreclosure information
 8. Failure to transfer information accurately and timely to transferee servicer
 9. Making improper first notice of filing for judicial or non-judicial foreclosure process
 10. Improperly conducting, or moving for, order of sale or foreclosure judgment
 11. Any other error relating to servicing of a mortgage loan
- Includes qualified written requests under RESPA

Error Resolution Procedures §1024.35

68

- Within 5 business days of receipt, must:
 - correct error and notify borrower OR
 - provide written response acknowledging receipt, and....
 - Within 7 business days for payoff error (#6), and prior to foreclosure sale (#9) and (#10), otherwise, within 30 business days (with a 15 day extension allowed with notice):
 - Correct the identified error*; provide written notice of the correction, the effective date, and contact information, including a telephone number, for further assistance; or
 - Conduct a reasonable investigation, and provide written notice that no error occurred, the reason(s) for the determination, a statement of the borrower's right to request documents relied upon by the servicer in reaching its determination, information regarding how the borrower can request such documents, and contact information, including a telephone number, for further assistance.
- *or any additional or different errors discovered
- Must provide copies of written support for no error within 15 business days of receiving request for them; confidential, proprietary or privileged information need not be provided but if withheld, must notify borrower
- May request additional information, but may not make it a condition of investigating the error OR conclude that no error occurred because of failure to provide without reasonable investigation
- If notice of error for #9 or #10 is received less than 7 days prior to foreclosure sale, servicer need not comply with the above but must make good faith attempt to respond, orally or in writing, and either correct the error or state the reason servicer has determined no error occurred

Error Resolution §1024.35

69

- Procedures not required if servicer reasonably determines:
 - Substantially the same error was already asserted and procedures complied with, and borrower has provided no new or material information (i.e. not already reviewed and likely to change prior determination)
 - Error is overly broad – cannot determine any specific error
 - Delivered >1 year after servicing was transferred or loan was paid in full or discharged (debt and lien extinguished or released)
 - Must notify borrower of basis for not responding within 5 business days
- May not charge a fee or require any loan payment as a condition of responding
- May not furnish adverse information to credit bureau (for credit related errors) for 60 days after receipt; no other restrictions on legal action (except for #9 and #10)
- May designate an address for receipt of errors and provide written notice to borrowers that they must use the established address to assert an error; must be on any website for loan servicing. Otherwise, must accept an error made at any office.

Request for Information §1024.36

70

- Written request from borrower that includes name & information that allows you to ID the account and the information requested
 - Need not consider if made on payment coupon or other payment form supplied by you
 - Need not consider payoff request as request for information
- Within 5 business days of receipt, must:
 - Provide the information along with contact information in writing, including telephone number for further assistance OR
 - Provide written response acknowledging receipt, and
 - Within 10 business days for requests for the identify of (contact/address of) the owner or assignee of the mortgage loan; otherwise, within 30 business days (with a 15 day extension allowed with notice including the reasons why):
 - Provide the requested information and contact information, including a telephone number, for further assistance in writing; or
 - Conduct a reasonable search for the information, and provide written notice that you have determined the information is not available to you (not retrievable in the ordinary course of business through reasonable efforts), the basis for the determination, and contact information, including a phone number, for further assistance

Request for Information §1024.36

71

- May designate an address for information requests and provide written notice to borrowers that they must use the established address to request information; must be the same address as for asserting errors under 1024.35, and must be on notice of servicing transfer, periodic statement or coupon book, or on website for loan servicing.
- Procedures not required if you reasonably determine:
 - The requested information is substantially the same as already requested for which the procedures were complied with)
 - The information requested is confidential, proprietary or privileged
 - The information is not directly related to borrower's mortgage loan account (irrelevant)
 - The information request is overly broad or burdensome (unreasonable volume, would exceed the maximum time limits or incur unreasonable costs) except for valid information requests included within
 - The request is delivered >1 year after servicing was transferred or loan was paid in full
- But must provide notice to borrower within 5 business days setting forth basis for that determination
- May not charge a fee or require any loan payment as a condition of responding (may still charge a fee for providing beneficiary notice if allowed under state law)
- May furnish adverse information to credit bureau and there are no other restrictions on legal action in mean time

Loss Mitigation Foreclosure Limitations - §1024.41(i)

Applies to small servicers

72

- A small servicer shall not make the first notice or filing for any foreclosure process (which differs depending on whether court action, public notice, or neither is required to commence foreclosure) unless:
 - mortgage loan is >120 days delinquent
 - foreclosure is based on violation of due on sale clause, or
 - servicer is joining the foreclosure action of a subordinate lienholder
- Dual tracking: A small servicer shall not make the first notice or filing for any foreclosure process, and shall not move for foreclosure judgment or order of sale or conduct a foreclosure sale, if borrower is performing pursuant to the terms of an agreement on loss mitigation option).

The remaining slides apply to servicers who do not fit within the “small servicer” exemption.

Early Intervention §1024.39

Small servicers exempt/primary home loans only

74

- (Good faith effort to) Establish live contact with borrower of his/her agent within 36th day of delinquency; if appropriate, promptly inform of loss mitigation options
- Must provide written notice within 45 days of delinquency (Model clauses, not mandatory so long as clear and conspicuous):
 - Encourage borrower to contact servicer
 - Servicer's telephone # and mailing address
 - Applicable loss mitigation options available to borrower
 - Applicable application instructions or how to get more information (“*not all borrowers will qualify”)
 - Website for Bureau list or HUD homeownership counselors, and HUD toll-free telephone number

Continuity of Contact §1024.40

Small servicers exempt/primary home loans only

75

- Adopt policies and procedures:
 - Assign personnel (single or team) by time written notice is sent (45 days of delinquency)
 - Make personnel available by phone # to assist until borrower has made 2 consecutive on-time payments under permanent loss mitigation (LM) agreement:
 - Provide live response in “timely manner”
 - Provide accurate info about owner’s LM options, actions to apply for (or appear decision about), deadlines, circumstances for foreclosure referral, status of application, and procedures for error (.35) or request for information (.36)
 - Be able to timely retrieve a complete payment history and all written communication (including with prior servicers), and provide to others as necessary to evaluate for LM options

Loss Mitigation (LM) §1024.41

Small servicers exempt/primary home loans only

76

- Enforceable under RESPA §6(f)
- LM applications received ≥45 days before foreclosure sale:
 - Review promptly to see if complete under your policies (i.e. oral or written information you would normally consider)
 - Notify within 5 days of complete/incompleteness (with information needed and deadline*), and recommend contacting servicers of other lienholders
 - *Deadline should consider: date submitted documents become stale, 120th day of borrower's delinquency, 90 days before a foreclosure sale, or 38 days before foreclosure sale
 - Can also evaluate incomplete application if exercised reasonable diligence in getting information to complete
- Complete LM application received >37 days before a foreclosure sale:
 - Within 30 days of receipt, servicer shall evaluate & provide written notice of any LM options it will offer on owner's behalf
- Deadlines for acceptance or rejection of LM option:
 - If complete LM application received >90 days before foreclosure sale, servicer must give ≥14 days to accept
 - If complete LM application received <90 days & >37 days before foreclosure sale, servicer must give ≥7 days
 - If borrower provides LM option payment within deadlines for acceptance, servicer must afford "reasonable period of time" beyond the deadline to meet other requirements.
 - If borrower appeals, deadline for acceptance is extended until 14 days after servicer provides notice
 - Otherwise, can assume rejection if not accepted within deadline
- If application for trial or permanent loan modification is denied, shall provide notice of specific reasons on which denial was based & appeal process (deadline & requirements) along with ECOA and FCRA notice, as applicable

Loss Mitigation (LM) §1024.41

Small servicers exempt/primary home loans only

77

- Prohibited foreclosure referral/sale:
 - Pre-foreclosure review period – A servicer shall not make the first notice or filing for any foreclosure process unless mortgage loan is >120 days delinquent.
 - If LM application is submitted before servicer has made first notice or filing, or after first notice of filing but >37 days before a foreclosure sale, servicer shall not make first notice, or move for judgment or conduct sale unless:
 - notice has been provided saying not eligible for options, and appeal (a) is not applicable, (b) has not been requested, or (c) has been denied;
 - borrower rejects all options offered; or
 - borrower fails to perform under an agreement of LM option
- Mandatory Appeals process:
 - If complete LM application received ≥ 90 days before foreclosure sale or during prohibited foreclosure periods described above, servicer shall permit appeal of denial of any trial or permanent loan mod program available to borrower
 - Appeals period is 14 days after notice is provided
 - Different personnel than who evaluated the application
 - Within 30 days of making the appeal, servicer shall provide notice of the appeal results; must provide 14 days after notice to accept or reject any offer
 - Determination here is not subject to further appeal

General Servicing Policies §1024.38

Small servicers exempt

78

- Shall adopt policies and procedures reasonably designed to ensure that servicer can:
 - Provide accurate & timely information to borrowers (.35 and .36) and loan owners): disclosures, respond to complaints, request for information, information in foreclosure, successor in interest
 - Evaluate all loss mitigation options: know loan owner's available options & requirements, ID required documents & criteria, access documents provided by borrower in mitigation process, properly evaluate
 - Oversee third party service providers: access to information, ability to audit
 - Facilitate transfer of all required information at servicing transfer, including current status of discussions, analysis & agreements (from servicer, nor borrower)
 - Inform borrowers of written error resolution and request for information procedures (.35 and .36)

General Servicing Policies §1024.38

Small servicers exempt

79

- Record retention – All documents that reflect actions taken with respect to mortgage loan account for 1 year after loan is discharged or servicing is transferred
- Servicing File, able to be compiled within 5 days:
 - Schedule of all debits or credits to loan account, escrow & suspense account
 - Copy of security instrument (mortgage)
 - Any notes reflecting communication with borrower
 - If applicable, a report of data fields for servicer's electronic systems
 - Copies of information or documents provided per .36 or .41
 - Only applies to documents created on or after 1/10/14.

Periodic Statements §1026.41

Small servicers exempt/closed-end only

80

For each billing cycle (or monthly, if longer) deliver or place in mail within a reasonably prompt time after payment due date (or end of free-ride period) for previous billing cycle (Model forms at H-30, not mandatory):

- Amount Due, grouped together at top of first page: Payment due date, amount of late payment fee (and date imposed). Amount due (more prominent than other disclosures)
- Explanation, grouped together on first page: Monthly payment amount (breakdown to P&I and escrow) and options, indicating whether principal will increase, decrease or stay the same for each option; total sum of any fees imposed since last statement; any payment amount past due
- Past payments, grouped together on first page: total of all payments received since last statement (breakdown to P&I, escrow, fees & charges, and suspense); total of all payments since beginning of current calendar year (breakdown to P&I, escrow, fees & charges, and suspense)
- Transaction activity (that which causes credit or debit to amount due): date, description and amount
- Partial payments, on first page or on a separate page/letter: Explain what must be done for any partial payment in suspense to be applied
- Contact info, on first page: Toll-free phone number and, if applicable, e-mail address to obtain information on the account
- Loan info: Outstanding principal balance, current interest rate, date after which rate may next change, and existence of any prepayment penalty
- Website to Bureau's or HUD's list of homeownership counselors, and HUD toll-free phone number

Periodic Statements §1026.41

Small servicers exempt /closed-end only

81

- If >45 days delinquent, grouped together on first page or on a separate page/letter:
 - date became delinquent
 - notice of possible risks (foreclosure and expenses) if not cured
 - an account history for last 6 months or since account was current (whichever shorter) showing the amount remaining past due for each billing cycle or, if payment fully paid, the date credited as fully paid
 - a notice indicating any loss mitigation program to which consumer has agreed
 - whether the servicer has made the first notice or filing for foreclosure process
 - total payment needed to bring account current
 - reference to homeownership counseling information disclosed in statement

Periodic Statements §1026.41

Small servicers exempt/closed-end only

82

- Statements are not required for fixed-rate loans with coupons:
 - That show amount due (more prominent) with options, date due, amount of late payment fee, and date of late payment fee;
 - Showing anywhere in coupon book, at the time provided: (a) the amount of outstanding principal balance, current interest rate and date after which rate may change, existence of any prepayment penalty, and Bureau or HUD's website and HUD toll-free number; (b) contact information for servicer; and how to obtain (c) the amount due & explanation, past payment, transaction activity and partial payments;
 - Servicer makes available the information in (c) above, upon request by telephone, in writing, in person or electronically (not per E-SIGN*); and
 - Where servicer provides written delinquent disclosures for any billing cycle in which consumer is >45 days delinquent
 - *can be provided electronically without full E-SIGN compliance.

Questions.....

83



Saltmarsh, Cleaveland & Gund

84

- ▣ CPA firm founded in 1944 with offices in Pensacola, Ft. Walton Beach, Tampa and Orlando
- ▣ 7 shareholders are in the Bank Group practice (of 16 of overall), plus 20 consultants
- ▣ Currently serving over 140 financial institutions primarily in Florida with Audit, Tax, and Consulting
 - Internal Audits
 - Loan/Credit Quality review
 - IRR/ALM reviews
 - Bank Secrecy Act Independent Test
 - Compliance risk assessment, reviews, monitoring, training
 - Loan, Deposit, CRA, Fair Lending, NACHA

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85



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